The Impact of Financial Literacy on the Financial Well-being of Administrative Officers of Higher Educational Institutes in Sri Lanka

Financial Literacy

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Abstract

This study examines whether financial literacy affects the financial well-being of administrative officers in higher education institutes in Sri Lanka.This study specifically focuses on the connection between different aspects of financial literacy and financial well-being using testable hypotheses. It uses a quantitative cross-sectional research design with a structured questionnaire given to administrative officers in these institutions. Financial literacy is defined through four aspects: financial education, financial awareness, financial attitude, and financial behavior. Financial discipline is considered as a moderating variable. The findings show that financial education and financial behavior have a significant positive impact on financial well-being, while financial awareness and financial attitude do not have statistically significant effects. The moderation analysis further shows that financial discipline enhances the relationship between financial literacy and financial well-being. This study contributes to the existing literature on financial literacy in the Sri Lankan public sector by focusing on administrative officers, who are relatively less studied in higher education settings. It suggests that targeted financial wellness programs can help improve employees' financial skills and long-term financial stability.

Keywords: Financial Literacy, Financial Wellbeing, Public Sector Employees, Job Security, Sri Lanka

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Introduction

The Imperative of Financial Wellbeing in the Modern Economy

In the contemporary global economy, the landscape of personal finance has undergone a profound transformation (Alperovych, Calcagno, & Lentz, 2024; Appiah, & Agblewornu, 2024). Individuals are confronted with an increasingly complex array of financial products, volatile market conditions, and a significant structural shift in retirement provisioning (Lusardi, & Tufano, 2015). The global trend away from employer-guaranteed defined-benefit pension plans towards defined-contribution schemes places a greater responsibility on individuals to manage their own financial security for the long term (Klapper, Lusardi, & Van Oudheusden, 2015; Lusardi, & Tufano, 2015). This heightened personal responsibility has elevated financial literacy from a desirable skill to a critical competency for navigating modern life (Kempson, 2009). The global financial crisis of 2008 served as a significant reminder of the devastating consequences of market failures and inadequate financial knowledge, which eroded the wealth of countless investors and underscored the need for a more financially literate population (World Bank, 2015). Furthermore, in April 2022, Sri Lanka also experienced a similar financial crisis with defaulting loan repayments. Consequently, financial literacy and financial well-being have gained prominent positions on the global policy agenda, recognized as core components for individual empowerment and the stability of financial systems (World Bank, 2023). Effective management of personal finances is the goal for every individual and household, yet many fall into financial difficulty due to a lack of knowledge regarding savings, investments, and debt management. This makes the study of financial literacy and its impact on wellbeing a matter of pressing global importance.

The Sri Lankan Context and the Public Sector Employee

The imperative for financial literacy is particularly critical in developing nations such as Sri Lanka, which has faced its own unique set of economic challenges, including periods of high inflation and economic recession that have direct and adverse effects on the financial wellbeing of its citizens (Premaratna, Seneviratne, Dissanayake, Ranwala, Melegoda, & Fernando, 2021). According to the S&P Global Finlit Survey in 2014, Sri Lanka's financial literacy rate was a mere 35%, among the lowest in South Asia (Klapper, Lusardi, & Van Oudheusden, 2015). While a 2021 survey by the Central Bank of Sri Lanka (CBSL) indicated a significant improvement to 57.9%, this still suggests that a substantial portion of the population lacks the necessary skills for sound financial decision-making (Central Bank of Sri Lanka, 2022).

Within this national context, public sector employees represent a distinct and important demographic. They are typically well-educated and benefit from stable employment, predictable income streams, and robust social security systems, which set them apart from a large segment of the workforce engaged in informal or less stable employment. However, this stability does not grant them immunity from financial uncertainty. Research on public sector employees in Sri Lanka notes that many hold significant debt obligations against their future cash inflows. This creates a unstable situation, as future income is inherently uncertain and subject to the erosive power of inflation, leading to persistent concerns about salary adequacy and pension-related issues (Abeysuriya, 2019). This cohort, therefore, provides a compelling case for examining the role of financial literacy beyond the basic need for income, highlighting its importance even among those with seemingly secure financial foundations.

Research Problem and Objectives

Despite the growing body of research on financial literacy, there remains a gap in the literature concerning its specific impact on the financial wellbeing of a key segment of the Sri Lankan public sector the administrative officers of its national universities. Previous Sri Lankan studies have largely focused on SMEs, entrepreneurs, private sector employees, or general consumers, while limited attention has been paid to administrative officers in the public higher education sector. Therefore, this study attempts to address this empirical gap. These individuals, who form the operational backbone of institutions such as the higher educational institutes in Sri Lanka, possess formal education and secure employment. Yet, it is hypothesized that a deficiency in personal financial literacy may prevent them from translating their stable income into optimal financial wellbeing. Institutional support systems, while beneficial, may mask underlying vulnerabilities that can only be addressed through enhanced personal financial literacy.

The primary objective of this research is to examine the impact of financial literacy on the financial well-being of administrative officers in higher educational institutes in Sri Lanka.

The study will pursue the following secondary objectives:

1. To examine whether financial education significantly impacts financial well-being.
2. To examine whether financial awareness significantly impacts financial well-being.
3. To examine whether financial attitude significantly impacts financial well-being.
4. To examine whether financial behaviour significantly impacts financial well-being.
5. To examine whether financial discipline moderates the relationship between financial literacy and financial well-being.

Significance of the Study

The significance of this study is multi-faceted, extending benefits to individuals, the institution, and the broader public sector. For the administrative officers themselves, enhanced financial literacy can lead directly to improved financial wellbeing, characterized by reduced financial stress, greater confidence in their financial future, and the freedom to make life choices unconstrained by financial worries (Yao, 2016). As multiple studies have shown, financial concerns are negatively correlated with personal wellbeing, self-esteem, and family functioning, and can manifest as depression and anxiety (Abeysuriya, 2019).

For the Higher educational institutes in Sri Lanka, a financially well workforce is a more productive one. Researches have demonstrated that lack of financial concerns in the workplace can result in lost productivity, reduced work quality, increased absenteeism, and a higher chance of victims to informal financial schemes such as pyramids (Kulathunga, Sharma & Weerathunga, 2020). By investing in the financial wellbeing of administrative officers can foster higher employee satisfaction, engagement, and efficiency, which is crucial for create empowered employees and institutions in Sri Lanka.

More broadly, the findings of this study can inform policy and practice across the Sri Lankan public sector. Understanding the specific financial literacy needs and behavioral patterns of public employees can help in the design of effective financial wellness programs. A more financially literate public workforce is not only more resilient but also better equipped to understand and appreciate the complexities of economic policies and pension reforms, making them more informed citizens and contributing to a more efficient and stable public service. This research, therefore, aims to provide valuable insights that can catalyze positive change at the individual, institutional, and national levels.

Literature review

A rigorous analysis of the relationship between financial literacy and financial wellbeing requires a clear understanding of these two core constructs, the theoretical frameworks that connect them, and the body of empirical evidence that has previously examined this relationship. This section establishes that foundation (Grohmann, 2023; CFPB, 2020).

Financial Literacy

The concept of financial literacy has evolved from a narrow focus on knowledge to a broader, more holistic understanding that encompasses a range of competencies (Klapper, Lusardi, & Van Oudheusden, 2015; Kempson, 2009). It is this multidimensional nature that gives the concept its analytical power (OECD, 2022).

Defining Financial Literacy

Early definitions of financial literacy often equated it with financial knowledge. However, contemporary and more authoritative definitions, such as those provided by the Organization for Economic Co-operation and Development (OECD) and its International Network on Financial Education (INFE), offer a clearer perspective. The OECD defines financial literacy as a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing (OECD/INFE, 2022). This definition is critical because it explicitly links literacy not just to the possession of knowledge but to its practical application through skills and behaviors, with the goal of improving wellbeing. It makes clear that financial literacy is something more than knowledge; it includes the motivation and confidence to apply that knowledge to make effective decisions in real-life financial contexts (OECD/INFE, 2022). Therefore, for the purpose of this study, financial literacy is conceptualized not merely as what an individual knows, but as the ability to use that knowledge and skill to manage financial resources effectively for a lifetime of financial security (Mitchell & Lusardi, 2022).

Dimensions of Financial Literacy

To operationalize this definition, financial literacy can be broken down into several key components that consistently appear in literature. These components form the practical domains where financial knowledge and skills are applied (Huston, 2012).

Budgeting and cash flow management is the foundational skill of personal finance (Huston, 2010; Kempson, 2009; Lusardi, 2019). It involves the ability to manage income and outgoings to achieve financial stability. This includes understanding one's income, particularly the difference between gross pay (total earnings) and net pay (take-home pay after deductions such as taxes and retirement contributions), which is the actual amount available for budgeting (Lusardi, 2019). It also requires tracking expenses, differentiating between fixed costs (e.g., rent, loan payments) and flexible costs (e.g., groceries, entertainment), and creating a realistic budget that prioritizes needs over wants and ensures that expenses do not exceed income. The goal is to create positive cash flow, where one spends less than they earn.

Debt Management is component involves the knowledge of borrowing, credit, and debt. A financially literate individual understands concepts such as interest rates, credit scores, and different types of loans (Lusardi & Tufano, 2015). They appreciate the importance of paying bills on time to maintain a good credit rating and avoid late fees, and they understand the terms of any loan before committing. Effective debt management is about using credit wisely and having a concrete plan to repay any outstanding debt, preventing it from becoming a financial burden.

Saving and Investing is dimension moves beyond day-to-day management to long-term wealth accumulation (Aren & Nur, 2016, Lusardi, 2019; Lusardi & Tufano, 2015). It is predicated on understanding fundamental financial concepts such as the time value of money, the power of compound interest, and the relationship between risk and return. A financially literate person recognizes the importance of saving for future wants, needs, and emergencies. Furthermore, they understand the principles of investing to make their money grow, including the concept of risk diversification to protect their capital.

Retirement and long-term planning are a crucial application of saving and investing knowledge is planning for retirement. This involves setting long-term goals and making consistent contributions to retirement savings vehicles such as pension schemes or other investment plans. It requires a forward-thinking mindset to ensure financial security in one's later years.

Risk management and protection is final component that involves understanding how to protect one's financial resources from unexpected events and threats. This includes knowledge of insurance products (health, life, property) to mitigate the financial impact of adverse events, as well as an awareness of financial fraud and identity theft and the measures needed to safeguard personal information.

Understanding Financial Wellbeing

Just as financial literacy is more than knowledge, financial wellbeing is a concept that transcends simple objective measures such as income or net worth. It is a deeply personal and subjective state that reflects an individual's overall financial health.

Defining Financial Wellbeing

The most widely accepted and consumer-driven definition of financial wellbeing comes from the U.S. Consumer Financial Protection Bureau (CFPB). It defines financial wellbeing as "a state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future and is able to make choices that allow them to enjoy life". This definition is powerful because it captures both security and freedom, in both the present and the future. It recognizes that consumers can experience financial wellbeing, or a lack thereof, regardless of their income level. It is a holistic concept that encompasses a person's ability to manage everyday expenses, save for future goals, and prepare for retirement, ultimately achieving a sense of financial security and peace.

Key Indicators of Financial Wellbeing

To make this definition measurable, the CFPB and other organizations have developed frameworks that break financial wellbeing down into four key elements, which can be assessed through a combination of objective conditions and subjective perceptions.

Present Security (Control over Finances): This dimension relates to an individual's ability to manage their day-to-day and month-to-month financial lives. It is the feeling of being in control of one's finances. Key indicators include having control over daily finances, paying bills on time, having a manageable level of debt, and consistently spending less than one earns.

Present Freedom (Freedom of Choice): This element captures the financial freedom to make choices that enhance one's quality of life. It is about having the flexibility to allocate money to enjoyable activities without financial constraint. A primary indicator is having sufficient money left over after covering essential expenses and savings contributions.

Future Security (Financial Resilience): This dimension reflects the capacity to absorb a financial shock or unexpected expense. It is about feeling prepared for the unexpected. Key indicators include having an emergency fund (typically three to six months' worth of living expenses), feeling confident in one's ability to handle a major unexpected expense, and having adequate insurance coverage.

Future Freedom (Meeting Financial Goals): This final element concerns being on track to meet one's long-term financial goals, particularly for retirement. It is about feeling secure and confident about one's financial future. Indicators include having a clear retirement plan, consistently saving for the future, and feeling that one is securing their financial future.

Based on the above discussion the following conceptual framework can be developed.

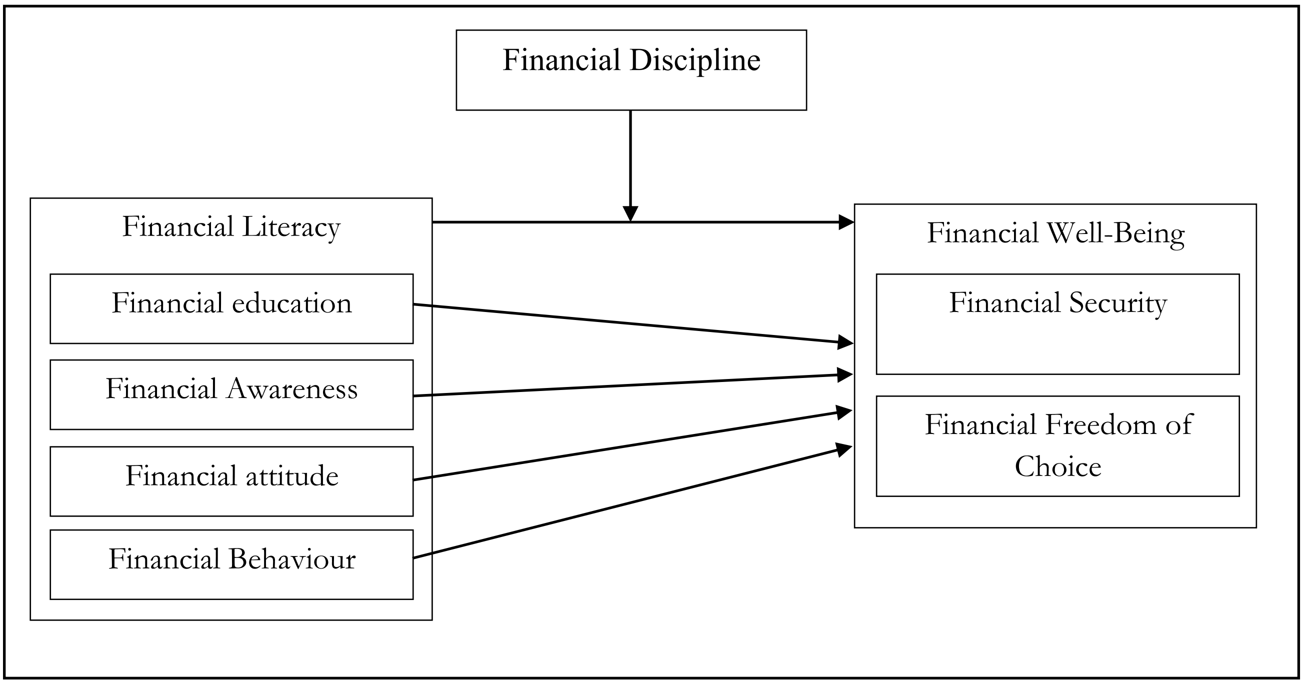

Figure 1: Conceptual Framework

In this framework, Financial Literacy is defined as an independent construct that includes four dimensions: financial education, financial awareness, financial attitude, and financial behavior. Financial Well-being is shown through financial security and the freedom to make choices. Financial discipline serves as the moderating variable that influences the relationship between financial literacy and financial well-being.

Hypotheses of research

These hypotheses examine the impact of each individual dimension of Financial Literacy on the overall Financial Well-Being.

Hypothesis 1: Effect of Financial Education

- H1: Financial education has a significant positive effect on Financial Well-Being.
- H0: Financial education has no significant effect on Financial Well-Being.

Hypothesis 2: Effect of Financial Awareness

- H1: Financial Awareness has a significant positive effect on Financial Well-Being.
- H0: Financial Awareness has no significant effect on Financial Well-Being.

Hypothesis 3: Effect of Financial Attitude

- H1: A positive financial attitude has a significant positive effect on Financial Well-Being.

- H0: Financial attitude has no significant effect on Financial Well-Being.

Hypothesis 4: Effect of Financial Behaviour

- H1: Prudent Financial Behaviour has a significant positive effect on Financial Well-Being.
- H0: Financial Behaviour has no significant effect on Financial Well-Being.

Hypothesis 5: Moderating Effect

- H1: Financial Discipline significantly moderates the relationship between Financial Literacy and Financial Well-Being.
- H0: Financial Discipline does not significantly moderate the relationship between Financial Literacy and Financial Well-Being.

Methodology

This section outlines the research methodology employed to investigate the relationship between financial literacy and financial wellbeing among administrative officers at the Higher educational institutes in Sri Lanka. It details the research design, population and sample, data collection instruments, procedures, and techniques used for data analysis.

Research Design

The study utilized a quantitative, cross-sectional research design. This approach was chosen for its suitability in examining the relationships between variables namely financial literacy, financial discipline, and financial wellbeing at a single point in time. A cross-sectional design is efficient for capturing a snapshot of the characteristics, attitudes, and behaviors of a specific population, allowing for the statistical testing of the hypotheses developed in the conceptual framework

Population and Sample

The target population for this study was administrative officers working in higher educational institutes in Sri Lanka. Although the study initially planned to use a simple random sampling method, practical issues such as access to staff databases and the availability of respondents led to a more accessible sampling process. The final sample included 101 respondents. This sample size is considered. However, the study notes that a larger sample would enhance statistical power and external validity.

Data Collection Instrument

The questionnaire used for this study consisted of several sections designed to capture the demographic and financial characteristics of the respondents. The demographic section collected information relating to respondents' age, gender, educational qualifications, and monthly income level. This information was used to describe the profile of the sample and to provide contextual understanding of the respondents included in the study.

Financial literacy, which served as the independent variable of the study, was measured through four dimensions: financial education, financial awareness, financial attitude, and financial behaviour. The items included under these dimensions were adapted from established financial literacy frameworks and prior empirical studies to assess respondents' financial knowledge, awareness, attitudes, and day-to-day financial practices. These dimensions collectively reflected the respondents' capability to manage personal financial matters effectively.

Financial well-being, which represented the dependent variable, was measured using a series of statements designed to evaluate respondents' perceptions of their financial security, financial stability, and ability to make financial choices confidently. The measurement was developed in line with the conceptual framework of the study and focused on both present and future aspects of financial well-being.

In addition, financial discipline was measured as the moderating variable of the study. This section included items intended to assess the respondents' ability to manage their finances in a disciplined manner, including adherence to budgets, control over unnecessary expenditure, regular saving habits, and commitment to financial plans. The inclusion of this variable enabled the study to examine whether financial discipline strengthens the relationship between financial literacy and financial well-being.

The questionnaire items were adapted from existing, validated financial literacy and financial well-being literature, rather than being specifically designed. A pilot study took place before the main survey to assess the reliability and clarity of the questionnaire items. Although the reliability was tested using Cronbach's Alpha, additional validation procedures such as Confirmatory Factor Analysis (CFA) could not be carried out due to data and software limitations. The study acknowledges this limitation.

It also recognizes the potential for common method bias, since all variables were gathered using a single self-report questionnaire at one time. While measures such as anonymity and standardized questions aimed to reduce response bias, specific statistical tests for common method bias were not deemed particularly necessary

Data Analysis

The data collected was analyzed using quantitative methods, primarily through SPSS statistical software. The analysis was conducted in two main stages. First, descriptive statistical analysis was done using frequencies and percentages, which were calculated to summarize the demographic profile of the respondents, providing a clear overview of the sample's characteristics. Then, inferential statistical analysis was conducted to test the research hypotheses. The following inferential techniques were used to test the hypotheses. First multiple regression analysis, this was employed to test the direct effect of the four components of financial literacy on financial wellbeing. The significance of each predictor was determined by examining its p-value, with a significance level set at $\alpha = 0.05$.

Then, the moderation analysis was done to test the moderating effect of financial discipline on the relationship between financial literacy and financial wellbeing, the PROCESS macro (Model 1) for SPSS was used. The significance of the interaction term (Int_1) was assessed to determine if moderation was present. The analysis also included an examination of the conditional effects at different levels of the moderator to interpret the nature of the interaction

Before regression analysis, preliminary diagnostics evaluated the assumptions of regression. Multicollinearity was checked through correlation analysis and observation of coefficient behavior. The regression model did not show serious multicollinearity issues among the predictor variables. The normality assumption was assessed by looking at descriptive distribution patterns and residuals. While small deviations might be present, the sample size and residual behavior were viewed as acceptable for regression analysis in social science research.

Data Presentation and Analysis

Descriptive Statistical Analysis

Table 1: Demographic profile of the respondents

Characteristic	Category	Frequency (N)	Percentage (%)
Age	20-27	39	39.00%
	28-42	59	59.00%
	43-59	2	2.00%
Gender	Male	45	45.00%
	Female	55	55.00%
Education	Up to Diploma	1	1.00%
	Degree or Equivalent	97	97.00%
	Postgraduate	2	2.00%
Income Level	Up to 100,000	12	12.00%
	100,000-300,000	82	82.00%
	300,000-500,000	6	6.00%

Source: Survey Data

Most respondents (59%) are between 28-42 years old. The sample is predominantly composed of young and middle-aged adults. The group is balanced, with slightly more females (55%) than males (45%). The respondents are overwhelmingly well educated, with 97% holding a university degree or an equivalent qualification. The vast majority (82%) earn between 100,000 and 300,000 (presumably Sri Lankan Rupees, LKR) per month.

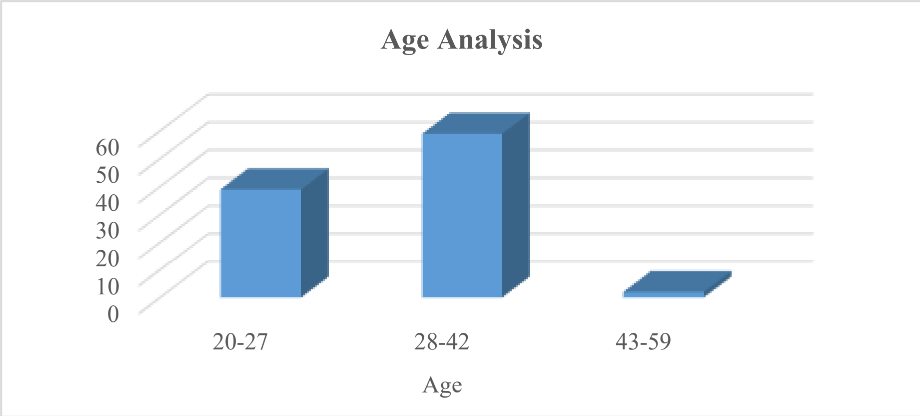

Figure 2: Age Analysis

Source: Survey Data

Figure 3: Gender

Source: Survey Data

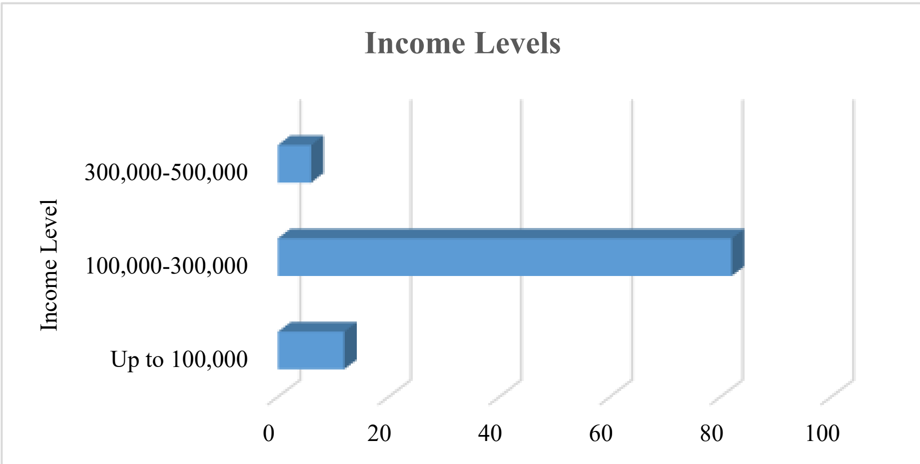

Figure 4: Income Level

Source: Survey Data

Pilot Study – Measurement of reliability

Table 2: Reliability analysis

No	Variable Name	Number of Items	Cronbach Alpha	Decision
1	Financial Education	05	0.731	Acceptable
2	Financial Awareness	05	0.737	Acceptable
3	Financial Attitudes	05	0.732	Acceptable
4	Financial Behaviour	05	0.710	Acceptable
5	Financial Disciplines	05	0.785	Acceptable - Good
6	Financial Well-being	10	0.954	Excellent

Source: Survey Data

This table provides strong statistical evidence for the pilot study, that the questionnaire used to measure financial well-being is highly reliable. All the Cronbach's Alpha scores are well above the accepted threshold of 0.7, related to other variables also, which means the researcher can be confident in the quality and consistency of the data collected using this instrument.

Inferential Statistical Analysis

Table 3: Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.646[a]	.417	.392	.69850

a. Predictors: (Constant), MFB, MFE, MFAt, MFA

b. Dependent Variable: MFWB

Source: Author's estimation

The coefficient of determination R Square (.417). This is the most important number in this table. It means that independent variables (MFB, MFE, MFAt, MFA) can collectively explain 41.7% of the variation in the dependent variable (MFWB). This is a strong result and indicates that model has significant explanatory power. R (.646): This is the multiple correlation coefficient. It measures the strength of the relationship between independent variables and dependent variables. A value of .646 indicates a strong positive relationship. Adjusted R Square (.392): This is a slightly more conservative version of R Square. It adjusts the value based on the number of predictors in the model. An Adjusted R Square of .392 (or 39.2%) is still a very good result, confirming the model's strength.

Table 4: ANOVA

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.157	4	8.289	16.990	.000[b]

	Residual	46.351	95	.488		
	Total	79.508	99			

a. Dependent Variable: MFWB

b. Predictors: (Constant), MFB, MFE, MFAt, MFA

Source: Author's estimation

The ANOVA results indicate that the regression model is statistically significant (F = 16.990, $p < 0.001$). This suggests that the predictors financial behaviour (MFB), financial education (MFE), financial attitudes (MFAt), and financial awareness (MFA) collectively explain a significant proportion of the variance in financial well-being (MFWB). Therefore, the model provides strong evidence that these financial factors are important determinants of financial well-being.

Table 5: Coefficients[a]

Model		**Unstandardized Coefficients B**	**Unstandardized Coefficients Std. Error**	**Standardized Coefficients Beta**	**t**	**Sig.**
1	(Constant)	-.357	.495		-.722	.472
	MFE	.273	.129	.224	2.121	.037
	MFA	.254	.147	.206	1.727	.087
	MFAt	.118	.151	.078	.778	.438
	MFB	.301	.129	.265	2.340	.021

a. Dependent Variable: MFWB

Source: Author's estimation

The regression coefficients indicate that financial education (B = 0.273, $p < 0.05$) and financial behaviour (B = 0.301, $p < 0.05$) have significant positive effects on financial well-being, suggesting that higher levels of financial knowledge and responsible financial practices are associated with improved financial outcomes. Financial awareness (B = 0.254, p = 0.087) shows a positive but marginally insignificant effect, while financial attitudes (B = 0.118, p = 0.438) do not significantly influence financial well-being. These findings highlight that practical aspects of financial literacy, particularly education and behaviour, play a more critical role in enhancing financial well-being than attitudes or general awareness.

Based on your analysis, Financial Education (MFE) and Financial Behaviour (MFB) are the two components that have a significant positive impact on Financial Well-Being. Financial Awareness and Financial Attitude were not found to be significant predictors. Of the two significant predictors, Financial Behaviour (Beta = .265) has the strongest positive effect on Financial Well-Being.

Moderating Effect

- HA2: Financial Discipline significantly moderates the relationship between Financial Literacy and Financial Well-Being.

- H02: Financial Discipline does not significantly moderate the relationship between Financial Literacy and Financial Well-Being.

Model: 1

Y: MFWB
X: MFL

W: MFD

OUTCOME VARIABLE:

MFWB

Table 6. Model Summary

R	R-sq	MSE	F	df1	df2	p
.6792	.4614	.4569	27.6956	3.0000	97.0000	.0000

Model

Predictor	coeff	se	t	p	LLCI	ULCI
constant	1.6146	1.0388	1.5543	.1234	-.4471	3.6763
MFL	.2171	.3287	.6605	.5105	-.4353	.8695
MFD	-.5915	.3452	-1.7138	.0898	-1.2766	.0935
Int_1	.2079	.0882	2.3573	.0204	.0329	.3829

Product Terms Key

Interaction Term
Int_1 : MFL × MFD

Test(s) of Highest Order Unconditional Interaction(s)

Interaction	R2-chng	F	df1	df2	p
X*W	.0309	5.5568	1.0000	97.0000	.0204

Focal Predictor (X): MFL

Moderator (W): MFD

Conditional Effects of the Focal Predictor at Values of the Moderator(s)

MFD	Effect	se	t	p	LLCI	ULCI
3.0000	.8408	.1794	4.6857	.0000	.4847	1.1969
3.6000	.9655	.1839	5.2497	.0000	.6005	1.3306
4.2000	1.0903	.2026	5.3808	.0000	.6881	1.4924

The variable MFD moderates the relationship between MFL and MFWB. In simpler terms, the effect of MFL on MFWB changes depending on the level of financial discipline (MFD).

The moderation analysis provides evidence that financial discipline significantly moderates the relationship between financial literacy and financial well-being. The interaction term between financial literacy (MFL) and financial discipline (MFD), represented as Int_1 in the model output, was found to be statistically significant ($p = .0204$). Since the p-value is below the standard significance threshold of 0.05, the interaction effect is considered statistically significant. In addition, the 95% confidence interval for the interaction effect ranged from 0.0329 to 0.3829, and because this interval does not include zero, the significance of the moderation effect is further confirmed.

The overall regression model was also statistically significant and demonstrated satisfactory explanatory power. The R-squared value of 0.4614 indicates that financial literacy, financial discipline, and their interaction collectively explain approximately 46.14% of the variation in financial well-being. This suggests that the model provides a reasonably strong explanation of the factors influencing financial well-being among the respondents.

With regard to the individual predictors, the direct effect of financial literacy on financial well-being was not statistically significant when financial discipline was held at zero ($p = .5105$). Similarly, the direct effect of financial discipline on financial well-being was also not statistically significant at that reference point ($p = .0898$). However, the statistically significant interaction effect indicates that the influence of financial literacy on financial well-being varies depending on the level of financial discipline. This finding suggests that individuals with stronger financial discipline are more likely to translate their financial literacy into improved financial well-being.

How Moderation Works (Conditional effects)

This table is the most useful for interpreting moderation. It shows how the relationship between MFL and MFWB changes at low, medium, and high levels of the moderator, MFD.

Table 7. Effects of Moderation

MFD Level	**Effect of MFL on MFWB**
Low (3.00)	0.8408 (Strongly positive)
Medium (3.60)	0.9655 (Stronger positive)
High (4.20)	1.0903 (Strongest positive)

Source: Author's estimation

Conclusion**:** All these effects are highly significant ($p = .0000$). The table clearly shows that as the value of MFD increases, the positive relationship between MFL and MFWB becomes stronger. This is the nature of your moderation effect.

Discussion and Implications

The analysis of the relationship between financial literacy and financial wellbeing among the administrative officers of the Higher educational institutes in Sri Lanka reveals a complex interplay between individual capability and institutional structure. The findings carry significant implications not only for the employees and the university itself but also for the broader public sector in Sri Lanka.

Synthesizing the Core Relationship

The central finding of this analysis is that, when controlling for the foundational security provided by their employment, financial literacy emerges as a powerful and positive determinant of the overall financial wellbeing of administrative officers. The evidence from the literature, combined with the contextual analysis, strongly supports the conclusion that higher levels of financial literacy directly enable more prudent financial behaviors. These behaviors, in turn, lead to enhanced financial resilience, reduced financial stress, and a greater capacity to achieve personal and family life goals.

This relationship allows for a critical distinction between a state of passive security and one of active financial control and freedom. While the institutional framework provides a baseline of security, it is an individual's financial literacy that empowers them to build upon this foundation. It is the tool that allows them to move from a position of simply *being provided for* to actively *providing for themselves* in a robust manner. The possession of financial knowledge and skills transforms an employee from a passive recipient of benefits into an active agent in the design of their own financial future.

Institutional Environment and Organizational Responses

A deep and nuanced discussion of the Public Sector Paradox is essential to fully grasp the dynamics of play. The institutional environment of the Sri Lankan public university system is a double-edged sword, acting as both a primary driver of wellbeing and a potential inhibitor of the very skills needed to maximize it.

Understanding the Role of Pensions in Financial Security

The government pension system is, without question, a foundational pillar of the financial wellbeing of administrative officers. It provides a level of future security and predictability that is increasingly rare, particularly when compared to the private sector's reliance on defined-contribution schemes. This state-guaranteed income stream removes the single greatest source of long-term financial anxiety for many individuals.

However, this analysis argues that this same pillar can function as a crutch. The very certainty and passivity of the pension system can reduce the perceived necessity for personal financial engagement. It fosters the complacency effect identified in Section 3, where employees may feel little pressure to learn about investment diversification, risk management, or supplementary retirement planning because their basic needs appear to be covered. This helps to explain the paradoxical finding in the Sri Lankan literature where public sector employees, despite having lower average financial literacy, exhibit higher rates of (mandatory) retirement planning. Their planning is driven by the institution, not necessarily by personal knowledge.

Implications for Policy and Practice

This duality has profound implications for the design of any financial wellness initiatives within the public sector. Programs that are simply transplanted from a private sector context, which often focus on the basics of enrolling in a retirement plan, are such as ly to be ineffective. Public sector financial education must be more sophisticated. It must be designed specifically to overcome institutional complacency.

To be effective, such programs must begin by explicitly highlighting the limitations and risks associated with relying solely on the state-managed systems. This includes educating employees on the long-term sustainability of non-contributory pension schemes in the face of national budget constraints. The real-world impact of inflation on the purchasing power of a fixed pension over a retirement that could span decades. The potential gap between the pension amount and the actual cost of a desired lifestyle in retirement includes rising healthcare expenses.

By first demonstrating the potential vulnerabilities in their "secure" system, such programs can create the necessary motivation for employees to engage in learning about supplementary, self-directed financial planning. The goal is to shift their mindset from passive reliance to active partnership in securing their financial future.

Implications for the Public Sector

The findings and implications derived from the case of administrative officers are generalizable to the broader Sri Lankan public sector workforce. A financially literate public service is an asset to the nation. Employees who are in control of their personal finances are less such as ly to be distracted by financial stress, making them more focused and productive in their roles. They are also less susceptible to corruption driven by financial desperation.

Furthermore, a workforce that understands fundamental economic concepts such as government budgets, debt, and the principles of pension funding is better positioned to comprehend and support necessary economic reforms. They become more educated voters and more engaged citizens, less such as ly to suffer from "fiscal illusion" the failure to understand the true costs and trade-offs of government policies. Therefore, investing in the financial wellbeing of public sector employees is not merely a matter of employee welfare. It is a strategic investment in good governance, public sector efficiency, and the long-term economic stability of the nation.

Recommendations and conclusion

Based on the analysis of the relationship between financial literacy and financial wellbeing among the administrative officers of the Higher educational institutes in Sri Lanka, this final section presents a set of actionable recommendations for key stakeholders, identifies promising avenues for future research, and offers concluding remarks.

Institutional Recommendations

To proactively address the identified knowledge gaps and overcome the "complacency effect," the Higher educational institutes in Sri Lanka and the University Grants Commission should collaborate to design and implement a holistic financial wellness program for all staff.

Based on the findings of this study, it is recommended that higher educational institutions introduce structured financial wellness initiatives as part of their staff development and employee welfare programs. Since the results indicate that financial education and financial behaviour significantly influence financial well-being, universities should provide continuous financial literacy support specifically designed for administrative officers rather than relying on general awareness programs. Such initiatives could be implemented through periodic workshops, seminars, and training sessions aimed at strengthening employees' practical financial management capabilities.

The content of these programs should be tailored to the financial realities faced by public sector employees in Sri Lanka. In particular, greater attention should be given to retirement planning and long-term financial security, as many administrative officers depend heavily on pension-related income and fixed retirement benefits. Accordingly, training programs should include practical guidance on managing Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF) benefits, retirement savings management, budgeting practices, and long-term financial planning. In addition, awareness regarding inflation and its impact on purchasing power should be incorporated to help employees make more informed financial decisions.

The study further suggests that financial wellness programs should move beyond theoretical discussions and focus more on practical applications. The use of case studies, financial planning exercises, and real-life financial scenarios may improve employees' ability to apply financial knowledge in their personal financial decision-making. This is particularly important because the findings of the study indicate that financial discipline strengthens the relationship between financial literacy and financial well-being. Therefore, improving financial knowledge alone may not be sufficient unless employees are also encouraged to adopt disciplined financial behaviours such as regular saving, controlled spending, and financial planning.

Further, universities may consider facilitating access to basic financial advisory or counseling support services for employees who require individualized financial guidance. Such support may help employees develop realistic financial plans based on their income levels, family responsibilities, and future financial goals. Finally, these initiatives could contribute to improving the financial well-being and long-term financial resilience of administrative officers within the higher education sector in Sri Lanka.

Recommendations for Administrative Officers

While institutional support is crucial, the ultimate responsibility for financial wellbeing rests with the individual. Administrative officers are encouraged to take the following proactive steps:

Based on the findings of this study, administrative officers should adopt a more active approach toward managing their personal finances. Employees should regularly assess their income, expenses, savings, and financial obligations in order to improve budgeting and financial planning practices. The study also highlights the importance of continuously improving financial knowledge through financial education programs, workshops, and other reliable sources of financial information.

Further, employees should maintain emergency savings and adopt disciplined financial behaviours to improve long-term financial security and resilience against unexpected financial difficulties. The findings also suggest that individuals should carefully evaluate their repayment capacity before obtaining loans and manage existing debts responsibly in order to reduce financial pressure and improve overall financial well-being.

Avenues for Future Research

Since this study was primarily based on existing literature and conceptual analysis, further empirical research is needed to validate the findings within the Sri Lankan higher education sector. Future studies may therefore examine the relationship between financial literacy and financial well-being among administrative officers using survey-based quantitative approaches. Such studies could provide more detailed evidence regarding the financial knowledge, financial behaviour, and financial well-being of employees in higher educational institutions.

In addition, comparative studies between employees in public and private universities may provide a better understanding of how different employment conditions and institutional environments influence financial behaviour and financial well-being. Further research may also examine how financial well-being changes over time by studying employees at different stages of their careers. Such studies would provide deeper insights into the long-term financial challenges and financial planning behaviour of public sector employees in Sri Lanka.

Concluding Remarks

Financial literacy is a fundamental determinant of financial wellbeing for the administrative officers of the Higher educational institutes in Sri Lanka. While the public sector employment framework provides a strong institutional foundation for financial security, it is the application of personal financial knowledge and skills that unlocks true financial freedom, control, and resilience. The institutional safety net provides wellbeing by default, but it is financial literacy that enables wellbeing by design. By recognizing the unique context of its employees and investing in targeted financial wellness programs, the Higher educational institutes in Sri Lanka and the broader Sri Lankan public sector can empower its workforce to build more secure and prosperous futures. This is an investment that promises to yield significant dividends, not only for the individual employees but for the efficiency, stability, and overall health of the institution and the nation it serves.

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Appendix 1

Dimension	**Indicators**	**Code**
Construct	Financial Literacy	
Financial Education	I am confident in my understanding of financial concepts (e.g., saving, investing, budgeting).	FE1
	I regularly seek out financial information from reliable sources.	FE2
	I believe that financial education is crucial for managing personal finances.	FE3
	I feel well-informed about different financial products and services available to me.	FE4
	I have received formal or informal training on personal finance management.	FE5
Financial Awareness	I am aware of my financial situation and track my income and expenses regularly.	FAW1
	I understand the importance of credit scores and their impact on financial decisions.	FAW2
	I am familiar with the basic principles of investment (e.g., risk vs. return).	FAW3
	I recognize the impact of inflation on the value of money over time.	FAW4
	I am aware of government policies and regulations that affect personal finance management.	FAW5
Financial Attitude	I believe that saving money regularly is essential for long-term financial security.	FAT1
	I think it is important to plan for retirement early in life.	FAT2
	I feel comfortable discussing personal finance matters with others.	FAT3
	I believe that financial independence is achievable for everyone.	FAT4
	I think financial success is mostly influenced by individual decisions and actions.	FAT5
Financial Behavior	I regularly create and stick to a monthly budget.	FB1
	I consistently save a portion of my income for emergencies or future goals.	FB2
	I make purchasing decisions based on my financial situation rather than impulse.	FB3
	I avoid taking on high-interest debt (e.g., credit card debt) whenever possible.	FB4
	I review my financial situation (savings, debts, investments) at least once every few months.	FB5
Construct	Financial Discipline	
	I consistently stick to a budget and avoid unnecessary spending.	FD1
	I prioritize saving a portion of my income before spending it on non-essential items.	FD2

	I avoid impulsive purchases and think carefully before making financial decisions.	FD3
	I regularly track my expenses to ensure I stay within financial limits.	FD4
	I resist the temptation to use credit cards for purchases I cannot afford to pay off immediately.	FD5
Construct	Financial Well-being	
Financial Security	I feel confident that I can pay my bills on time, even if unexpected expenses arise.	FS1
	I have sufficient emergency funds to cover at least three months of living expenses.	FS2
	I feel secure in my current financial situation and do not worry about running out of money.	FS3
	I believe I am financially prepared for unexpected events, such as illness or job loss.	FS4
	I am confident that I can cover all necessary expenses without going into debt.	FS5
Financial Freedom of Choice	I feel that I have the financial freedom to make choices about my life and career without worrying about money.	FFC1
	I can afford to buy the things I want or need without having to budget tightly or cut back significantly.	FFC2
	I feel that I have enough financial resources to pursue my personal goals (e.g., traveling, hobbies, education).	FFC3
	I can make long-term financial plans without concern about immediate financial struggles.	FFC4
	I believe that I can afford the lifestyle I desire, including leisure activities and self-care.	FFC5