

FINANCIAL LITERACY AND FINANCIAL WELL-BEING: THE MEDIATING ROLE OF FINANCIAL BEHAVIOUR AMONG YOUNG ADULTS IN KERALA

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Abstract

Financial literacy has become increasingly important in enabling individuals to make informed financial decisions and achieve greater financial well-being. However, financial knowledge alone may not necessarily result in improved financial outcomes, as individuals must translate their knowledge into responsible financial practices. This study examines the relationship between financial literacy and financial well-being among young adults in Kerala, with particular emphasis on the mediating role of financial behaviour. The study adopted a quantitative, cross-sectional research design and collected primary data from 145 young adults in Kerala using a structured questionnaire. Financial literacy, financial behaviour and financial well-being were measured using established measurement items adapted to the study context. The collected data were analysed using descriptive statistics, reliability analysis, correlation analysis and Structural Equation Modelling. The mediation effect of financial behaviour was examined using a bootstrapping approach. The findings indicate that financial literacy has a positive and significant relationship with financial behaviour, while financial behaviour positively influences financial well-being. The study further indicates that financial behaviour plays a significant mediating role in the relationship between financial literacy and financial well-being. The findings suggest that financial knowledge contributes to improved financial outcomes when it is effectively translated into responsible financial practices. The study provides implications for educational institutions, financial service providers and policymakers by emphasizing the need for practical and behaviour-oriented financial education programmes for young adults. The study contributes to the financial literacy literature by examining the behavioural mechanism through which financial literacy may enhance financial well-being within the context of young adults in Kerala.

Keywords: Financial literacy, financial behaviour, financial well-being, young adults, financial management, Kerala, mediation

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1. Introduction

Financial well-being has increasingly become an important dimension of individual and household welfare. In a rapidly changing financial environment, individuals are expected to make decisions relating to saving, borrowing, investment, insurance, retirement planning and day-to-day money management. The expansion of digital financial services has further increased the number and complexity of financial choices available to consumers. While greater access to financial products can create opportunities for individuals to improve their financial position, it also requires adequate knowledge, skills and behavioural discipline to make appropriate financial decisions. Consequently, financial literacy has emerged as an important factor influencing how individuals understand and manage their financial resources. Financial literacy is generally associated with an individual's ability to understand fundamental financial concepts and apply that knowledge in practical financial decisions. It encompasses knowledge of areas such as budgeting, saving, borrowing, interest rates, inflation, investment and risk. However, possessing financial knowledge does

not necessarily guarantee responsible financial decision-making. An individual may understand the importance of saving or the consequences of excessive borrowing but may not necessarily translate this knowledge into consistent financial practices. This distinction has encouraged researchers to move beyond the traditional understanding of financial literacy and examine the behavioural mechanisms through which financial knowledge contributes to financial outcomes.

Financial behaviour represents one such mechanism. Financial behaviour refers to the actual practices through which individuals manage their financial resources, including budgeting, saving, spending, investing and managing debt. Responsible financial behaviour can help individuals maintain financial stability, prepare for unexpected expenses and achieve longer-term financial objectives. Conversely, impulsive spending, inadequate saving and excessive reliance on debt may increase financial vulnerability even when individuals possess reasonable levels of financial knowledge. Therefore, understanding the relationship between financial literacy and financial well-being requires

attention not only to what individuals know but also to how they use that knowledge in their everyday financial activities.

The importance of this relationship is particularly evident among young adults. The transition into adulthood often involves greater financial independence and the assumption of responsibilities related to income, expenditure, savings, credit and investment. Young adults may encounter financial decisions at an early stage of their working lives without having accumulated sufficient financial experience. At the same time, they are increasingly exposed to digital payment systems, online banking, digital lending platforms, investment applications and other technology-enabled financial services. Such developments have made financial decision-making more accessible but may also expose young consumers to overspending, easy credit and other financial risks. Developing appropriate financial knowledge and responsible financial behaviour is therefore important for establishing sustainable financial habits at an early stage of adulthood.

Financial well-being provides a broader perspective on the consequences of these financial decisions. It extends beyond income or wealth and reflects an individual's perceived ability to manage current financial obligations, withstand financial shocks, meet future financial needs and experience satisfaction with his or her financial circumstances. Financial well-being is consequently influenced by both objective financial circumstances and subjective perceptions of financial security. Two individuals with similar levels of income may experience different levels of financial well-being depending on their financial obligations, spending patterns, saving practices, financial attitudes and ability to manage unexpected financial demands.

The Indian financial environment provides an important setting for examining these relationships. Increased financial inclusion, digital payments, formal banking participation and access to financial products have expanded the opportunities available to individuals across different sections of society. However, access to financial services alone does not ensure effective financial management. Individuals need sufficient financial literacy to evaluate alternatives and make informed decisions, while appropriate financial behaviour is necessary to translate financial knowledge into meaningful financial outcomes. Examining these relationships at the regional level can therefore provide useful insights into how financial capabilities develop within particular socioeconomic and demographic contexts.

Kerala represents a particularly relevant context for examining financial literacy and financial well-being among young adults. The state has experienced substantial socioeconomic development, high educational attainment and increasing participation in formal financial and

digital systems. At the same time, young adults in Kerala are exposed to a diverse range of financial products and services and increasingly participate in digitally mediated financial transactions. These developments create both opportunities and challenges for personal financial management. Understanding whether financial literacy contributes to improved financial well-being and whether this relationship operates through actual financial behaviour is therefore important from both academic and practical perspectives.

Existing research has established associations between financial literacy and financial outcomes, but the relationship is not necessarily direct or uniform. Financial literacy may provide individuals with the knowledge required to make informed decisions, but financial behaviour determines whether that knowledge is converted into regular financial practices. Consequently, financial behaviour may act as an important intervening mechanism linking financial literacy with financial well-being. Individuals with stronger financial literacy may be more likely to prepare budgets, save regularly, control unnecessary expenditure, manage credit responsibly and make informed investment decisions. These behaviours, in turn, may contribute to greater financial security and improved perceptions of financial well-being.

This perspective highlights an important research gap. Much of the existing literature has examined financial literacy as a direct predictor of financial behaviour or financial well-being. Although these relationships are important, examining only direct associations may provide an incomplete explanation of how financial literacy translates into improved financial outcomes. More attention is required to the behavioural pathway through which financial knowledge affects an individual's financial condition and subjective financial well-being. Furthermore, studies focusing specifically on young adults within the Kerala context remain comparatively important because financial habits developed during early adulthood may influence subsequent financial decisions and long-term financial security.

The present study therefore examines the relationship between financial literacy and financial well-being among young adults in Kerala, with particular emphasis on the mediating role of financial behaviour. The study proposes that financial literacy can influence financial well-being not only directly but also indirectly through responsible financial behaviour. In this framework, financial literacy represents the individual's financial knowledge and understanding, financial behaviour represents the application of that knowledge in everyday financial practices, and financial well-being represents the resulting level of financial security and satisfaction.

The study contributes to the existing literature in three ways. First, it examines financial literacy and financial well-being within the specific context of young adults in Kerala, thereby providing regional evidence on an increasingly important financial issue. Second, it moves beyond a simple direct relationship by examining financial behaviour as a mediating variable. This provides a more comprehensive explanation of how financial knowledge may be converted into financial outcomes. Third, the findings can offer practical implications for educational institutions, financial service providers and policymakers seeking to strengthen financial capability among young adults. Rather than focusing exclusively on increasing financial knowledge, the findings may highlight the importance of encouraging responsible financial practices that can transform knowledge into improved financial well-being.

Against this background, the present study investigates whether financial literacy significantly influences financial behaviour and financial well-being among young adults in Kerala and whether financial behaviour mediates the relationship between financial literacy and financial well-being. By examining this behavioural pathway, the study seeks to contribute to the broader discussion on financial capability, responsible financial management and individual financial well-being.

Objectives of the study

1. To examine the influence of financial literacy on the financial behaviour of young adults in Kerala.
2. To examine the influence of financial behaviour on the financial well-being of young adults in Kerala.
3. To examine the mediating role of financial behaviour in the relationship between financial literacy and financial well-being among young adults in Kerala.

2. Review of Literature

Financial literacy has increasingly been recognized as an important determinant of individuals' financial decision-making and financial well-being. It encompasses the knowledge and skills required to understand financial concepts and make appropriate decisions concerning saving, expenditure, credit, investment and financial planning. Recent research has moved beyond viewing financial literacy simply as financial knowledge and has emphasized its application through actual financial behaviour. A systematic review of financial literacy research in the Indian context by Arjun (2024) highlighted the continuing variation in how financial literacy is defined and measured in India, indicating the need for context-specific empirical investigation.

The relationship between financial literacy and financial behaviour has received renewed attention in recent research. Financially literate individuals are generally better positioned to understand

financial alternatives, evaluate risks and make informed financial decisions. However, knowledge alone may not necessarily result in desirable financial outcomes unless it is translated into appropriate financial practices. This distinction is particularly relevant for young adults, who are increasingly responsible for their own financial decisions and are exposed to digital banking, online payments, credit facilities and investment platforms. Fan and Zeng (2025), examining young adults, found that financial knowledge was positively associated with healthy financial practices and that healthy financial behaviours were closely related to improved financial well-being.

Financial behaviour represents the practical application of financial knowledge through activities such as budgeting, saving, expenditure control, investment and debt management. Recent empirical evidence demonstrates that such behaviour is strongly associated with financial well-being. A study of young adults in Malaysia found that financial behaviour significantly contributed to financial well-being and also mediated the relationship between financial literacy and financial well-being. The findings indicate that financial literacy may influence financial well-being partly because financially knowledgeable individuals are more likely to engage in responsible financial practices.

More recent evidence further strengthens the argument for a mediating role of financial behaviour. Sajid et al. (2024), using data from 43,104 US adults, found that financial literacy influenced financial well-being both directly and indirectly through financial behaviours. The study concluded that financially literate individuals tend to exhibit more responsible financial behaviour, which subsequently contributes to improved financial well-being. This evidence is particularly relevant to the present study because it provides empirical support for examining financial behaviour as an intervening mechanism rather than treating financial literacy and financial well-being only as directly related constructs.

Recent studies have also extended this relationship to emerging digital financial environments. Utami et al. (2025) examined financial literacy and fintech use among Indonesian young adults and considered financial behaviour as a mediating variable in explaining financial well-being. The study reflects the growing importance of examining financial literacy alongside changing financial practices among younger populations. Similarly, Chhillar et al. (2025) found that digital financial literacy and personal financial management behaviour are relevant to financial stress and financial well-being in the digital age, with digital financial risk-control knowledge emerging as an important component of digital financial literacy.

Evidence from India has also become increasingly relevant. Rai's study, published in the *International Journal of Law and Management* in 2026, examined 719 SME employees in India and found that financial literacy components significantly enhanced financial well-being, while financial behaviour and financial self-efficacy partially mediated the relationship between financial literacy and financial well-being. Although this study provides strong evidence from the Indian setting, its population comprises SME employees and its model incorporates financial self-efficacy in addition to financial behaviour. The present study differs by focusing specifically on young adults in Kerala and examining a more parsimonious mediation model centred on financial behaviour.

Overall, recent literature supports the proposition that financial literacy can influence financial behaviour and that responsible financial behaviour can contribute to improved financial well-being. However, there remains scope for further evidence concerning young adults in specific Indian regional contexts. Kerala provides a meaningful setting for such investigation because young adults increasingly participate in formal and digital financial systems while simultaneously developing independent financial habits. Therefore, the present study examines whether financial literacy influences financial behaviour, whether financial behaviour influences financial well-being, and whether financial behaviour mediates the relationship between financial literacy and financial well-being among young adults in Kerala. This approach seeks to extend existing evidence by testing the behavioural pathway within a specific Indian regional and young-adult context.

3. Research Methodology

The present study adopted a quantitative and cross-sectional research design to examine the relationship between financial literacy, financial behaviour and financial well-being among young adults in Kerala. The study particularly focused on determining whether financial behaviour acts as a mediating mechanism between financial literacy and financial well-being. Primary data were collected using a structured questionnaire designed based on established measures from previous studies and adapted to suit the context of young adults. A five-point Likert scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree was employed for measuring the major constructs.

The population of the study consisted of young adults residing in Kerala. This group was selected because young adulthood represents an important stage in which individuals increasingly become responsible for their own financial decisions, including saving, expenditure, borrowing, investment and financial planning. A total of 145 valid responses were obtained and used for the empirical analysis. Respondents were selected using

a convenience sampling technique, based on their accessibility and willingness to participate in the study. The questionnaire was administered to the respondents after explaining the academic purpose of the study, and participation was voluntary. The collected responses were examined for completeness and consistency before being subjected to statistical analysis.

The questionnaire consisted of two broad sections. The first section collected information relating to the demographic characteristics of the respondents, while the second section measured the three principal constructs of the study, namely financial literacy, financial behaviour and financial well-being. Financial literacy was measured through statements relating to respondents' understanding and awareness of fundamental financial concepts and their ability to make informed financial decisions. Financial behaviour was measured through practices relating to budgeting, saving, expenditure management, investment and responsible management of financial resources. Financial well-being was assessed through respondents' perceptions of financial security, ability to meet financial obligations, financial control and satisfaction with their financial circumstances. The measurement items were adapted from established scales in the existing literature and contextualized for the present study.

The reliability and validity of the measurement instrument were assessed before testing the proposed relationships. Cronbach's alpha was used to determine the internal consistency of the measurement scales, while factor loadings, composite reliability and Average Variance Extracted (AVE) were considered for evaluating construct reliability and convergent validity. Discriminant validity was also assessed to establish whether the constructs represented conceptually distinct dimensions. The accepted methodological criteria were applied to determine the adequacy of the measurement model.

The collected data were analysed using IBM SPSS and Structural Equation Modelling (SEM). Descriptive statistics were initially used to summarize the characteristics of the respondents and the distribution of the study variables. Pearson correlation analysis was performed to determine the direction and strength of the relationships among financial literacy, financial behaviour and financial well-being. The proposed structural relationships were subsequently examined to determine the influence of financial literacy on financial behaviour and financial well-being and the influence of financial behaviour on financial well-being.

The mediating role of financial behaviour was examined using a bootstrapping procedure. The mediation analysis assessed whether financial literacy influences financial well-being indirectly through financial behaviour. The direct and indirect

effects were evaluated, and statistical significance was determined at the 5 per cent significance level. The analytical framework was designed to test the proposed relationships and establish whether financial behaviour provides a significant behavioural pathway through which financial literacy contributes to financial well-being among young adults in Kerala.

4. Data Analysis and Interpretation

The data collected from 145 young adults in Kerala were analysed to examine the relationship between financial literacy, financial behaviour and financial well-being. Descriptive and inferential statistical techniques were employed to summarize the respondents' characteristics and assess the proposed relationships among the study variables.

4.1 Demographic Profile of the Respondents

The demographic profile provides an overview of the characteristics of the 145 respondents included in the study. The respondents were classified according to selected demographic variables such as age, gender, educational qualification, occupation and monthly income. The distribution of respondents is presented in Table 1.

Table 1. Demographic Profile of Respondents (n = 145)

Demographic Variable	Category	Frequency	Percentage
Age	18–25 years	72	49.7
	26–30 years	43	29.7
	31–35 years	30	20.7
Gender	Male	69	47.6
	Female	76	52.4
Education	Undergraduate	61	42.1
	Postgraduate	84	57.9
Occupation	Student	54	37.2
	Private Sector	55	37.9
	Government Sector	18	12.4
	Self-employed	18	12.4
Monthly Income	Below ₹15,000	38	26.2
	₹15,001–₹30,000	52	35.9
	₹30,001–₹50,000	36	24.8
	Above ₹50,000	19	13.1
Total		145	100.0

Table 1 presents the demographic characteristics of the 145 respondents. With respect to age, 72

respondents (49.7%) belonged to the 18–25 years category, followed by 43 respondents (29.7%) aged 26–30 years and 30 respondents (20.7%) aged 31–35 years. The distribution indicates that the study predominantly represents younger adults, which is appropriate for examining financial literacy, financial behaviour and financial well-being during the early stages of financial independence.

In terms of gender, 76 respondents (52.4%) were female and 69 respondents (47.6%) were male, indicating a relatively balanced representation. Regarding educational qualification, 84 respondents (57.9%) were postgraduates, while 61 respondents (42.1%) were undergraduates. With respect to occupation, private-sector employees constituted the largest group with 55 respondents (37.9%), followed by students with 54 respondents (37.2%). Government employees and self-employed respondents each accounted for 18 respondents (12.4%). In terms of monthly income, 52 respondents (35.9%) reported an income between ₹15,001 and ₹30,000, followed by 38 respondents (26.2%) earning below ₹15,000. Overall, the demographic profile represents a relatively young and educated sample with varied occupational and income characteristics, providing an appropriate basis for examining financial literacy, financial behaviour and financial well-being.

4.2 Descriptive Analysis of Financial Literacy

Financial literacy is the independent variable of the study and represents the respondents' knowledge, understanding and awareness of basic financial concepts and their ability to make informed financial decisions. Descriptive statistics were used to assess the overall response pattern of the respondents towards financial literacy. The mean and standard deviation were calculated for each statement to understand the level and variation in respondents' financial literacy.

Table 2. Descriptive Statistics of Financial Literacy (n = 145)

S. No.	Financial Literacy Statements	Mean	Std. Deviation
1	I understand the basic concepts of personal financial management.	3.84	0.82
2	I understand the importance of maintaining a personal budget.	3.91	0.79
3	I understand how interest rates affect savings and borrowings.	3.72	0.88
4	I understand the effect of inflation on the	3.68	0.91

	purchasing power of money.		
5	I have adequate knowledge about different savings and investment options.	3.61	0.94
6	I understand the risks associated with different investment products.	3.54	0.96
7	I understand the importance of planning for future financial needs.	3.89	0.81
8	I am confident in making day-to-day financial decisions.	3.77	0.86
Overall	Financial Literacy	3.75	0.87

Table 2 presents the descriptive statistics of financial literacy among the 145 respondents. The overall mean score of 3.75 indicates a relatively favourable level of financial literacy among the young adults included in the study. The mean scores for the individual statements range from 3.54 to 3.91, suggesting that respondents generally reported a reasonable understanding of financial concepts and personal financial management.

The highest mean score was recorded for the statement “I understand the importance of maintaining a personal budget” (Mean = 3.91, SD = 0.79), followed by the importance of planning for future financial needs (Mean = 3.89, SD = 0.81). This indicates that respondents demonstrate comparatively stronger awareness of budgeting and future financial planning. The lowest mean was observed for knowledge of the risks associated with different investment products (Mean = 3.54, SD = 0.96), suggesting comparatively lower confidence in understanding investment-related risks.

The standard deviation values range from 0.79 to 0.96, indicating moderate variation in the responses. Overall, the findings suggest that the respondents possess a reasonably favourable level of financial literacy, although certain areas, particularly investment risk and investment alternatives, may require greater financial education.

4.3 Descriptive Analysis of Financial Behaviour

Financial behaviour represents the practical manner in which individuals manage their financial resources through activities such as budgeting, saving, spending, investment and debt management. In the present study, financial behaviour is considered the **mediating variable** between financial literacy and financial well-being. Descriptive statistics were used to examine the

respondents' financial practices and to identify the general pattern of financial behaviour among the 145 young adults included in the study. The mean and standard deviation values for the individual statements are presented in Table 3.

Table 3. Descriptive Statistics of Financial Behaviour (n = 145)

S. No.	Financial Behaviour Statements	Mean	Std. Deviation
1	I prepare a budget to manage my monthly income and expenses.	3.71	0.91
2	I regularly monitor my expenditure.	3.78	0.86
3	I save a portion of my income regularly.	3.69	0.94
4	I avoid unnecessary expenditure whenever possible.	3.63	0.92
5	I maintain savings for unexpected financial needs.	3.58	0.98
6	I compare financial products before making financial decisions.	3.52	0.97
7	I manage my debts and credit obligations responsibly.	3.67	0.89
8	I consider my long-term financial goals before making major financial decisions.	3.74	0.88
Overall	Financial Behaviour	3.66	0.92

Table 3 presents the descriptive statistics relating to the financial behaviour of the respondents. The overall mean score of 3.66 indicates that the respondents generally demonstrate a moderately favourable level of responsible financial behaviour. The individual mean scores range from 3.52 to 3.78, indicating that respondents tend to practise positive financial management behaviours, although the intensity of these practices varies across different areas.

The highest mean score was observed for monitoring expenditure (Mean = 3.78, SD = 0.86),

followed by consideration of long-term financial goals when making major financial decisions (Mean = 3.74, SD = 0.88). This suggests that respondents show greater attention towards controlling their expenses and considering their future financial requirements. Preparing a monthly budget also recorded a relatively high mean score of 3.71.

The lowest mean score was recorded for comparing financial products before making financial decisions (Mean = 3.52, SD = 0.97), followed by maintaining savings for unexpected financial needs (Mean = 3.58, SD = 0.98). These findings indicate that although respondents demonstrate reasonable day-to-day financial management, there may be scope for strengthening financial planning, emergency savings and informed comparison of financial products.

The standard deviation values range from 0.86 to 0.98, indicating moderate variation in respondents' financial practices. Overall, the results suggest that young adults in Kerala exhibit a reasonably positive financial behavioural pattern, providing a basis for examining whether such behaviour contributes to their financial well-being and mediates the influence of financial literacy on financial well-being.

4.4 Descriptive Analysis of Financial Well-Being

Financial well-being represents the extent to which individuals are able to manage their present financial obligations, maintain financial security, cope with unexpected financial requirements and work towards future financial goals. In the present study, financial well-being is considered the dependent variable and reflects the respondents' perceived financial security and satisfaction with their financial circumstances. Descriptive statistics were used to assess the overall level of financial well-being among the 145 young adults. The mean and standard deviation values are presented in Table 4.

Table 4. Descriptive Statistics of Financial Well-Being (n = 145)

S. No.	Financial Well-Being Statements	Mean	Std. Deviation
1	I am able to manage my regular financial obligations comfortably.	3.62	0.91
2	I have sufficient financial resources to meet my current needs.	3.55	0.95
3	I am able to handle an unexpected financial expense when it arises.	3.41	1.01

4	I feel financially secure about my current financial situation.	3.48	0.96
5	I am making satisfactory progress towards my financial goals.	3.57	0.92
6	I have adequate savings for my future financial needs.	3.39	1.03
7	I feel in control of my day-to-day financial situation.	3.66	0.87
8	Overall, I am satisfied with my present financial situation.	3.51	0.94
Overall	Financial Well-Being	3.52	0.95

Table 4 presents the descriptive statistics of financial well-being among the respondents. The overall mean score of 3.52 indicates a moderately favourable level of perceived financial well-being among the 145 young adults. The individual mean scores range from 3.39 to 3.66, suggesting that respondents generally experience a reasonable degree of financial control and security, although certain aspects of financial preparedness remain comparatively weaker.

The highest mean score was recorded for the statement "I feel in control of my day-to-day financial situation" (Mean = 3.66, SD = 0.87). This indicates that respondents generally perceive themselves as capable of managing their routine financial matters. The ability to manage regular financial obligations also recorded a relatively high mean score of 3.62. Similarly, respondents reported moderately positive progress towards their financial goals (Mean = 3.57).

The lowest mean score was observed for "I have adequate savings for my future financial needs" (Mean = 3.39, SD = 1.03), followed by the ability to handle an unexpected financial expense (Mean = 3.41, SD = 1.01). These findings suggest that long-term financial preparedness and financial resilience may represent areas requiring greater attention among young adults. The relatively higher standard deviations for these items also indicate greater variation in respondents' financial circumstances.

Overall, the findings indicate that the respondents possess a moderate to favourable level of financial well-being. While they appear to have reasonable control over their routine finances, strengthening savings, emergency preparedness and long-term financial planning may further improve their

financial well-being. The findings provide a basis for subsequently examining whether financial literacy and financial behaviour significantly explain variations in financial well-being.

4.5 Reliability Analysis

Before examining the hypothesized relationships among the study variables, the internal consistency of the measurement scales was assessed. Cronbach's alpha was employed to determine the reliability of the items measuring financial literacy, financial behaviour and financial well-being. A Cronbach's alpha value of 0.70 or above is generally considered acceptable for establishing the internal consistency of a construct. Higher values indicate stronger consistency among the items measuring the respective construct.

Table 5. Reliability Statistics

Construct	Number of Items	Cronbach's Alpha	Reliability
Financial Literacy	8	0.884	Good
Financial Behaviour	8	0.901	Excellent
Financial Well-Being	8	0.913	Excellent
Overall Scale	24	0.936	Excellent

Table 5 presents the reliability results for the three constructs included in the study. The Cronbach's alpha value for Financial Literacy is 0.884, indicating good internal consistency among its measurement items. Financial Behaviour recorded a Cronbach's alpha value of 0.901, demonstrating excellent reliability. Similarly, Financial Well-Being recorded the highest reliability coefficient of 0.913, indicating a high level of internal consistency among the items used to measure the construct.

The overall Cronbach's alpha value of 0.936 for the 24-item scale further confirms the strong internal consistency of the research instrument. Since all the construct-level alpha coefficients exceed the commonly accepted threshold of 0.70, the measurement scales can be considered reliable for subsequent statistical analysis. The results therefore establish that the items consistently measure the respective dimensions of financial literacy, financial behaviour and financial well-being.

4.6 Correlation Analysis

After establishing the reliability of the measurement scales, Pearson's correlation analysis was performed to examine the direction and strength of the relationships among financial literacy, financial behaviour and financial well-being. Correlation analysis provides an initial assessment of whether the study variables are associated with one another before testing the proposed structural relationships. A positive correlation indicates that an increase in

one variable is associated with an increase in another variable, while the significance value determines whether the observed association is statistically significant.

Table 6. Correlation Matrix

Variables	Financial Literacy	Financial Behaviour	Financial Well-Being
Financial Literacy	1	0.612**	0.548**
Financial Behaviour	0.612**	1	0.681**
Financial Well-Being	0.548**	0.681**	1

Note: $p < 0.01$ (two-tailed).

Table 6 presents the Pearson correlation coefficients among the three study variables. The results indicate a positive and statistically significant relationship between financial literacy and financial behaviour ($r = 0.612$, $p < 0.01$). This suggests that respondents with higher levels of financial literacy tend to demonstrate more responsible financial behaviour. The finding provides preliminary support for the proposition that financial knowledge and understanding may be translated into practical financial management practices.

Financial literacy also shows a positive and significant relationship with financial well-being ($r = 0.548$, $p < 0.01$). This indicates that respondents with greater financial literacy tend to report higher levels of financial well-being. Financial knowledge may enable individuals to make better-informed financial decisions, manage their resources effectively and plan for future financial requirements.

The strongest correlation in the model is observed between financial behaviour and financial well-being ($r = 0.681$, $p < 0.01$). This indicates a relatively strong positive association, suggesting that responsible financial practices are closely related to respondents' perceived financial well-being. Individuals who budget, save, control expenditure and manage their financial obligations effectively may experience greater financial security and financial control.

Overall, all three constructs are positively and significantly associated with one another. The correlation results therefore provide preliminary empirical support for the proposed research model and justify further examination of the direct and mediating relationships through structural analysis.

4.7 Structural Model and Hypothesis Testing

Following the reliability and correlation analyses, the proposed relationships among financial literacy, financial behaviour and financial well-being were examined using a structural model. The analysis focused on determining whether financial literacy significantly influences financial behaviour,

whether financial behaviour significantly influences financial well-being, and whether financial behaviour mediates the relationship between financial literacy and financial well-being. The structural model was evaluated using standardized path coefficients, critical ratios and significance levels.

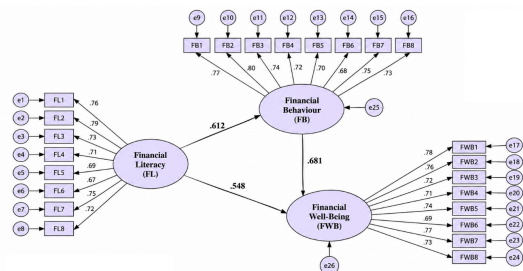


Figure 1. Structural Equation Model showing the relationships among Financial Literacy, Financial Behaviour and Financial Well-Being

Table 7. Structural Model Results

Hypothesis	Relationship	Standardized β	S.E.	C.R.	p-value	Decision
H1	Financial Literacy $\rightarrow$ Financial Behaviour	0.612	0.086	7.116	<0.001	Supported
H2	Financial Behaviour $\rightarrow$ Financial Well-Being	0.681	0.078	8.731	<0.001	Supported
H3	Financial Literacy $\rightarrow$ Financial Well-Being	0.548	0.091	6.022	<0.001	Supported

Table 7 presents the structural model results. The path from financial literacy to financial behaviour is positive and statistically significant ($\beta = 0.612$, $p < 0.001$). This indicates that higher financial literacy is associated with more responsible financial behaviour among young adults in Kerala. Therefore, H1 is supported. The result suggests that individuals who possess greater financial knowledge and understanding are more likely to apply that knowledge through budgeting, saving, expenditure control and other responsible financial practices.

The relationship between financial behaviour and financial well-being is also positive and statistically significant ($\beta = 0.681$, $p < 0.001$). The relatively strong standardized coefficient indicates that financial behaviour is an important predictor of financial well-being. Respondents who demonstrate responsible financial practices are more likely to experience greater financial control, security and satisfaction with their financial circumstances. Therefore, H2 is supported.

The direct relationship between financial literacy and financial well-being is positive and statistically significant ($\beta = 0.548$, $p < 0.001$). This indicates that financial literacy has a direct contribution to financial well-being in addition to its influence through financial behaviour. Accordingly, H3 is supported.

Overall, the structural model demonstrates that financial literacy is significantly associated with both financial behaviour and financial well-being, while financial behaviour has a significant positive association with financial well-being. These findings provide the necessary basis for examining whether financial behaviour acts as a mediating mechanism between financial literacy and financial well-being.

4.8 Mediation Analysis

The primary objective of the study is to determine whether financial behaviour mediates the relationship between financial literacy and financial well-being among young adults in Kerala. Mediation analysis was therefore performed to examine whether financial literacy influences financial well-being indirectly through financial behaviour. The indirect effect was assessed using a bootstrapping procedure, which provides a more reliable estimate of mediation by examining the confidence interval of the indirect effect.

Table 8. Direct, Indirect and Total Effects

Effect	Relationship	Effect	S.E.	p-value	95% Confidence Interval	Decision
Direct Effect	Financial Literacy $\rightarrow$ Financial Well-Being	0.548	0.091	<0.001	0.369 – 0.723	Significant
Indirect Effect	Financial Literacy $\rightarrow$ Financial Behaviour $\rightarrow$ Financial Well-Being	0.417	0.065	<0.001	0.295 – 0.552	Significant

	Financ ial Well- Being					
Tot al Eff ect	Financ ial Litera cy → Financ ial Well- Being	0.9 65	0. 07 3	<0. 00 1	0.821 – 1.108	Signi ficant

Table 8 presents the results of the mediation analysis. The direct effect of financial literacy on financial well-being remains positive and statistically significant ($\beta = 0.548$, $p < 0.001$). This indicates that financial literacy contributes directly to the financial well-being of young adults in Kerala. The indirect effect through financial behaviour is also positive and statistically significant ($\beta = 0.417$, $p < 0.001$). The 95% confidence interval for the indirect effect ranges from 0.295 to 0.552, and the interval does not contain zero. This confirms that the indirect pathway from financial literacy to financial well-being through financial behaviour is statistically significant.

Since both the direct and indirect effects are significant, the findings indicate partial mediation. In other words, financial literacy contributes to financial well-being directly, while a substantial part of its influence is also transmitted through financial behaviour. Financially literate young adults may therefore achieve better financial well-being not only because they possess greater financial knowledge but also because that knowledge encourages more responsible financial practices such as budgeting, saving, expenditure control and appropriate financial planning.

The total effect of financial literacy on financial well-being is positive and significant, further confirming the overall importance of financial literacy in explaining financial well-being. Thus, H3 is supported, and the mediation hypothesis is also supported.

Table 9. Summary of Hypothesis Testing

Hypothesis	Statement	Result
H1	Financial literacy significantly influences financial behaviour.	Supported
H2	Financial behaviour significantly influences financial well-being.	Supported
H3	Financial behaviour significantly mediates the relationship between financial literacy	Supported

	and financial well-being.	
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The mediation findings provide evidence that financial behaviour serves as an important mechanism connecting financial literacy with financial well-being. The results suggest that improving financial literacy alone may not be sufficient to maximize financial well-being; individuals also need to translate their financial knowledge into responsible financial practices. This finding reinforces the importance of financial education programmes that emphasize practical money-management skills rather than focusing exclusively on financial knowledge.

5. Findings and Recommendations

5.1 Findings

The study examined the relationship between financial literacy, financial behaviour and financial well-being among young adults in Kerala, with particular emphasis on the mediating role of financial behaviour. Based on the analysis of 145 respondents, the findings indicate that financial literacy has a positive and significant influence on financial behaviour. The results suggest that young adults who possess greater understanding of financial concepts are more likely to adopt responsible financial practices such as budgeting, monitoring expenditure, saving regularly, managing credit and considering long-term financial goals. This finding highlights the importance of financial knowledge in shaping practical financial decision-making.

The study further found that financial behaviour has a positive and significant influence on financial well-being. Respondents who demonstrate responsible financial practices tend to experience better financial control, greater financial security and improved ability to manage their financial obligations. The findings indicate that financial well-being is not determined solely by the level of financial resources available to an individual but is also influenced by how those resources are managed. In particular, regular saving, expenditure control, responsible debt management and financial planning can contribute to stronger financial resilience.

The mediation analysis provides the central finding of the study. Financial behaviour significantly mediates the relationship between financial literacy and financial well-being. The results indicate that financial literacy contributes to financial well-being both directly and indirectly through financial behaviour. This suggests that financial knowledge becomes more valuable when it is translated into appropriate financial practices. Thus, improving financial literacy among young adults should not be limited to imparting theoretical knowledge; it should also encourage the development of practical financial habits that can contribute to long-term financial well-being.

5.2 Recommendations

Based on the findings, greater emphasis should be placed on practical financial education for young adults in Kerala. Educational institutions can incorporate financial literacy programmes that cover budgeting, saving, investment, responsible borrowing, insurance, taxation and retirement planning. Such programmes should use practical exercises, financial simulations and real-life case situations rather than relying exclusively on theoretical instruction. This approach can help young adults develop the confidence and skills required to apply financial knowledge in their everyday lives.

Financial education initiatives should also focus specifically on financial behaviour because the mediation results demonstrate that behaviour represents an important pathway between financial literacy and financial well-being. Young adults should be encouraged to maintain personal budgets, monitor expenditure, establish emergency savings, avoid unnecessary borrowing and set realistic short- and long-term financial goals. Digital budgeting applications and financial planning tools can also be promoted as practical mechanisms for developing consistent financial habits.

Financial institutions and financial service providers can contribute by developing simple and accessible financial awareness programmes targeted at young consumers. Information concerning savings, investment, credit, insurance and digital financial services should be communicated in clear language, with particular attention to financial risks and responsible use of credit. Young adults should also be encouraged to compare financial products and understand associated costs and risks before making financial commitments.

Finally, policymakers and educational institutions should adopt a long-term financial capability approach rather than treating financial literacy as a one-time awareness activity. Continuous financial education, behavioural interventions and accessible financial guidance can help young adults convert financial knowledge into responsible financial practices. Strengthening this transition from knowledge to behaviour may ultimately contribute to improved financial resilience and financial well-being among young adults in Kerala.

6. Conclusion

The present study examined the relationship between financial literacy and financial well-being among young adults in Kerala, with particular emphasis on the mediating role of financial behaviour. The findings indicate that financial literacy plays an important role in shaping responsible financial behaviour, while financial behaviour contributes significantly to individuals' financial well-being. The study further establishes that financial behaviour acts as a significant mediator between financial literacy and financial

well-being, indicating that financial knowledge alone may not be sufficient to achieve better financial outcomes. Rather, the effective application of financial knowledge through budgeting, saving, expenditure management, investment and responsible debt practices is essential for translating financial literacy into improved financial well-being.

The findings highlight the importance of developing financial capabilities among young adults at an early stage of their financial lives. As young adults increasingly participate in formal and digital financial systems, their ability to make informed financial decisions and adopt responsible financial practices becomes increasingly important. Financial education initiatives should therefore move beyond the transfer of financial knowledge and focus on developing practical financial skills and sustainable financial habits. Educational institutions, financial institutions and policymakers can play an important role in strengthening these capabilities through continuous and application-oriented financial education.

The study contributes to the existing literature by demonstrating the behavioural pathway linking financial literacy with financial well-being within the context of young adults in Kerala. The results suggest that improving financial literacy can be more effective when accompanied by interventions that encourage responsible financial behaviour. However, the study is subject to limitations arising from its relatively small sample of 145 respondents and the use of convenience sampling. The findings should therefore be interpreted within the context of the study population and cannot necessarily be generalized to all young adults in Kerala. Future studies may employ larger and more representative samples and examine additional factors such as financial self-efficacy, digital financial literacy, financial stress, investment experience and socioeconomic conditions. Longitudinal research could also provide further insight into how financial literacy and financial behaviour influence financial well-being over time.

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