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Impact Of Financial Literacy on Saving Behaviour Among Fresh Graduates in Sri Lanka

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Abstract

This examines some of the factors that determine saving behavior among fresh graduates in Sri Lanka, one of the crucial socio-economic cohorts that are going through the higher education-early career life transition. Although literacy among the fresh graduates are moderate, consistent saving practices remain weak during the transition of education to employment. This study was based on the Theory of Planned Behavior and the Social Learning Theory to analyze three main predictors, including financial self-efficacy, peer influence and financial skills, as a way of understanding how these factors influence the saving behavior. A quantitative approach was adopted, and Data were analyzed using correlation and multiple regression techniques. The results indicated that the three variables have a significant influence on saving behavior, but peer influence has the greatest effect, then financial self-efficacy and financial skills. The research comes up with the conclusion that the combined effect of confidence, financial ability and social factors influences saving intentions among Sri Lankan graduates. It also adds to the literature of behavioral finance in emerging economies and provides policy implications to strengthen youth-based financial literacy and saving programs by policymakers, educators, and financial institutions.

Keywords: *financial self-efficacy, financial skills, graduates, peer influence, saving behavior, Sri Lanka.*

1. Introduction

1.1. Background of The Problem

The term financial literacy refers to the capacity to manage financial resources properly due to the knowledge and understanding of financial theories, including budgeting, saving and management of credit (Lusardi & Mitchell, 2014). Saving behavior is the urge of people to spare part of their income to use in future, which is dependent on the goal-setting level, financial discipline, and socioeconomic factors (Perry & Morris, 2005; Suwatno et al., 2021).

Saving patterns among fresh graduates have drawn global concern. Global Financial Literacy Survey conducted by S&P found that adult financial literacy rates currently stand at only 33 per cent, and the lowest rates belong to adults between the ages of 18 and 34 (Klapper et al., 2015).

The same is the case with Sri Lanka. The Financial Literacy Survey by the Central Bank of Sri Lanka 2021 showed that only 57.9% of Sri Lankan adults were considered to be financially literate, as opposed to 65.9% in 2020 (CBSL, 2021). Literacy levels among the youthful adults, particularly fresh graduates, remain moderate; however, poor application levels, especially in savings, remain poor (Kalupahana, 2025). Cultural norms, peer influences, and shifts in education to work life are inhibitors to disciplined saving (Kumari & Yathusanth, 2025). Moreover, the youth unemployment rate in Sri Lanka increased by 18.2 per cent in 2023 (Department of Census and Statistics, 2024), because this segment of the population does not have stable sources of income to save.

Overall, existing global and local evidence indicates that although awareness of financial concepts is improving, the translation of financial literacy into disciplined saving behavior remains inconsistent among young adults. Therefore, this study aims to investigate how financial literacy affects saving behavior in Sri Lanka with respect to fresh graduates. In Sri Lanka, this gap appears particularly visible among fresh graduates who are transitioning into employment during a period of economic instability. Therefore, the current state of the topic suggests a behavioral gap between knowledge and actual saving practice, highlighting the need for deeper empirical investigation.

1.2. Problem Statement

Fresh graduates entering professional life need to make sound financial decisions, especially about saving. However, in Sri Lanka they typically enter the workplace with very little financial readiness. Although total literacy exceeds 90 per cent and 57.9 per cent of adults are considered financially literate, financial behavior among young adults aged 18–29 remains underdeveloped (CBSL, 2021). This mismatch is especially evident among new graduates who have academic qualifications but lack practical financial skills in budgeting, saving and coping with financial shocks. Recent findings show that most Sri Lankan fresh graduates do not follow a consistent saving strategy. According to You Lead

Sri Lanka and an International Labor Organization (ILO) survey (2023), although 76 per cent of youth are employed or actively seeking employment, only 26 per cent report regular saving behavior.

The inflation crisis and the depreciation of the currency have reduced the purchasing power in Sri Lanka, so many graduates have eased their interest in saving money (World Bank, 2024b). According to the Advocate Institute (2022), only eleven per cent of Sri Lankan youth have access to financial advisory services, and even fewer use formal financial services such as savings accounts or digital budgeting tools. The association between financial literacy and saving behavior of young adults worldwide has been well known. Positive correlation between financial education and regular saving patterns has been confirmed in studies of Indonesia (Setyowati et al., 2023), Ghana (Boadu, 2023) and India (Chawla et al., 2022). Overall, these studies demonstrate that self-efficacy, financial socialization and practical skill development are good predictors of saving behavior among early career professionals. Most local studies either focus on undergraduates instead of fresh graduates or they study looking at saving behavior in general. A few studies have been conducted to investigate financial literacy among the university student population (Kumari and Yathusanth, 2025), but there is a scarcity of empirical data related to the postgraduate early career population.

In addition, there is limited research that has been carried out to establish the role of personal financial skills, peer influence and self-efficacy in the formation of savings behavior during the initial years of employment. This is a critical empirical gap to address, as the financial behaviors during this adulthood could have a lot of ramifications on future financial stability. Therefore, the primary aim of this study is to empirically examine how financial self-efficacy, peer influence, and financial skills influence saving behavior among fresh graduates in Sri Lanka.

1.3. Research Question/s

- What is the influence of financial literacy factors on saving behavior?
- What is the current behavior of savings behavior of fresh graduates?
- Which sub-factors of financial literacy have the greatest impact on saving behavior among the three factors?

1.4. Research Objective/s

- To evaluate the influence of financial literacy factors on saving behavior
- To identify the current behavior of savings behavior of fresh graduates
- To determine the sub-factors of financial literacy that have the greatest impact on saving behavior among the three factors

1.5. Significance of the Study

The saving behavior among fresh graduates in Sri Lanka concerning financial literacy is both an academically and practically important topic. It is an academic point of view through which this study addresses a significant gap in the literature since it focuses on narrowing down to new graduates in particular, which is yet to be fully addressed in financial behavior literature, since it is a very niche group. The study targets freshly graduated students because the subjects of the study are fresh grads; hence, the study has the capacity to provide new information with which to enlighten the saving decisions of fresh grads who are employed or job-seeking and are engaged in economic uncertainty, social pressure, and limited experience. It also broadens the behavioral finance debate by undertaking a test on the rules of behavioral finance, which includes conceptualizing financial self-efficacy, being inspired by peers, and possessing practical financial skills. In practical, the actionable evidence derived can be utilized to inform policymakers, educators, employers and financial institutions. The predictors may be identified to facilitate the aspects of designing particular financial education programs within the universities, in job training, and in the government systems that handle the youth. The study also aligns well with the national objectives of the government at large, of improving financial inclusion, minimizing informal borrowing and promoting the culture of saving to become investment and development friendly. In the end, this research contributes to the knowledge and behavior deficit in the financial management of fresh graduates by enabling fresh graduates to build a safe financial future and thereby not only better personal economic performance, but also a stronger economy in the country.

2. Literature review

2.1. Theoretical Review

Saving Behavior

Saving behavior is one of the areas of study that has been active in the field of the literature of behavioral economics and personal finances, although it continues to evolve alongside societal and economic settings and population trends. The term saving behavior is usually used to describe the voluntary act of an individual who decides to portion of the present income to utilize at some future date rather than consuming it at a particular time (Keynes, 1936; Browning & Lusardi, 1996). The concept provides an emphasis on the psychological meaning and the financial behavior. To give an example, Perry and Morris (2005) pointed out a possible explanation that saving behavior might be called both a working of the income and an afforded position of individuals as they see personal control of their finances and self-efficacy. Past research exists on youth populations (Sachitra et al., 2019; Kumari & Yathusanth, 2025), but fewer studies focus on newly graduated individuals during the initial phase of paid work. Habits learned in this transition affect lifelong financial wellbeing (Shefrin & Thaler, 1988).

Theory of Planned Behavior

The Theory of Planned Behavior (TPB) incorporates perceived behavioral control since actions are influenced by the feasibility of carrying out the behavior (Ajzen, 1991). TPB states that attitudes towards the behavior, subjective norms, and perceived behavioral control interactively influence behavioral intentions and actual behavior (Ajzen, 2020).

The TPB has indicate that substantial growth in many areas, including personal financial behavior (Ajzen & Schmidt, 2020). In the saving behavior domain, attitudes, perceived social pressure, and self-efficacy are potent factors that define saving intentions and behaviors (Uddin, 2020; Xiao et al., 2008).

Accordingly, the use of TPB as the theoretical model in this study will imply that the study will realize that saving behavior is characterized by intention and a purposeful behavior and is shaped by personal and external influences (Ajzen, 2020). Therefore, this provides a robust basis to investigate how the scales of financial self-efficacy, peer influence, and financial skills that are closely interconnected with the source of attitudinal, normative, and perceived control factors have been brought about by saving habits among new fresh graduates. Thus, adding the TPB not only assists in developing the conceptual framework of this study, but also forms a more accurate conceptualization of the courses of behaviors along which the concept of financial literacy would affect the behavior of saving in this population grouping of the age (Ajzen, 2020).

Social Learning Theory

Bandura's (1977) Social Learning Theory (SLT) offers us a powerful insight into how individuals learn behaviors, attitudes and norms through the processes of observation, imitation and modelling. According to SLT, people learn not only from their own experiences but also by observing what others have done and what fate befell them (Bandura, 1986). Such vicarious facilitation speaks to the value of positive reinforcement, role models and social influence on discerning personal conduct (Wood & Bandura, 1989). In including SLT in its model, this study recognizes that simply raising the level of financial literacy may prove inadequate without a social context for promoting and bolstering disciplined saving. To inform effective financial education and peer-influence interventions for recent college graduates, therefore, it is important to understand how the social transmission of saving norms occurs. The purpose of this study is to provide more practical implications in terms of how the positive role model and determinant social context can help enhance the relationship between financial knowledge and saving behavior (Mohd et al., 2021).

2.2. Empirical Review

2.2.1. Evaluate The Current Saving Behavior of Fresh Graduates

There is mounting evidence base indicating that young adults in their early post-graduation years, even though they are cognizant of the importance of structured savings behavior, usually fail to engage in structured spending practices.

According to Lusardi and Mitchell (2014), young adults, most often recent graduates, often suffer disparities between financial knowledge and realistic financial saving behavior. Likewise, Owusu et al. (2022) identified that professionals who are at an early stage in their careers in Europe are predisposed to priorities short-term lifestyle costs as well as debt repayments that compromise their capability to save in the long run (Owusu et al., 2022).

Such a pattern is confirmed by other studies devoted to Asian contexts. Mahdzan and Tabiani (2013) highlight that Malaysian fresh graduate, despite moderate levels of financial literacy, display limited saving behavior, largely due to low starting salaries and cultural pressures to support extended family. Zhang et al. (2021), in their more recent work, examined the saving and spending patterns of early-career young adults in China and found that although most of them have a definite intention to save, few of them follow regular saving plans.

Although Sri Lanka-specific data on fresh graduates are scarce, some local studies offer context. Kumari and Yathusanth (2025) found that many final-year university students lack clear saving goals or use of advanced saving tools even before graduation. Entering the labor market, low wages and increasing living costs are immediate barriers to saving (Kalupahana 2025). As per Central Bank of Sri Lanka (2021) the youth financial literacy in moderate, knowledge is not converting to save behavior. Anecdotal evidence from assessments of the youth labor market (Verite, 2023) indicates that underemployment and informal work also reduce graduates' ability to save routinely in the early years postgraduation. More generally, recent empirical research consistently finds that recent college graduates often lack the ability to act on this knowledge and save in a disciplined manner despite being financially literate.

2.2.2. Evaluate the Current Financial Literacy of Fresh Graduates

Recent empirical analysis has revealed that financial literacy of the youths at inception is questionable and low when compared with their abilities to translate it into practical use. Young workers are overconfident regarding their knowledge in contractual matters—just as Lusardi and Mitchell (2014) have long asserted about young adults very early in the work force, for example—but unable to apply it on-the-job even when given new financial discretion, like with college loans. Other studies that have targeted early career professionals also show a similar pattern (Mitchell 2014).

The survey used in Gutsche et al., (2021), including the sample of Italian tertiary graduates who have entered the labor market more recently, managed to show that the respondents were able to define these basic economic concepts or provide the relevant sources of information about inflation and interest rates, budgeting etc., yet they hardly translated them into day-to-day decisions. The research highlighted that new graduates also tend to discount future financial unknowns such as unforeseen costs and debt management, thus exposing their limited operational financial competencies (Gutsche et al.,2021).

The Central Bank of Sri Lanka (2021) pointed out that though financial literacy among youthful adults is increasing, little of the knowledge is put into practice.

Xiao and O'Neill (2018) revealed that financial education programs cannot promote practical financial competence in isolation. Their research established that fresh graduates often lack the behavioral knowledge necessary to budget, manage debt, and employ prudent investments.

Therefore, these empirical insights suggest that the present financial literacy of fresh graduates is marked by a sound knowledge baseline and less behavioral action.

2.2.3. Impact of Financial Literacy Factors on Savings Behavior of Fresh Graduates

Financial Self-Efficacy

Financial self-efficacy is an important psychological measure in the explanation of why knowledgeable individuals have or have not translated judgments towards good saving behaviors. According to Bandura (1997), self-efficacy is the belief that an individual has in their success in organizing and implementing actions necessary to handle arising situations.

Empirical research has found numerous times that self-efficacy is a crucial factor in determining saving behavior. Xiao and O'Neill (2018) emphasized that post-graduates with stronger financial self-efficacy were more prepared and familiar with systematic planning and saving, whereas those with low financial self-efficacy developed a tendency toward procrastination.

Farrell et al. (2016) concluded that there is a high positive correlation between self-efficacy and practical saving behavior. Goyal and Kumar (2020) discovered that people with strong financial self-efficacy were much more likely to sustain emergency savings and long-term deposits.

In local research, Kumari and Yathusanth (2025) noted that soon-to-be fresh graduates were experiencing a feeling of being ill-equipped to handle their finances.

These empirical perspectives portray that financial self-efficacy is a critical engine that equips fresh graduates with the capacity to convert what they learn into regular saving behavior.

Peer Influence

Those empirical intuitions indicate that peer effect could play the role of either a barrier or enabler towards savings behavior of fresh graduates. There are a few positive financial behaviors with motivating factors that peers may encourage through common goals or accountability, but there are also resources for bad spending habits to mess up your saving. The truth is this relationship in vital if we are to design financial literacy programs that will account for the impact of social networks. As such, peer financial education or group saving scheme could be important in translating financial education to sustained saving behavior among fresh graduates.

Financial Skills

In the Asian context studied the effects of stated money management among Malaysian young adults and discovered that the budgeting skills, especially, were a decisive determinant of a savings grade. They also indicated that young graduates who constantly checked their earnings and spending habits were in a better position to know how much extra money they had to save and could save on overspending. This attests to the fact that financial abilities fill the chasm between knowledge and action (Farrell et al., (2016).

A recent paper by Yakoboski et al., (2022) has investigated financial skill use among early-career millennials worldwide and found that people with greater practical skills were more likely to have emergency savings, invest periodically, and not be in unnecessary debt. Interestingly, they also imply in their research that digital financial tools have the potential to sharpen these skills by making budgeting and expense tracking more user-friendly, but remain unexploited by young graduates (Yakoboski et al., 2022).

The empirical research that studies the direct financial skills of fresh graduates is scarce in the Sri Lankan context. Kalupahana (2025), however, documents that most Sri Lankan graduates who go to work and find jobs do not have the relevant experience to start their finances; hence, the saving pattern is not regular. Practical financial skills should thus be one of the main thrusts of an attempt to improve the saving behavior of fresh graduates.

2.3. Research Gap

The relationship between saving behavior and financial literacy has been explored before, and a considerable gap in knowledge exists that warrants this research study. Theoretically, a substantial body of research regards financial literacy as a general phenomenon and does not place an emphasis on the investigation of interaction between separate factors such as financial self-efficacy, peer influence and practical financial skills in terms of robust behavior frameworks (Lusardi & Mitchell, 2014). The current study attempts to fill this gap by merging the concepts of the Behavioral Life-Cycle Hypothesis, Theory of Planned Behavior, and Social Learning Theory, thus presenting a multidimensional aspect under which these determinants can be carefully analyzed within the context of saving behavior of fresh graduates.

Empirically, the current evidence is mostly focused on undergraduates or general youth groups, and there is little understanding of fresh graduates who have just left education and entered the workforce and are experiencing different financial constraints (Kalupahana, 2025). This study is relevant to fill this knowledge gap, through producing original evidence relevant to the Sri Lankan context, on how factors related to financial literacy influence the decision to save by young graduates during an important period in their career, i.e. within one to three years after graduation.

In practice, although youth financial literacy efforts continue to encounter positive results, little to no evidence has been implemented on how initial knowledge may be translated into long-term saving behavior among new graduates (Central Bank of Sri Lanka, 2021). The present study directly fills in the gap as it defines which aspects of financial literacy show the best predictors of saving performance. As such, the study provides clarification to policymakers, educators, and employers to design their intervention as well, since the interventions should aim at building practical capabilities, confidence, and peer supportive environments. In this way, it plays a role in enhancing both the academic debate and the creation of effective financial education strategies that positively impact the long-term financial well-being of young professionals.

3. Methodology

The proposed research uses the Research Onion model by Saunders et al. (2019) as a guiding framework. A positivist philosophy was adopted to establish observable and measurable links and also which allowing objective hypothesis testing and generalization of findings. A deductive approach was used, based on existing theories. A survey strategy was chosen to collect standardized measurable data from fresh graduates through organized questionnaires for hypothesis testing and statistical analysis. A quantitative method was adopted to obtain numerical, statistical analysis. The study used a cross-sectional time horizon were collecting data at one point to obtain a picture of current financial literacy and saving behaviors.

3.1. Conceptual Diagram

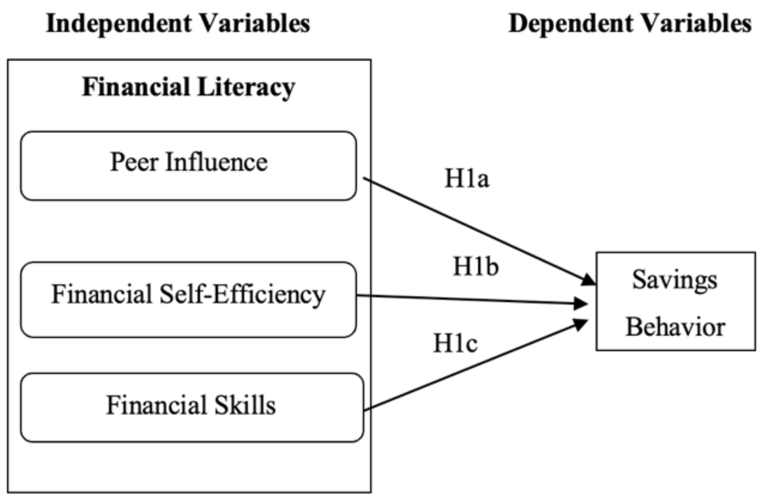

Figure 1: Conceptual Framework

Hypotheses

H1a: There is a significant impact of Peer Influence on Saving Behavior among Fresh Graduates

H1b: There is a significant impact of Financial Self-Efficiency on Saving Behavior among Fresh Graduates.

H1c: There is a significant impact of Financial Skill on Saving Behavior among Fresh Graduates.

3.2. Sample Collection

A sample of 380 people was determined using Krejcie and Morgan's (1970) formula for determining the sample size, with a population of 35,000 being the estimated number of graduates. The stratified random sampling also enabled equal representation of various disciplines of business, science, engineering and arts. A structured online questionnaire was used to collect the data by posting the questionnaire in university networks and LinkedIn graduate forums etc which measured using 5 point Likert scale.

4. Data analysis & results

4.1. Reliability Analysis

Table 1: Summary of Reliability Analysis & Validity Analysis

Variable	Cronbach's Alpha	KMO	Bartlett's Chi-Square	df	Sig.
Financial Self-Efficacy	0.7 < 0.843	0.781	1156.129	10	.000
Peer Influence	0.7 < 0.893	0.836	2364.847	10	.000
Financial Skills	0.7 < 0.816	0.755	1248.975	10	.000
Saving Behavior	0.7 < 0.930	0.827	1847.333	10	.000

The acceptable reliability standards were also met individually per variable. All four scales, Financial Self-Efficiency, Peer Influence, Financial Skills and Savings Behavior obtained values of Cronbach's Alpha exceeding 0.7, indicating all of them had good levels of internal consistency. These outcomes report that the will of all the objects of each construct is measuring their ideas precisely, which provides additional arguments against the reliability and stability of the results of this study.

All four variables achieved KMO values above the 0.70 threshold and showed statistically significant Bartlett's tests ($p < 0.001$). This confirms strong sampling adequacy and suitability for factor analysis, ensuring that the dataset is valid for conducting multivariate statistical procedures.

4.2. Correlation Analysis

4.2.1. Financial Self Efficiency & Saving Behavior

Table 2: Correlation - Financial Self-Efficacy

		Savings Behavior	Financial Self-Efficiency
Savings Behavior	Pearson Correlation	1	.972**
	Sig. (2-tailed)		.000
	N	380	380
Financial Self-Efficiency	Pearson Correlation	.972**	1
	Sig. (2-tailed)	.000	
	N	380	380
**. Correlation is significant at the 0.01 level (2-tailed).			

This correlation analysis demonstrates that the relationship between Financial Self-Efficiency and Savings Behavior is a strong positive relationship ($r = 0.972$, $p< 0.01$). Thus, more confident persons concerning their financial arrangement capacity are the most probable to sustain regular and restrained saving behavior.

4.2.2. Peer Influence & Saving Behavior

Table 3: Correlation – Peer Influence

		Savings Behavior	Peer Influence
Savings Behavior	Pearson Correlation	1	.962**
	Sig. (2-tailed)		.000
	N	380	380
Peer Influence	Pearson Correlation	.962**	1
	Sig. (2-tailed)	.000	
	N	380	380
**. Correlation is significant at the 0.01 level (2-tailed).			

The findings indicate that there is a strong positive relationship between Peer Influence and Savings Behavior ($r = 0.962$, $p < 0.01$). The above result is highly correlated, showing that social life, communal financial customs, and peer norms highly influence the saving behavior of individuals.

4.2.3. Financial Skills & Saving Behavior

Table 4: Correlation – Financial Skills

		Savings Behavior	Financial Skills
Savings Behavior	Pearson Correlation	1	.892**
	Sig. (2-tailed)		.000
	N	380	380
Financial Skills	Pearson Correlation	.892**	1
	Sig. (2-tailed)	.000	
	N	380	380
**. Correlation is significant at the 0.01 level (2-tailed).			

The result in the correlation analysis shows that there is a strong positive association between the Financial Skills and Savings Behavior ($r = 0.892$, $p < 0.01$). This illustrates that the enhancement of the practical financial management skills, including budgeting, expense monitoring, and goal setting, positively correlates to more effective saving habits of fresh graduates.

4.3. Regression Analysis

4.3.1. Model Summary

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.986a	.973	.973	.08446
a. Predictors: (Constant), Financial Skills, Financial Self-Efficiency, Peer Influence				

The model summary represents a positive correlation ($R = 0.986$) between predictors of Financial Self-Efficiency, Peer Influence, and Financial Skills and savings Behavior. The R Square value of 0.973 means that the three predictors explain almost 97.3 per cent of the variance in the saving behavior, which proves to be incredible explanatory power, and which confirm that reliability and good sampling adequacy

4.3.2.ANOVA Table

Table 6: ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	95.766	3	31.922	4474.763	.000b
	Residual	2.682	376	.007		
	Total	98.449	379			

a. Dependent Variable: Savings Behavior
b. Predictors: (Constant), Financial Skills, Financial Self-Efficiency, Peer Influence

The regression model shows a significant effect in predicting the Savings Behaviour ($F = 4474.763$, $p < 0.001$). Regression sum of squares (95.766) is significantly greater than the residual sum of squares (2.682), indicating that predictors Financial Self-Efficiency, Peer Influence and Financial Skills explain most of the variation in savings behaviour. The fact that the residual mean square is very low (0.007) also makes the model strongly predictive, as the overall conclusions can only be that these variables will have a significant statistically significant influence on savings behaviour among fresh graduates.

4.3.3. Coefficient Table

Table 7: Coefficient Table

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.430	.047		-9.217	.000
	Financial Self-Efficiency	.726	.029	.607	25.094	.000
	Peer Influence	.655	.034	.613	19.132	.000
	Financial Skills	.569	.030	.532	8.927	.000

a. Dependent Variable: Savings Behavior

Financial Self-Efficiency - The coefficient table suggests that the impact of Financial Self-Efficiency on Savings Behavior is positive, strong and significant ($B = 0.726$, $\beta = 0.607$, $t = 25.094$, $p < 0.001$). This suggests that a rise in financial self-efficacy directly contributes to better saving habits for new graduates. With a high beta value, it is a key determinant of saving behavior in the model. Hence the null hypothesis ($H1a_0$) is rejected, and the alternative hypothesis (H1a) accepted verifying the acceptance of Financial Self-Efficacy having significant effect on saving behavior.

As such, the first hypothesis of H1: There is a significant effect of Financial Literacy on Saving behavior among Fresh Graduates is supported.

Peer Influence - The findings show that Peer Influence has a significant and positive impact on Savings Behavior (B = 0.655, β = 0.613, t = 19.132, $p < 0.001$). This indicates that good peer norms and collaborative financial behaviors are highly related to the better savings habits of young graduates. The relatively high beta indicates that it is indeed one of the most important predictors of development in this model. Thus, the null hypothesis ($H2b_0$) is rejected and the alternative Hypothesis (H2b) accepted that Peer Influence does significantly influence saving behavior.

H2b: There is a significant effect of Peer Influence on Saving Behavior among Fresh Graduates Thus, the second hypotheses of H2b have been supported

Financial Skills - Results show that Financial Skills positively predicts Savings Behavior (B = 0.569, β = 0.532, t = 8.927, $p < 0.001$). This implies that actual skills like budgeting, tracking of expenses and goal setting are to be considered in developing disciplined saving behavior among new graduates. It is still an important predictor in the model, although its beta weight is not as large as for other predictors. Thus, null hypothesis (H1c0) is rejected, and alternative hypothesis (H1c) is accepted with the conclusion that there is a significant association in between Financial Skills and saving behavior.

5. Discussion

5.1. Financial Self-Efficacy and Savings Behavior

The importance of financial self-efficacy is highlighted by extensive empirical literature in defining saving behavior amongst young adults, especially those moving out of academia to enter the workforce. This is viewed in terms of self-efficacy as postulated by Bandura (1997) as the confidence to act to accomplish what is deemed to be desirable. In economic terms, this means that this person feels confident that he/she has the capability to budget, save, invest, and prepare against eventualities in finances. Xiao and O'Neill (2018) present evidence that individuals with high financial self-efficacy close the gap between financial knowledge and behavior in the sense that they can act or convert their knowledge about theoretical concepts into consistent savings behavior. According to their work, there also exists a high possibility of procrastination or inconsistent saving behavior in the face of low self-efficacy, regardless of the level of knowledge.

Additional empirical data have been used to back up this view. In the Australian context, Farrell et al. (2016) confirmed that financial self-efficacy and not formal financial literacy is a strong predictor of actual saving behavior in early-career professionals. Likewise, Goyal and Kumar (2020) identified that in India, people with high self-efficacy had an increased chance of holding emergency and long-term deposits in times of financial stress. In Sri Lanka, there is little study; however, Kumari and Yathusanth (2025) noted that self-doubt and lack of financial confidence were obstacles to the transition of the literacy capability to the discipline of saving money.

The current study's findings strongly align with these prior results. Correlation analysis revealed a very strong positive relationship between financial self-efficacy and savings behavior ($r = 0.972$, $p < 0.01$). Regression analysis results also indicated that FSE is the strongest predictor of saving behavior ($B = 0.726$, $\beta = 0.607$, $t = 25.094$, $p < 0.001$). This implies that graduates with greater confidence in controlling their finances are much more likely to save regularly, than those without such confidence.

Therefore, the current study supports the existing theoretical position that financial self-efficacy is a most valuable motivator for saving. In the context of this study, such interventions could serve as a direct lever for fostering sustainable financial habits during the graduates' career transition stage.

5.2. Peer Influence and Savings Behavior

The peer influence is commonly accepted as one of the socio-psychological predictors of financial behavior, and it has many implications on early adulthood saving behavior. Malhotra & Kumar Baag (2023) showed that peers' norms significantly influenced attitudes to saving and spending among the Indian graduates, and most graduates were encouraged to indulge in a lifestyle consumption habit at the cost of organized savings.

Goerke & Neugart (2017) demonstrated that peer-pressured overt consumption in Europe decreased the probability of sustainable saving when people tried to imitate conspicuous consumption patterns even though they were aware of the advantages of thrift. Alshebami & Aldhyani (2022) discovered that peers were a strong source of financial socialization in Malaysia and could impact negative and positive behavior around money management. Mahdzan et al., (2019) also noted that the social need to belong through discretionary spending usually compromised the savings intentions of young professionals in emerging economies. In Sri Lanka, Kalupahana (2025) observed that the younger generation of new entrants in an urban job market apes the behavior of those who work in urban environments in terms of consumption and is more interested in instant satisfaction rather than financial sustainability.

The current study's findings are consistent with these observations. Correlation analysis identified a very strong positive relationship between peer influence and saving behavior ($r = 0.962$, $p < 0.01$). The result indicated that peer influence is a significant predictor of saving behavior ($B = 0.655$, $\beta = 0.613$, $t = 19.132$, $p < 0.001$) with beta value slightly greater than financial self-efficacy.

The strong influence if peer norms reinforce the relevance of social learning theory, demonstrating that financial behavior are socially transmitted and shaped through observation and social comparison. Through exploitation of positive peer influence in financial education messages, policymakers and other stakeholders could enhance the effectiveness of financial literacy initiatives, ensuring that social influence becomes a permanent spur to savings for young graduates.

5.3. Financial Skills and Savings Behavior

According to the CFPB (2018), these are making financial decisions, setting financial goals, budgeting, monitoring spending, and comparing financial products. According to Xiao and O'Neill (2018), young adults who had a working knowledge of personal finances, including how to budget and track expenses, were much more likely to stay with structured savings than those who only had theoretical knowledge.

Farrell, Fry, and Risse (2016) found that early-career professionals who had budgeting and expense monitoring skills showed superior saving intentions and behaviors compared with colleagues lacking those skills, at all levels of financial literacy. Likewise, in a study by Mahdzan et al. (2019), it was indicated in Malaysia that the regularity and frequency of monitoring income and expenses are directly related to the savings amount since people could better recognize and distribute any excess funds. Yakoboski et al. (2022) translated this evidence to other countries of different income levels, showing that the use of financial skills relates to emergency savings, regular investments, and debt avoidance. In Sri Lanka, Kalupahana (2025) has reported a gap in skills among the graduates joining the workforce, where a lack of practical exposure to financial matters frequently resulted in inconsistency in savings.

The findings of the present study support those previous results. Positive significant correlation was also found between financial skills and savings behavior ($r = 0.892$, $p < 0.01$). These findings were also supported by those of the regression model ($B = 0.569$, $\beta = 0.532$, $t = 8.927$, $p < .001$). Although the beta value is lower than for financial self-efficacy and peer influence, it indicates a substantial contribution to saving behavior. Financial skills therefore act as the operational mechanism through which knowledge is translated into disciplined behavior, strengthening the behavioral finance perspective adopted in this study.

6. Conclusion

This study aimed to examine the impact of financial literacy on saving behavior among fresh graduates in Sri Lanka, with specific emphasis on three sub-dimensions: financial self-efficacy, peer influence, and financial skills. The findings of this study provide clear empirical evidence that financial literacy significantly influences saving behavior among fresh graduates. Correlation and multiple regression analyses confirmed that all three independent variables financial self-efficacy, peer influence, and financial skills have statistically significant positive effects on saving behavior. The regression results indicated that the model explains 97.3% of the variance in saving behavior, demonstrating a very strong explanatory power. Among the predictors, peer influence emerged as the strongest determinant, followed by financial self-efficacy and financial skills. Therefore, all three hypotheses (H1, H2, and H3) were supported. In directly answering the research questions, the study confirms that financial literacy has a substantial and meaningful impact on saving behavior. Furthermore, the findings suggest that the current saving behavior of fresh graduates is strongly shaped by both internal confidence and external social pressures, rather than by knowledge alone. The significant role of financial self-efficacy supports the concept of perceived behavioral control, demonstrating that confidence in managing finances enhances disciplined saving practices. At the same time, the dominant influence of peer dynamics confirms the relevance of social learning mechanisms, indicating that financial behavior is socially embedded and influenced by normative expectations and group behavior. Financial skills function as the operational bridge between knowledge and action, reinforcing the importance of practical capability in translating financial understanding into consistent saving behavior. From a practical perspective, the study highlights that improving saving behavior among fresh graduates requires more than theoretical financial education. In a context characterized by economic uncertainty, inflationary pressure, and moderate financial inclusion, policy interventions should focus on strengthening self-efficacy, promoting skill-based financial training, and leveraging peer-led financial initiatives. Universities, employers, and financial institutions can play a critical role by incorporating structured financial skill development programs and social-based savings mechanisms tailored to young professionals. However, self-reported data my introduced response bias which should considered when interpreting the finding.

7. Recommendations

Based on findings following recommendations are proposed to enhance saving behavior among fresh graduates in Sri Lanka.

7.1. Financial Self-Efficacy

These findings highlight self-efficacy as a critical psychological determinant of disciplined saving behavior among fresh graduates as it informs the development of savings behavior. In the light of these results, it is proposed to universities and industry the inclusion of devices in self-assurance building, as part of a financial education program. Rather than being focused on facts, the interventions should focus on presenting sufficient examples so that graduates are given the chance to see how financial strategies play out in actual practice in the world. For instance, budget under constraints simulations, investment imitation tasks and digital saving tasks could be employed to improve individuals' confidence in their ability to take financially sound decisions. Policymakers could also promote the growth of community-based workshops for graduating workers that provide financial coaching and peer support one-on-one. Employers can also be part of the solution by offering work-based financial wellness programs that include expert-guided advice supplemented with automated savings tactics, which are proven to increase worker confidence in making financial decisions (Kim et al., 2019). Digital technology presents further opportunities. FinTech apps designed with young professionals in mind may also incorporate elements like savings goals breakdowns, reminders that go out automatically and follow-up dashboards to help form the habit with visual representation of what an individual can actually do.

7.2. Peer Influence

This highlights the strong influence of social networks and peer norms in influencing financial behavior. As it is well known that the young adults tend to base their financial behaviors on the behaviors of their friends or their workmates, it is crucial that interventions build on the influence rather than undermine it. Among the recommendations, it has been noted that universities should build organized peer-mentorship programs through which financially responsible graduates can train peers on the adoption of saving habits. These programs do not only offer social accountability, but also, they offer an environment where saving becomes a normal behavior. At the community level, the policymakers are supposed to facilitate the development of a graduate savings cooperative or a group savings scheme. The results of developing nations indicate that these group-level strategies have the potential to enhance the level of participation and sustainability of saving behavior dramatically (Karlan et al., 2017).

Peer influence is also another opportunity that employers can exploit because of workplace programs. Peer pressure can be used positively through introducing group saving challenges, team-based savings goals, matched contributions, or even recognizing employees who meet a milestone. These programs may motivate the employees to behave in a way that is reinforced socially. Peer influence can also be enhanced with the help of digital solutions. Financial institutions might also create mobile features that will enable graduates to create what we might call a savings circle, monitor the progress of a group, and subsequently celebrate group accomplishments. Thus, peer influence does not play a marginally important role but is one of the primary factors defining saving behavior. Peer pressure can be turned into a positive force of financial stability among the Sri Lankan graduates through harnessing this dynamic using organized peer programs, group saving models, and digital social platforms.

7.3. Financial Skills

Clearly, from these results, controlling and monitoring of expenses as well as the planning of savings targets should not be undervalued as a precondition for converting saving intentions into routine behavior. To enhance competencies in these skills, it has been suggested that universities will include compulsory financial literacy and skill-based modules within undergraduate courses, concentrating on the practical utility of tools, from digital budgeting apps to spreadsheet-based financial planning and expense tracking activities. Employers can also make a big difference by integrating financial skills training into new employee inductions for graduates, including seminars on how to deal with salaries, set up emergency funds and learn about retirement planning. Banks would design products that educate in addition to providing useful tools and information. For instance, bank-sponsored mobile banking apps with templates for budgeting, savings calculators, and educational tutorials. Policymakers should promote standardized and skills-based national financial education policies that include introducing financial skill development into the curriculum at secondary and higher educational levels to build lifelong competences.

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