



Determinants of Financial Well-being of Individuals in Gampaha District, Sri LankaB.D. Madhushanka¹, K.M. Panditharathna² , K.G.N.M. Dasanayaka^{3*} ^{1,2,3} Department of Commerce and Financial Management, Faculty of Commerce and Management Studies, University of Kelaniya, Sri Lanka.*Corresponding Author: madushanin405@gmail.com

ABSTRACT

Amid heightened instability in developing economies in the aftermath of economic crises, understanding the determinants of individuals' financial well-being (FWB) has become a vitally important area of research. This study explores the key predictors of FWB among individuals living in Gampaha District, a region that has recently undergone notable socio-economic transitions. To capture the multifaceted nature of financial decision-making, the study synthesizes insights from the Consumer Financial Protection Bureau (CFPB) Model, Behavioral Finance Theory, and Social Learning Theory. Using a quantitative research approach, data were collected from 350 respondents via stratified random sampling with a structured questionnaire. The analysis focuses on the impact of financial literacy, financial behavior, financial risk tolerance, financial socialization, and financial stress on financial well-being. In testing the hypothesis, Multiple linear regression was employed. The findings indicate that financial socialization emerges as the most influential positive determinant of FWB, emphasizing the critical role of familial and peer-based learning in shaping financial outcomes. In contrast, financial stress exhibits a significant negative association with FWB, reflecting the adverse effects of psychological and emotional strain on financial stability. Further, the results underscore that financial well-being is shaped by an interplay of cognitive, behavioral, social, and emotional factors. Considering these findings, the study calls on policymakers to move beyond conventional financial literacy-focused programs to incorporate interventions that strengthen intergenerational financial socialization and provide psychological support. The study also highlights the importance of a holistic policy approach to enhancing financial resilience and promoting sustainable financial well-being amid ongoing economic uncertainty.

Keywords: Financial Literacy, Financial Well-being, Individuals

Publication Timeline

Received	2026.05.16
Revised	2026.07.07
Accepted	2026.07.09



INTRODUCTION

The focus on personal financial well-being is critical in a country like Sri Lanka, which is still classified as a developing country. Research from around the world continues to prove that strong financial education is critically important in advanced economies (OECD, 2020). Still, in many developing countries, numerous obstacles coexist, such as limited financial knowledge, significant income disparities, and restricted access to financial services, thereby hindering financial security (Lusardi & Mitchell, 2014). In this vein, statistics from India and Malaysia suggest that individuals who acquire financial knowledge and skills are less likely to struggle with financial issues and experience better well-being (Chatterjee et al., 2019).

Within these overarching concerns, the study's geographical area has been identified as the Gampaha district, given its strong focus on the transformation from a rural area into a high-density, peri-urban district (Dangalle & Narman, 2005). As the second most populous district in Sri Lanka, Gampaha represents a diverse socioeconomic setting (Department of Census and Statistics, 2024). The district often plays a crucial role in the country's economy, reflecting its diverse social and economic backgrounds. The country's economic situation also severely influences financial well-being, particularly among Sri Lankans, where the current adverse economic conditions have led to poor financial behavior. Due to the urban-rural mix in the Gampaha district, it is not surprising that its residents face a range of financial problems, such as spending more in cities and earning less in rural areas. Despite recent economic recovery, Sri Lanka continues to face significant economic challenges across many sectors. Although GDP growth reached 5.3% in Q3 2024 and 5.4% in Q3 2025, many households continue to experience financial hardship. Therefore, this study adopts three important theoretical frameworks to oversee the investigation. According to the 'Consumer Financial Protection Bureau (CFPB)' model, financial well-being is focused on being responsible for individuals' money, being able to handle unexpected losses, and being free to

decide on individuals' actions. According to the 'Social Learning Theory,' observing and interacting with others in society is how people develop their financial attitudes and behaviors, as evidenced by their family and peers (Gudmunson & Danes, 2011). According to the 'Behavioral Finance Theory,' based on human psychology, many individuals make decisions that do not conform to the strict guidelines of rational economics (Kahneman & Tversky, 1979). By applying these philosophical lenses, this study examines the combined factors that produce results to improve financially resilient policies and programs in Sri Lanka.

The financial well-being of people has become a key problem for a country like Sri Lanka due to the adverse economic conditions it is currently facing. Unstable economic conditions and rising living costs have caused significant problems in people's financial behavior, likely leading to irresponsible saving, inadequate budgeting, and poor investment decisions (Dheepiga & Sivakumar, 2025). Many individuals cannot make wise financial decisions under such stressful conditions, and they often lack sufficient financial knowledge and are unable to withstand financial risks (Kumar et al., 2023).

Previous studies have identified several determinants of financial well-being (Lone & Bhat, 2024; Salignac et al., 2019). Among these, young adults' financial behaviour has received considerable attention (Magli et al., 2021). Notwithstanding, there is limited focus on financial well-being in the Sri Lankan context. This limited focus has been noted in the literature as a financial behavior influenced by parents and peers, a long-standing phenomenon worldwide (Sakyi-Nyarko et al., 2022), and the impact of these social factors on Sri Lankans is under-investigated. Some studies argue that financial literacy, financial attitude, and financial behavior are associated with personal financial well-being (Weerasinghe et al., 2025), while other studies investigate determinants such as financial knowledge, financial attitude, and personal financial management behavior (Lone & Bhat, 2024).

Another issue concerns the interchangeable use of the terms financial inclusion and financial capability in the literature. Sri Lanka has a population of approximately 21 million, and the Central Bank estimates that 88 percent of the population aged 18 or older has an active bank account (Central Bank of Sri Lanka & the International Finance Corporation, 2021). A high level of financial inclusion, however, does not necessarily translate into the level of financial literacy or financial preparedness of the population. Notwithstanding, the existing literature also pinpoints that most previous studies have examined the determinants of financial well-being in isolation rather than as an aggregated system. Some authors have predominantly focused on direct relationships between financial literacy, financial behaviour, financial attitude and financial well-being, while paying comparatively less attention to the interaction of behavioural, psychological, and social learning factors within one framework (Magli et al., 2021; Bruggen et al., 2017;). Similarly, Sri Lankan studies have concentrated heavily on financial literacy and financial management related behaviours giving limited attempts to reflect Sri Lanka's unique socioeconomic and post-economic-crisis context (Weerasinghe et al., 2025). Accordingly, the present study advances both Sri Lankan and international literature by proposing an extended model that integrates financial literacy, financial attitude, financial behaviour highlighting parental influence, peer influence, and demographic characteristics under the complementary perspectives of the CFPB model, Social Learning Theory, and Behavioral Finance Theory. By examining these multidimensional determinants simultaneously, this study provides a holistic explanation of personal financial well-being and offers stronger theoretical and practical evidence for formulating policies and financial education interventions in developing economies facing prolonged economic uncertainty. Therefore, this study aims to investigate individual financial well-being in the Gampaha district, with particular emphasis on an extended model. Thus, the research problem of the study stems from

'what affects individuals' financial well-being in the Gampaha District, Sri Lanka?'

Research Objectives

1. To determine the impact of financial literacy on the financial well-being of individuals.
2. To determine the impact of financial behavior on the financial well-being of individuals.
3. To determine the impact of financial risk tolerance on the financial well-being of individuals.
4. To determine the impact of financial socialization on the financial well-being of individuals.
5. To determine the impact of financial stress on financial well-being of individuals.

LITERATURE REVIEW

Theoretical Framework

While each of the above theories offers important perspectives on financial well-being, none alone delivers a complete understanding of the phenomenon. The CFPB model mainly identifies and puts into action financial well-being but fails to sufficiently clarify the behavioral and social processes that contribute to it. Likewise, Behavioral Finance Theory centers on cognitive biases that impact financial choices, while Social Learning Theory highlights the role of socialization agents like parents and peers, with minimal attention to psychological biases. Earlier research has mainly depended on single-theory viewpoints, leading to disjointed interpretations of financial well-being (Bruggen et al., 2017; Xiao & Porto, 2017). Consequently, this research combines these complementary theories to offer a more comprehensive framework for grasping financial well-being in the Sri Lankan context, where financial choices are influenced by behavioural, social, and economic factors.

Determinants of Financial Well-Being (FWB)

Financial literacy and financial knowledge have become crucial tools for effective decision-making, especially in achieving FWB. Previous studies have emphasized financial literacy as a key determinant of financial well-being, although this emphasis may overlook other important behavioural and psychological factors.

Financial literacy refers to the knowledge and understanding required to make effective financial decisions. It is linked to improved saving, investment, debt management, and retirement planning (Lusardi & Mitchell, 2014). However, the Sri Lankan context shows a gap between financial access and actual literacy, indicating that knowledge alone is insufficient without practical capability (DCS, 2023). Thus, the first hypothesis is formulated as follows.

H1: Financial literacy has an impact on financial well-being.

Financial knowledge holds a pivotal role in achieving financial well-being (FWB) by promoting better saving, debt management, investment, and retirement planning (Lusardi & Mitchell, 2014). Financial behavior, including budgeting, saving, and responsible debt management, has a more powerful influence on FWB than financial knowledge alone (Xiao & Porto, 2017; Netemeyer et al., 2019). Poor financial habits, such as relying solely on savings during income shocks, weaken long-term stability. Hence, the second hypothesis is formulated as follows.

H2: Financial behavior has an impact on financial well-being.

Financial risk tolerance (FRT) also influences outcomes, as overly risk-averse individuals may avoid investments and fail to protect wealth against inflation (Kumar et al., 2023). FRT is an individual's willingness to take financial risks to pursue returns. It is influenced by factors such as income, age, and experience. Low risk tolerance may limit investment opportunities and reduce long-term wealth accumulation, especially in

inflationary environments (Kumar et al., 2023).

H3: Financial risk tolerance has an impact on financial well-being.

Additionally, financial socialization, especially parental influence, shapes financial behavior across generations (Gudmunson & Danes, 2011; Serido et al., 2020). Financial stress further undermines decision-making and well-being (Prawitz et al., 2006; Mullainathan & Shafir, 2013).

H4: Financial socialization has an impact on financial well-being.

Financial stress arises from perceived inability to manage financial obligations, leading to anxiety and poor decision-making. It negatively affects both financial behavior and overall well-being by increasing cognitive burden and reducing planning ability (Prawitz et al., 2006; Mullainathan & Shafir, 2013).

H5: Financial stress has an impact on financial well-being.

METHODOLOGY

Adhering to the quantitative method, this study has a philosophical basis of positivism. In accordance with this paradigm, the deductive approach is followed, where general theories (CFPB Model, Behavioural Finance Theory, and Social Learning Theory) are used to construct the conceptual model and test hypotheses. This research approach is explanatory because it does not only focus on describing the financial status of individuals but also explaining why it has varied.

The research has utilized a cross-sectional time period in which they have taken a sample of people at one time.

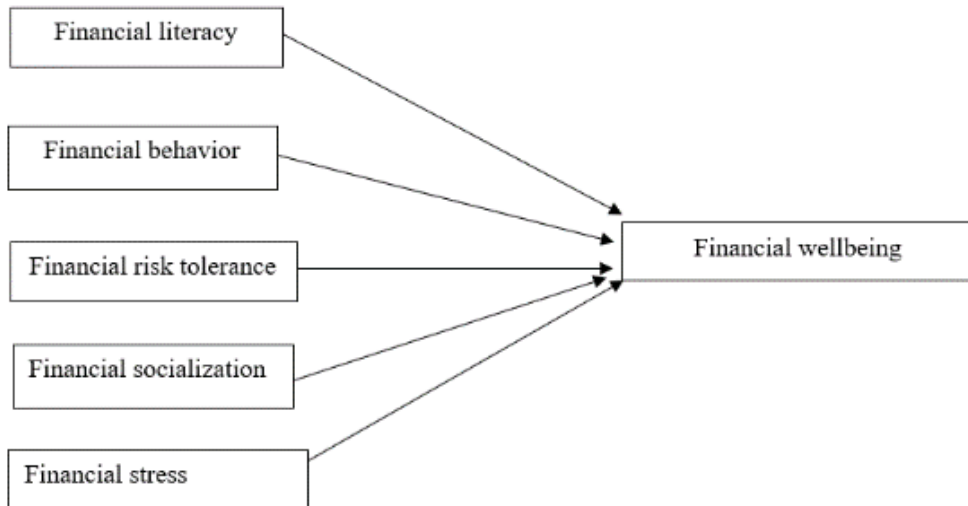
Conceptual Framework

Despite many factors influencing financial well-being being recognized in earlier research, the evidence is still unclear about their importance, and there is no agreement on a complete list of predictors (Bruggen et al., 2017; Magli et al., 2021). Thus, this research

encompasses financial literacy, financial behaviour, financial risk tolerance, financial socialization, and financial stress, since these factors signify interconnected cognitive, behavioural, psychological, and social aspects of financial well-being. The choice is directed by the Consumer Financial Protection Bureau

(CFPB) framework, Social Learning Theory, and Behavioral Finance Theory, offering a comprehensive theoretical foundation for assessing individual financial health. Therefore, five independent variables have been considered together with the dependent variable as the below.

Figure 1: Conceptual Framework



Source: Authors' construct, (2026)

Operationalization

The operationalization of each construct is detailed in Table 1 below.

Table 1: Operationalization

Variable	Conceptual Definition	Operationalization (Adapted from)	Scale Type
Financial Literacy	An individual's knowledge of essential financial concepts and the ability to apply this knowledge to make sound financial decisions.	A series of objective questions assessing understanding of interest rates, inflation, risk diversification, and basic financial calculations. Items adapted from Lusardi and Mitchell (2014) and the OECD (2020).	5-point Likert Scale
Financial Behavior	The daily activities that people are involved in to control their monetary funds.	A series of questions measuring the practices of budgeting, saving, paying bills on time and proactive long term financial planning. The Xiao and Porto (2017) work inform items.	5-point Likert Scale

Financial Risk Tolerance	An individual's psychological willingness to bear uncertainty and the possibility of financial loss in pursuit of potential gains.	A set of items assessing comfort with different investment scenarios involving varying levels of risk and potential return. Items adapted from the validated Grable and Lytton (1999) risk tolerance scale.	5-point Likert Scale
Financial Socialization	The socialization process by which people learn the financial knowledge, values, and behaviors of social agents such as parents and peers.	A set of questions about parental financial education, family discussions on money and perceived parental financial actions. Based on the Gudmunson and Danes (2011) scales.	5-point Likert Scale
Financial Stress	The psychological and emotional stress associated with the financial difficulties and inability to pay the financial obligations, which appear or are perceived.	A collection of objects which measures anxiety in relation to debt, worry about the needs of the day, and the overall feeling of financial burden. The scale is modified on the basis of the in charge Financial Distress/Financial Well-Being Scale (Prawitz et al., 2006).	5-point Likert Scale
Financial Well-being (DV)	A complex state which includes financial control, financial shock, goal attainment, and financial freedom.	The Financial Well-Being Scale that was designed and tested by the Consumer Financial Protection Bureau (CFPB, 2017).	5-point Likert Scale

Source: Authors' construct, (2026)

Data Collection, Questionnaire Development, and Sampling Design

This study uses primary data collected through a structured questionnaire administered via face-to-face interviews by trained enumerators to ensure high response rates, assist respondents where necessary, and minimize bias. The questionnaire was developed using validated scales from previous studies to ensure content validity and that was translated into Sinhala and Tamil using a back-translation procedure to maintain conceptual equivalence. A pilot test involving 25-30 respondents from the Gampaha District was conducted to assess the questionnaire's clarity, language, and completion time before the main survey. This research analyzes the individual as a unit of

analysis. The information was gathered from 350 adult residents of the Gampaha District, and the analysis aims to describe differences in financial well-being at the individual level. This study targets all adults (18 years and above) living within the administrative jurisdiction of the Gampaha District, Sri Lanka. The sample size was determined based on Cochran (1977) for large populations. At a 95% confidence level with 5% margin of error, the minimum recommended sample size is 384 respondents. Furthermore, a sample of 350 is considered as 'very good' for multivariate analysis ensuring robust data analysis (Comrey and Lee, 1992).

The sampling frame is based on the recent election lists or household statistics of the Department of Census and Statistics (DCS)

for the Grama Niladhari (GN) Divisions in the Gampaha District, using a multi-stage stratified random sampling. The sampling technique was selected because it should yield a representative sample of the various groups residing in the Gampaha District and minimize sampling error relative to simple random sampling (Cochran, 1977).

The sampling process was done in three phases:

Stage 1: There are three stages in the research: Stratification. The district was subdivided into three strata (zones) based on administrative classifications: Urban, Rural, and Estate.

Stage 2 (Proportional Allocation): The 350 participants was divided among the 10 strata proportionally to the number of adults in each stratum. For example, with 40% of the

district's population residing in the urban sector, 140 participants were selected from the stratum (0.40×350).

Stage 3 (Random Selection): Within each stratum, the systematic random sampling procedure was applied to select individuals from the sampling frame (e.g., every *n*th person on the electoral register).

Ethical principles were strictly followed throughout the study. Participation was entirely voluntary, and informed consent was obtained from all respondents before data collection. Participants were informed of the objectives of the research, assured that their responses would remain anonymous and confidential, and advised that they could withdraw from the survey at any stage without penalty. The collected data were used solely for academic purposes and stored securely to protect respondents' privacy.

DATA ANALYSIS AND FINDINGS

Exploratory Data Analysis

EFA was used to evaluate the latent construct of the 28 measurement items and test the construct validity of the scales. The extraction method was the Principal Component Analysis (PCA), and Varimax rotation was applied. It was established that the data were suitable for factor analysis, and the Kaiser-Meyer-Olkin (KMO) measure was significantly higher than the recommended value, and the Bartlett test of Sphericity was significant. It was also able to extract six distinct, theoretically explainable factors that align with the study's constructs: Financial Behavior, Financial well-being, Financial Literacy, Financial Socialization, Financial Stress, and Financial Risk Tolerance. The items representing these constructs loaded well on the six components, with low cross-loadings.

The clearest depiction of the underlying factor structure is shown in the Rotated Component Matrix in Table 02. It demonstrates how each item loads onto the six extracted components after Varimax rotation. For simplicity, only loadings above 40 are presented. The analysis clearly shows that the factor structure is well-defined and consistent with the study's theory.

Component 1. Financial Management and Remaining Within Limits and Constructed Behavioral Boundaries and Their Functions.

From all due consideration, this is the most heavily weighted component, capturing the most from Constructed Behavioral Boundaries and Its Functions, Financial Behavior, and Financial Socialization. Most notably influential for this factor are FB3 (I compare prices before buying things), FS3 (My religious practices influence my financial decisions), FS2 (My parents influence my daily spending habits), and so on. This component is the granular, intricate side, focusing on the daily execution and management of finances, influenced by self-developed behaviors and family socialization.

Component 2. Financial Knowledge and Planning

This second component, much like the first, spans the Financial Literacy and Financial Behavior domains and is therefore strongly represented by them. High-loading items within it include: FL4: I understand how interest rates work, FB3: I compare prices before buying things, FB1: I do proper planning of my expenditures. This factor is the blend of higher levels of financial well-being and the understanding there of, and, as

such, the possession of elements of relative financial literacy wrapped around proper planning and active decision-making.

Component 3: Financial Distress

This component depicts Financial Stress (FST) as a dominant and unequivocal construct. The items FST1: I have trouble with paying bills on time (-.453) and FST2: I find it hard to fulfill my family's needs (-.600) load negatively and strongly on this factor. The negative loadings make sense as the higher the agreement with the stress-related statements, the lower the score on this component, which could be construed as "Financial Security". It definitely demarcates financial distress as a separate dimension.

Component 4: Financial Confidence and Risk Experience

The fourth component is predominantly characterized by Financial Risk Tolerance (FRT) and a central item from Financial Literacy (FL). A subset of these FRT2: I have significant investment experience (.533), FRT3: My comfort level as an investor is high (.473), and FL3: I am aware of different investment alternatives (.475) have significant loadings here. This component reflects an individual's confidence and experience in the investment space, a central aspect of their overall risk tolerance.

Component 5: Financial Security and Future Outlook

This section captures the future-looking element of Financial Well-being (FWB). It includes FWB5: I feel secure in my financial future and FB6: I maintain an emergency savings fund. This dimension of FWB captures the feeling of security and preparedness.

Component 6: Financial Independence

The last component derives mostly from one of the items in Financial Well-being, FWB6: I can fulfill my living expenses without borrowings, and an item in Financial Socialization, FS4: My parents discuss family financial matters with me. This component reflects a degree of financial self-sufficiency

and the basic communication that, in general, could give rise to it.

The Exploratory Factor Analysis successfully identified six distinct and theoretically interpretable factors: Financial Literacy, Financial Behavior, Financial Risk Tolerance, Financial Socialization, Financial Stress, and Financial Well-being. Each factor was associated with items in the study, loaded neatly onto these six components, and showed minimal cross-loading. Their evidence supports the construct validity of the measurement scales, affirming that the scales assess distinct dimensions as intended by the research model. Thus, the measurement scales are valid and can be used to construct composite scores for further reliability and regression analyses.

Demographic Profile of Respondents

The sample comprises 51.43% males and 48.57% females. The values for married and single status were the highest, at 40.86 and 39.43, respectively. The other marital status group, which includes responses such as widowed, legally separated, and others, was also very small at 19.71%. The largest group was the 46-55 age group, with 79 respondents, followed by the 36-45 age group, with 75 respondents. The modal value for the sample is "Diploma / Professional Qualification," with 81 respondents. The "Ordinary Level" (72 respondents) and the "bachelor's degree" (70 respondents) also make significant representations. The largest group consists of retirees, with 76 respondents, followed by self-employed respondents, with 74 respondents. The Employed, Unemployed, and 'Other' categories also represent a significant portion of the sample, thereby enhancing its diversity. Most of the respondents belonged to the lower- and middle-income groups, with the largest number having a salary of LKR 25,001 - 50,000 (or 85 respondents).

Geographical Distribution

The sample was selected among the Divisional Secretariat Divisions under the Gampaha District. It is well-balanced in terms of distribution and geographically

represented. Katana had the greatest number of respondents at 35, and other divisions such as Divulapitiya and Negombo also

contributed a large number, which validates that the research is not restricted to a particular location within the district.

Figure 1: Rotated Component Matrix

	Rotated Component Matrix ^a					
	1	2	Component 3	4	5	6
FL3: I am aware of different investment alternatives		.429	.475			
FL4: I understand how interest rates work		.570				
FL5: I am aware of how inflation affects my purchasing power			.467		.439	
FRT1: I am not stressed by financial matters					.589	
FRT2: I have significant investment experience				.533		
FRT3: My comfort level as an investor is high		.434		.473		
FRT4: I am more comfortable putting my money in a bank account than in the stock market	.403	.412	.415	.468		
FS1: I have learned about finances from educational institutions	.408	.438	.462			
FS2: My parents influence my daily spending habits	.434	.415			.446	
FS3: My religious practices influence my financial decisions	.454	.451				
FS4: My parents discuss family financial matters with me	.441		.482			.425
FST1: I have trouble with paying bills on time	-.443		-.453	-.432		
FST2: I find it hard to fulfill my family's needs	-.600					
FST3: I feel stressed about not knowing how to make the right investments	-.500			-.412		
FB1: I do proper planning of my expenditures	.403	.473			.454	
FB2: I often look for financial advice	.458	.418		.445		
FB3: I compare prices before buying things	.474	.501				
FB4: I save a fixed amount of money regularly	.479		.478			
FB5: I seek information before purchasing financial products	.443	.426	.410			
FB6: I maintain an emergency saving fund		.433	.410	.400	.414	
FWB1: I am satisfied with my current income		.460				.434
FWB2: I have the ability to meet financial shocks	.437	.475				.419
FWB3: I effectively manage my monthly expenses	.457		.431			
FWB4: I have the financial freedom to make choices to enjoy life	.416			.477		
FWB5: I feel secure in my financial future	.489	.401			.471	
FWB6: I can fulfill my living expenses without borrowings						.540
FL1: I effectively manage my personal finances	.492			.453		
FL2: I have proper knowledge of taxation		.408	.479	.401		

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 13 iterations.

Source: Authors' construct, (2026)

Reliability Analysis

After conducting the factor analysis, a subsequent reliability analysis of the

measurement scales was conducted for each of the six constructs to determine the scales' internal consistency.

Table 2: Results of the Reliability Analysis

Construct (Variable)	No. of Items	Cronbach's Alpha	Interpretation
Financial Literacy (FL)	5	.986	Excellent
Financial Behavior (FB)	6	.989	Excellent
Financial Risk Tolerance (FRT)	4	.983	Excellent
Financial Socialization (FS)	4	.983	Excellent
Financial Stress (FST)	3	.978	Excellent
Financial Well-being (FWB)	6	.988	Excellent

Source: Authors' construct, (2026)

The Cronbach's alpha values surpassed 0.97 for every construct, signifying remarkable internal consistency. Nonetheless, earlier methodological studies indicate that alpha values above 0.95 could also signify redundancy among the measurement items (Tavakol & Dennick, 2011). Because the scales were modified from previously validated tools assessing conceptually related dimensions, the high reliability is viewed with caution. Subsequent research could enhance

the tools by eliminating redundant items while preserving construct validity.

Descriptive Analysis of Key Constructs

In order to obtain the focal point of correspondence versus the dispersion of each valuable variable, the composite scores on each variable construct were examined by the use of descriptive statistics.

Table 2: Descriptive Statistics of the Key Constructs

Construct	Minimum	Maximum	Mean	Std. Deviation
Financial Literacy	1.00	5.00	3.0057	1.67317
Financial Behavior	1.00	5.00	3.0043	1.68639
Financial Risk Tolerance	1.00	5.00	2.9964	1.68737
Financial Socialization	1.00	5.00	2.9821	1.67428
Financial Stress	1.00	5.00	3.0038	1.69216
Financial Well-being	1.00	5.00	2.9910	1.67029

Source: Authors' construct, (2026)

Inferential Data Analysis

Correlation Analysis

To probe the preliminary connections amongst the focal constituents of the study, a

Pearson's correlation analysis was performed. The results from Pearson's correlation matrix reveal several exceptionally strong and statistically significant relationships among

the variables, providing robust preliminary support for the study's hypotheses.

Statistical Significance: All correlations reported in the table are statistically significant at the 0.01 level ($p < .001$). The results confirm that the observed relationships are highly unlikely to be due to chance.

Positive Correlations with Financial Well-being (FWB_Score):

There are very strong, positive correlations between Financial Well-being (FWB_Score) and all the positive independent variables:

Financial Behavior (FB Score): $r = .987$

Financial Literacy (FL Score): $r = .986$

Financial Risk Tolerance (FRT Score): $r = .983$

Financial Socialization (FS Score): $r = .987$

These extremely high correlation coefficients (all above .98) indicate that as any of these positive attributes (literacy, behavior, risk tolerance, socialization) increase, financial well-being also increases in a very strong, almost one-to-one manner.

Negative Correlation with Financial Well-being (FWB Score):

As hypothesized, Financial Stress (FST Score) demonstrates a very strong, negative correlation with Financial Well-being (FWB Score) ($r = -.979$, $p < .001$). This powerful inverse relationship confirms that higher levels of financial stress are associated with significantly lower levels of financial well-being.

Figure 3: Pearson's Correlation Matrix

		Correlations					
		FB_Score	FL_Score	FRT_Score	FS_Score	FST_Score	FWB_Score
FB_Score	Pearson Correlation	1	.987**	.985**	.986**	-.981**	.987**
	Sig. (2-tailed)		<.001	<.001	<.001	<.001	<.001
	N	350	350	350	350	350	350
FL_Score	Pearson Correlation	.987**	1	.983**	.985**	-.978**	.986**
	Sig. (2-tailed)	<.001		<.001	<.001	<.001	<.001
	N	350	350	350	350	350	350
FRT_Score	Pearson Correlation	.985**	.983**	1	.980**	-.975**	.983**
	Sig. (2-tailed)	<.001	<.001		<.001	<.001	<.001
	N	350	350	350	350	350	350
FS_Score	Pearson Correlation	.986**	.985**	.980**	1	-.979**	.987**
	Sig. (2-tailed)	<.001	<.001	<.001		<.001	<.001
	N	350	350	350	350	350	350
FST_Score	Pearson Correlation	-.981**	-.978**	-.975**	-.979**	1	-.979**
	Sig. (2-tailed)	<.001	<.001	<.001	<.001		<.001
	N	350	350	350	350	350	350
FWB_Score	Pearson Correlation	.987**	.986**	.983**	.987**	-.979**	1
	Sig. (2-tailed)	<.001	<.001	<.001	<.001	<.001	
	N	350	350	350	350	350	350

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Authors' construct, (2026)

Multiple Regression Analysis

Evaluating the dimensions of Financial Well-being and testing the research hypotheses required conducting a multiple linear regression analysis due to the nature of the

dependent and independent variables. Financial Well-being (FWB Score) was the dependent variable. Its predictors included Financial Literacy (FL Score), Financial Behavior (FB Score), Financial Risk Tolerance (FRT Score), Financial

Socialization (FS Score), and Financial Stress (FST Score).

The Model Summary table shows the model's overall strength. The R Square value is .984, which is exceptionally high. This powerful result means that the five independent variables collectively explain 98.4 of the total variances in Financial Well-being. The Adjusted R Square value (.984) also shows

that the model is an excellent predictor of the dependent variable. The ANOVA table provides the overall statistical relevance of the regression model. The F-statistic is extremely large and significant ($F(5, 344) = 4190.148$, $p < .001$), indicating that the combination of the predictors used in the Financial well-being model and the overall model provides a significantly better fit than a model with no predictors.

Figure 4: Multiple Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.992 ^a	.984	.984	.21383

a. Predictors: (Constant), FST_Score, FRT_Score, FS_Score, FL_Score, FB_Score

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	957.937	5	191.587	4190.148	<.001 ^b
	Residual	15.729	344	.046		
	Total	973.666	349			

a. Dependent Variable: FWB_Score

b. Predictors: (Constant), FST_Score, FRT_Score, FS_Score, FL_Score, FB_Score

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.643	.231		2.785	.006
	FB_Score	.209	.054	.211	3.837	<.001
	FL_Score	.215	.050	.215	4.271	<.001
	FRT_Score	.166	.044	.168	3.800	<.001
	FS_Score	.298	.047	.299	6.355	<.001
	FST_Score	-.104	.038	-.106	-2.717	.007

a. Dependent Variable: FWB_Score

Source: Authors' construct, (2026)

In order to observe whether there is any problem with multicollinearity among the variables, which are FB_Score, FL_Score, FRT_Score, FS_Score and FST_Score related

tests were performed. The correlation matrix and individual coefficient stability metrics were used for these tests. The correlation between the variables FB_Score, FL_Score,

FRT_Score FS_Score and FST_Score is very high with numbers ranging from -0.975 to 0.987. The analysis of the regression output indicates that multicollinearity has not reached a harmful level. In multiple regression, problematic multicollinearity typically manifests by severely inflating standard errors, collapsing t-statistics, and rendering individual predictors statistically insignificant. In this case even though the model R-squared value of 0.984 and the F-statistic is 4190.15, which is significant all five independent variables FB_Score, FL_Score, FRT_Score FS_Score and FST_Score are still important on their own. FB_Score has a t-value of 3.837 and is significant FL_Score has a t-value of 4.271 and's significant FRT_Score has a t-value of 3.800 and is significant FS_Score has a t-value of 6.355 and is significant and FST_Score has a t-value of -2.717 and is significant. This means that all of these variables FB_Score, FL_Score FRT_Score FS_Score and FST_Score are important for explaining the variable FWB_Score.

The standard errors for all the variables are also very small ranging from 0.038 to 0.054 which shows that the variance is not too large. Because the model is very precise the coefficients are stable and all the variables are important we can say that the multicollinearity is not harmful.

Hypothesis Testing

H1: Financial Literacy (FL Score): Financial Literacy (FL Score), the analysis indicates that the effect of Financial Literacy is positive and significant, and it has the same effect on Financial Well-being ($\beta = .215$, $t = 4.271$, $p = .001$). It implies that, all things being equal, a better educated person will have significantly greater financial well-being. Therefore, Hypothesis 1 can be greatly supported.

H2: Financial Behavior (FB Score): Financial Behavior is also positively and significantly related to Financial Well-being ($\beta = .211$, $t = 3.837$, $p = .001$). This implies that positive and constructive financial activities are a practice that defines financial well-being of an

individual. Therefore, Hypothesis 2 has a strong support.

H3: Financial Risk Tolerance (FRT Score): The results of the analysis depicted that Financial Risk Tolerance has a positive effect and is significant as well on financial well-being ($\beta = .168$, $t = 3.800$, $p < .001$). This implies that the more the person is capable of taking Financial Risk, the better financial welfare one is bound to enjoy. Therefore, the Hypothesis 3 is highly supported.

H4: Financial Socialization (FS Score): In the model under analysis, Financial Socialization is the most predictive variable with the highest Beta ($\beta = .299$, $t = 6.355$, $P < .001$). The discovery of such a strong and meaningful finding, highlights the importance of parenting and schools in determining the financial state of being of an individual. Therefore, Hypothesis 4 is greatly supported.

H5: Financial Stress (FST Score): Financial Stress has a negative and significant effect on financial well-being as predicted.

CONCLUSION & DISCUSSION

Key Findings

Financial Literacy: Financial well-being, in this case, is very high among individuals in the district of Gampaha who have financial literacy. Results reveal that financially literate individuals are more confident and better positioned to make rational, resourceful, and sustainable financial decisions and to sustain long-term growth. This concurs with Luardi and Mitchell (2014) and OECD (2020) that financial literacy can help individuals understand the complexities of financial products and choices.

Financial behavior: Financial behavior was the most associated with financial well-being in a positive way. Individuals who engaged in responsible financial behavior, such as spending planners, savings, and expenditure control, reported increased financial satisfaction. This confirms the reports of Xiao and Porto (2017) that financial behavior is a closer indication of well-being compared to financial literacy. This is just a demonstration of the saying, knowledge is power, " which

has the truth value as long as something is done to use the same in order to attain well-being.

Financial Risk Tolerance: In terms of Financial Well-Being, Financial Risk Tolerance remained positive and proved that prudent financial people willing to take some level of risk, e.g., invest in some productive assets and/or spend some money in some savings instruments, achieved financially better results. The post-crisis situation in Sri Lanka comes to mind, where Attitude and Behavior Risk Theory (Kahneman & Tversky, 1979) suggests that some level of readiness to take financial risks is helpful for resilience and adaptive behavior.

Financial Socialization: Social Learning Theory (Bandura, 1977) states that financial socialization can increase financial well-being. Having financial socialization and paid financial guidance in childhood leads to more responsible and confident financial behaviors. The family, more than any other socializing agent, is the primary agent in shaping financial habits (Gudmunson & Danes, 2011).

Financial Stress: Financial well-being as a stress factor showed the strongest negative correlation with well-being. Financial debt, inflation, and uncertainty of situation are factors contributing to it, which were substantiated by Prawitz et al. (2006) and Mullainathan and Shafir (2013), who also established that the presence of negative pressure on the financial situation can restrain the ability to make financially rational thoughts and that the results thereof are poor decisions.

The positive and negative aspects of financial well-being in the Gampaha District contain many cognitive, behavioral, psychological and social aspects. Financial stress can be overcome with the assistance of financial literacy, financial behavior, and financial socialization, though negative financial behavioral has a severe negative effect, in particular. In particular, declining marginal utility of monetary welfare is complex. Financial well-being is not just about income but it is an outcome of a thousand and one behaviors, attitudes and even voluntary

control that an individual decides to have control over him/herself. To enhance the financial well-being performance of the individuals and the nation in Sri Lanka, the levels of financial stress and financial capability should be elevated, and intergenerational financial education should be shared on a pro-active basis.

Implications

The research findings validate the CFPB Model, which highlights four important areas of financial well-being: control over financial resources, financial resilience, goal achievement, and financial liberation. The research respondents were more economically aware and disciplined, as evidenced by the economically stable, self-restrained respondents. The study has also supported the Behavioral Finance Theory. Sri Lanka has already put in place Financial Inclusion, yet individuals still make irrational financial choices. This means the decision-making process is not based on rational economic decision-making because of cognitive distortions and pressure. This reiterates the need and significance of change, which is specifically in the form of counseling. The Social Learning Theory was developed because of the necessity to socialize financially. The peer group, as well as the impact of the family on the process of shaping the financial capability, was evidently positive. The Sri Lankan culture is characterized by a collectivist environment, with well-knit family structures; hence, the importance of financial socialization across different ages is increased. The findings can be regarded as practice and policy.

Integrate financial literacy into the education system and embed it in the integrated national development plans. The financial products offered to low- and middle-income populations should be simplified and made more user-friendly to encourage saving and investment behavior. Community organizations and families are expected to encourage and embrace open dialogue about money to instill financial socialization at an early age.

This research adds to the literature on financial well-being in three significant ways. Initially, it broadens prior studies by combining the CFPB Model, Behavioral Finance Theory, and Social Learning Theory into one cohesive framework instead of analyzing each viewpoint separately. Secondly, in contrast to numerous earlier Sri Lankan studies that mainly concentrated on financial literacy or financial behavior, this research assesses cognitive, behavioral, psychological, and social factors affecting financial well-being all at once. Third, the results offer empirical proof from a developing economy transitioning back from significant economic instability, thus broadening the relevance of established financial well-being theories beyond mainly developed-country settings. From a practical perspective, the work identifies implementation and policy-making considerations that should be taken into account. The findings indicate a need to implement more rigorous financial education programs for vulnerable and low-income households. In the case of financial institutions, the results favor the formulation of inclusive products that promote savings and investment discipline. These findings are relevant to educators and families: they highlight the significance of financial education at early ages and parental engagement in financial conversations. The measures will help ensure that Sri Lanka makes all households financially resilient and reduces the effects of future shocks.

Future Research Agenda

Future researchers can conduct longitudinal studies to determine changes in financial well-being while using qualitative methods to document the psychological and cultural aspects of financial decision-making.

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