Financial Literacy and Financial Wellbeing - Empirical Evidence from Recent Graduates in Jaffna

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Abstract

Financial literacy and financial well-being are crucial aspects of individuals' economic empowerment and overall quality of life. The study aims to investigate the impact of financial literacy and its dimensions, namely financial knowledge, financial behaviour, and financial attitude, on financial well-being among recent graduates in the Jaffna district. In addition, the study examines whether there is a difference in financial literacy levels between graduates who have received personal financial education and those who have not. Stratified sampling was used to select the sample, and over 200 questionnaires were distributed via social media, resulting in 125 respondents. Utilizing correlation analysis and multiple regression analysis with SPSS, the study found a significant positive relationship between overall financial literacy and financial well-being. Additionally, financial knowledge, behaviour, and attitude each demonstrated a significant positive impact on financial well-being. Further, the research revealed that graduates lacking personal financial education exhibit lower financial literacy levels than their counterparts with such education. These findings underscore the importance of integrating personal finance courses into educational curricula to enhance financial literacy and well-being among graduates.

Keywords: *Behavioural economics, financial attitude, Financial behaviour, Financial knowledge, Financial literacy, Financial well-being*

Introduction

The global financial landscape has evolved dramatically over recent decades, shaped by technological innovation, consumer credit expansion, and growing economic uncertainty. These structural changes have introduced new opportunities for financial participation and imposed unprecedented cognitive and behavioural demands on individual decision-makers. In particular, young adults who are at a transitional life stage are increasingly required to independently manage borrowing, saving, investing, and retirement planning, often with

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limited guidance or experience (Lusardi & Mitchell, 2014; Yakoboski et al., 2023; Goyal et al., 2023).

Successfully navigating this complex financial environment demands more than conventional education or stable income. It required individuals to access, interpret, and critically evaluate financial information and to exercise the confidence and self-discipline needed to make sound decisions in contexts marked by uncertainty, risk, and delayed outcomes (Yakoboski et al., 2023; OECD, 2023). This essential capacity, called financial literacy, has become a cornerstone of individual economic empowerment and resilience. While early definitions emphasized basic numeracy and budgeting, contemporary frameworks advance a multidimensional model that includes financial knowledge (what individuals know), financial behaviour (how individuals act), and financial attitude (what individuals feel about money) (OECD, 2023; Atkinson & Messy, 2012).

These three dimensions are now widely acknowledged as distinct but interrelated drivers of financial well-being. For instance, financial knowledge enables informed decisions, financial behaviour reflects the practical execution of those decisions, and financial attitude captures the motivational and psychological readiness to act (Goyal et al., 2023; Yakoboski et al., 2023). Empirical studies increasingly confirm that financial well-being is not determined solely by what individuals know but by the interplay of their habits and mindsets. Gangal et al. (2024) find that even modest financial education interventions can significantly improve budgeting, debt management, and future planning, especially among youth populations. These findings highlight that effective financial literacy policies and interventions must address all three dimensions holistically, rather than solely on knowledge transfer.

While global evidence affirms the multidimensional structure of financial literacy, its implications are significant in developing economies like Sri Lanka, where youth and recent graduates face heightened financial vulnerability. The economic disruptions following Sri Lanka's 2022 sovereign debt crisis, marked by currency devaluation, rising living costs and persistent underemployment, have increased pressures on young individuals to make independent financial decisions with limited institutional support (Central Bank of Sri Lanka, 2023). Although national strategies have improved access to financial services, gaps remain in the quality of financial decision-making, especially among those transitioning from an academic setting to economic independence, where they need to manage student loans, initiate saving, and make key investment decisions (Senarathna & Anuradha, 2024; Heenkenda, 2014). These challenges are further compounded in post-conflict regions where long-standing infrastructural deficits and lower financial inclusion hinder the development of financial capabilities. Empirical findings suggest that core competencies such as budgeting, saving, and debt management remain weak even among university graduates. For example, Senarathna and Anuradha (2024) found that many undergraduates lacked even basic knowledge of interest rates or repayment terms, and few exhibited proactive financial behaviours. Financial attitudes

such as confidence, self-control, and planning orientation were also found to be underdeveloped, particularly in rural or disadvantaged areas (GIZ, 2021; Thilakarathna et al., 2025).

Moreover, the growing availability of digital platforms has not been matched by improvements in digital financial literacy, resulting in a gap between access to financial tools and the competence to use them effectively. These contextual challenges necessitate a focused empirical investigation into how financial literacy, measured across its three core dimensions, affects financial well-being outcomes among young adults in this setting.

To better understand and address these challenges, scholars have proposed multidimensional models of financial literacy that go beyond basic economic knowledge. For example, Kimiyaghalam and Safari (2015) emphasize the importance of evaluating financial literacy through an integrated framework that includes conceptual understanding, personal finance management skills, decision-making ability, and confidence in planning for future financial needs. These dimensions are interrelated and jointly contribute to financial capacity, essential for managing financial demands in increasingly volatile socio-economic contexts.

Furthermore, financial literacy is closely tied to observable financial behaviour. Empirical research confirms that positive habits such as disciplined spending, regular saving, and prudent debt management are critical for long-term financial attitudes. Individuals' psychological orientations toward money, including self-control, planning horizon, and confidence, significantly shape financial outcomes (Bhushan & Medury, 2014). Fostering constructive financial attitudes has become a key focus in modern financial education initiatives.

Recent theoretical advances also position financial well-being as a composite outcome of knowledge, behaviour, and attitude. For instance, Brüggen et al. (2017) and Zemtsov and Osipova (2016) argue that financial well-being is not an objective state of economic sufficiency, but also a subjective perception of one's ability to meet current and future financial needs. This dualistic view acknowledges that even stable-income individuals may experience financial distress if they lack the behavioural tools or psychological resilience to manage uncertainty. Salignac et al. (2020) further suggest that financial well-being is dynamic and context-dependent, shaped by personal experiences, life stage, institutional factors, and broader socio-economic conditions.

Young adults worldwide continue to demonstrate substantial financial literacy gaps, which hinder their financial well-being. For instance, surveys have found that only about 27% of young adults can correctly answer basic questions on interest, inflation, and risk diversification (Mitchell et al., 2011) and incoming college freshmen have scored as low as 35% on average on financial knowledge tests (Robb & Sharpe, 2009). Such findings highlight that many recent graduates with inadequate personal finance knowledge enter the workforce. This lack of practical financial savvy has real consequences. Graduates often accumulate significant debt

early on, leaving college with an average of USD 20,000 in student loans and credit card debt. This burden can seriously strain their post-graduation finances. (Robb & Sharpe, 2009). Compounding the issue, many young people struggle with poor financial behaviours, for example, carrying high credit balances or missing payments, which further jeopardize their financial stability (Robb & Sharpe, 2009). These past patterns point to a persistent problem. Despite greater public attention to financial literacy in recent years, many emerging adults are not effectively translating financial knowledge into sound financial decision-making.

One response to this challenge has been to promote personal finance education in schools and universities. However, evidence of its effectiveness has been mixed. Early studies raised concerns that simply mandating financial education may not guarantee better outcomes. For example, a longitudinal USA study found that completing a high school personal fiancé course did not significantly improve students' financial behaviours or knowledge retention (Mandell, 2008). This suggests that existing curricula often fail to bridge the gap between theoretical knowledge and real-world financial competence, resulting in ongoing issues like poor debt management, insufficient savings, and limited planning for investment in young adulthood. On the other hand, more recent research offers a more optimistic perspective where meta-analyses of financial education programs indicate that well-designed programs can produce significant gains in participants' financial knowledge and behaviours (Kaiser & Menkhoff, 2017). In particular, programs timed at “teachable moments” (eg- before starting a job or graduating) and with sufficient intensity tend to yield positive outcomes behaviours (Kaiser & Menkhoff, 2017). This discrepancy in findings highlights the need to examine whether financial education is provided, how and when it is delivered, and what complementary factors (such as hands-on experience or mentoring) might be necessary to make financial literacy actionable for young people.

The issue of financial literacy is especially salient in developing economies and post-conflict regions. Recent graduates face a challenging economic landscape in countries like Sri Lanka that tests their financial capabilities. The aftermath of Sri Lanka’s 2022 sovereign debt crisis, marked by sharp currency devaluation, rising living costs, and high underemployment, has placed extraordinary pressure on young individuals’ finances. New graduates in the Jaffna district, a region recovering from prolonged conflict and enduring infrastructural deficits, are often forced to make complex financial decisions (such as managing student loan repayments, budgeting for living expenses, and beginning to save or invest) with limited institutional support and guidance. Preliminary evidence suggests that even university-educated students in Sri Lanka frequently lack basic financial knowledge and skills. For example, a recent survey of undergraduates found many could not correctly understand interest rates or repayment terms, and few demonstrated proactive behaviours like regular budgeting or saving (Senarathna & Anuradha, 2024). Important financial attitudes such as confidence in money management, self-control in spending, and future-oriented planning also appear

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underdeveloped among youths in rural and conflict-affected areas. This situation raises concerns that, without targeted interventions, today's graduates may remain ill-equipped to achieve financial stability and wellness in adulthood.

Given these challenges, there is a clear need for empirical research to assess whether improving financial literacy might enhance young adults' financial well-being and whether formal education in personal finance makes a measurable difference. It is important to investigate the case of recent graduates in Jaffna, a context where formal education in personal finance education opportunities has been relatively limited, yet where improving financial capabilities could have high payoffs for individual livelihoods and community development. Accordingly, this study focuses on two key research questions.

- Does financial literacy significantly influence the financial well-being of recent graduates in the Jaffna District?
- Is there a measurable difference in financial literacy levels between recent graduates receiving personal finance education and those not?

By addressing these questions, the study assesses whether higher financial literacy, including knowledge, prudent behaviour, and positive financial attitudes, translates into better financial outcomes for young people. The primary objective is to evaluate how financial literacy in its multiple dimensions facilitates practical financial resilience among recent graduates. In framing this inquiry, we draw on two complementary theories: Human capital theory (Becker, 1964) and the Behavioral life cycle theory (Shefrin & Thaler, 1988a) Together, they provide a multidimensional, behaviorally informed lens for understanding how financial knowledge and behaviors develop. Human capital theory views financial literacy as an investment in one's economic capability, such as education or skill training, that should enhance productivity and well-being over time. Meanwhile, the behavioural life-cycle hypothesis recognizes that individuals face psychological biases and self-control constraints, suggesting that financial literacy can help young adults navigate complex financial decisions.

Using these theoretical foundations, this study will contribute new evidence on how knowledge, behaviour, and attitudes together shape financial well-being and will inform educational policymakers, community-based financial education programs targeting young adults, and curriculum developers seeking to empower the next generation of graduates in Sri Lanka and similar emerging markets.

Literature Review

Theoretical Review

The foundation of financial literacy research is rooted in Human Capital Theory, introduced by Becker (1964). It highlights that individuals can enhance their productivity and well-being by investing in education and skill development. Financial literacy can be viewed in personal finance as a form of capital, a knowledge that individuals acquire to improve their decision-

making quality. By mastering budgeting, credit management, saving, and investing, a person effectively increases their ability to manage resources efficiently, avoid financial distress, and achieve long-term goals. The theory predicts that individuals who devote more effort to learning about their fiancé will enjoy better financial outcomes and greater economic security over their lifetime. In other words, financial literacy is an investment that yields a return in the form of wiser financial choices and improved financial health (eg: higher savings, prudent debt levels, and adequate preparation for retirement). This framework underpins the expectation in this study that graduates with higher financial literacy will exhibit greater financial well-being. Traditional economic models assume people behave entirely rationally, but Behavioral life cycle theory offers a more realistic psychological perspective on financial behaviour over one's life. (Shefrin & Thaler, 1988a). This suggests that individuals often deviate from purely rational behaviour due to cognitive biases, self-control problems, and mental accounting. For example, young adults may struggle to save for the future because of present bias (overvaluing present consumption) or incur excessive debt due to overoptimism and lack of self-control. This theory highlights the role of financial literacy in mitigating behavioural biases. With a better understanding of compound interest and the dangers of over-indebtedness, individuals are more likely to recognize the long-term consequences of short-sighted financial choices. A financially literate person, for instance, maybe more aware of how excessive credit card spending today can hamper future well-being and thus exercise greater discipline. Financial literacy is a cognitive tool that helps people align their behaviours with their long-term interests and overcome impulsive tendencies and decision-making traps. This perspective implies that increasing knowledge is insufficient; education must address attitudes and habits. This behaviorally oriented view informs this study's focus on financial behaviour, attitudes, and knowledge. By combining human capital theory and the behavioural life cycle approach, financial literacy improves well-being by adding valuable knowledge and shaping better financial behaviours and self-regulation.

Empirical Review

Financial Literacy and Financial Well-being

A growing body of empirical research strongly affirms a positive relationship between financial literacy and personal financial well-being across different populations. Recent evidence summarized by Lusardi and Messy (2023), concludes that *" in a nutshell, financial literacy improves financial wellbeing".* Higher financial literacy is associated with more informed financial decision-making and outcomes. For example, an analysis of USA survey data finds that individuals who correctly answered basic financial literacy questions were far more likely to engage in healthy financial behaviours. They were more likely to plan for retirement, less likely to be over-indebted on credit, and better able to cope with emergencies due to greater financial buffers (Lusardi & Streeter, 2023). These behaviours (retirement planning, controlled

debt, and emergency savings) are key indicators of financial well-being, suggesting that knowledge translates into tangible benefits. Likewise, cross-country and regional studies consistently report that people with financial literacy tend to experience lower financial stress and greater financial security, controlling for income and other factors. (Zhang & Chatterjee, 2023). For instance, both developed and emerging economies have found that financially knowledgeable individuals are more likely to budget effectively, invest wisely, and avoid financial scams or high-cost debt, all contributing to a better sense of financial wellness. (Lone & Bhat, 2024; Katnic et al., 2024).

It is important to note that financial literacy is a multidimensional construct, typically encompassing financial knowledge (cognitive understanding of financial concepts), financial behaviour (day-to-day money management practices), and financial attitude (mindset towards money and risk) (Organization for Economic Co-operation and Growth (OECD), 2023). These dimensions work in tandem to influence well-being. Knowing financial facts is beneficial, but knowledge alone is insufficient if not coupled with positive behaviours and attitudes. Empirical studies suggest that the effect of financial literacy on well-being is often mediated or reinforced by behaviour and psychological factors (Sabri et al., 2022). In other words, two individuals with similar financial knowledge may have very different well-being outcomes if one routinely saves and budgets (good financial behaviour) and does not, or if one feels confident and future-oriented about finances (healthy financial attitude). In contrast, the other feels anxious or myopic. For example, researchers have found that disciplined habits such as regular saving, prudent spending, and avoiding unnecessary debt are critical for long-term financial satisfaction. These habits typically stem from a solid foundation of knowledge combined with a conscientious attitude (Sabri et al., 2022). Positive financial attitudes such as self-control, frugality, and planning for the future significantly shape financial outcomes (de Almeida et al., 2021; Hernandez-Perez & Cruz Rambaud, 2025; Strömbäck et al., 2017). For example, a financial literacy survey showed that financial self-control and self-efficacy deficiencies significantly predicted financial hardship and reduced financial well-being (Hernandez-Perez & Cruz Rambaud, 2025). This is supported by a study showing that financial self-efficacy strongly predicts general life satisfaction, mediated by investment satisfaction and high personal standards (Hu et al., 2021). A comprehensive review further confirms that financial self-efficacy links beliefs and emotions to tangible financial behaviours and overall life satisfaction (Ahamed, 2025).

Another insight from the literature is that more financial literacy is not endlessly beneficial without context. Some studies caution about the potential pitfalls of overconfidence. As people become more financially knowledgeable, they might develop unwarranted confidence, leading them to take excessive risks. For instance, Chu et al. (2017) observe a paradox where individuals who perceive themselves as financially savvy sometimes engage in riskier investments or accumulate debt due to overconfidence, which can be detrimental due to

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ignorance. Thus, financial literacy initiatives should aim to produce informed humble, knowledgeable yet careful consumers. The consensus, however, remains that on balance, a higher level of financial literacy, coupled with sound behaviour, is a net positive for personal financial well-being. Indeed, international policy bodies like the OECD argue that improving financial literacy, especially among youth, can enhance financial inclusion and reduce vulnerabilities in the population (Lusardi & Messy, 2023).

The impact of financial education and personal finance training

Given the positive link between financial literacy and well-being, an important question is how to raise financial literacy levels effectively. This highlights the role of formal financial education (such as schools or university courses, workshops, or training programs in personal finance). Prior research offers mixed evidence on the efficacy of such education, making it an interesting subject of study. Mandell (2008) found little to no improvement in long-term financial outcomes for high school students who had taken a personal finance course. In this research, young adults who completed financial coursework did not perform much better in managing credit or savings than those with no such course, raising concerns that one-time or poorly implemented courses might not stick. Possible reasons include curricula that focus too much on rote knowledge, insufficient practical application, or the lack of immediate relevance to students' lives (leading to low retention of lessons). This initial scepticism led to a question of whether mandated financial education was worthwhile.

However, another study indicates that financial education can be effective. A meta-analysis encompassing 126 studies around the world concludes that financial education programs generally have positive causal effects on both financial knowledge and financial behaviour, with the most potent effects observed on improving knowledge (Kaiser & Menkhoff, 2017). These programs, on average, led to better budgeting, increased saving rates, and more innovative credit management among participants. Notably, the effectiveness tends to be higher for interventions that are longer in duration or tailored to moments when participants are making consequential financial decisions, such as starting a job or buying a home. There is also evidence that younger people and those in middle-income or high-income settings benefit more readily. In contrast, low-income populations may face external constraints that limit behavioural changes despite education. Overall, the weight of evidence suggests that well-crafted financial education that is interactive, relevant, and reinforced over time improves financial literacy meaningfully, which should eventually reflect better financial well-being.

Empirical studies focusing on university students and recent graduates further support the value of financial education. For example, a study of undergraduates in Albania found that students who had taken a personal finance course scored significantly higher on measures of financial knowledge and overall literacy than their peers who never taken such a course (Nano & Cani, 2020). This aligns with intuition and human capital theory, in which formal instruction

gives students a measurable edge in understanding financial concepts. Other research has documented similar findings in various countries; participants of personal finance seminars or courses often show improved budgeting behaviour and more confidence in financial decision-making compared to non-participants, though the effect can vary. It was also found that not all educational experiences are equal. The curriculum content, teaching methodology, and instructor expertise are likely key factors determining success (de Bruijn et al., 2022; Kaiser & Menkhoff, 2022; Kaiser & Menkhoff, 2017).

In the Sri Lankan context, formal personal finance education has not been uniformly integrated into higher education curricula, which means many graduates have no exposure to structured financial literacy training during their studies (Priyadarshani & Kumari, 2021). This creates an opportunity to examine differences between those who do acquire financial knowledge through elective courses or workshops and those who do not. The expectation, based on global literature (Kaiser & Menkhoff, 2022; Lusardi & Mitchell, 2014) and a small number of local studies (Senarathna & Anuradha, 2024), is that graduates who have received personal finance education will, on average, demonstrate higher financial literacy levels than those without such education. Indeed, beyond the classroom, even informal financial guidance from family or mentorship can yield higher literacy and better outcomes, but formal education provides a systematic way to cover essential topics. This study tests this proportion directly in the context of Jaffna's recent graduates, contributing evidence to whether integrating personal finance courses into university programs can uplift financial literacy and, by extension, the financial well-being of youth.

Development of Hypotheses

Building on the theoretical insights and empirical findings above, the study formulates the following hypotheses to address the research questions.

H1: Financial literacy positively and significantly influences the financial well-being of recent graduates in Jaffna. In particular, higher financial literacy graduates are expected to report greater financial well-being. This hypothesis stems from the observed correlation between literacy and well-being in prior studies (Goyal et al., 2023; Lusardi & Mitchell, 2014). It also reflects the notion from human capital theory that financial knowledge and skills improve one's ability to manage finance effectively, and the behavioral view that literacy helps individuals avoid pitfalls and adopt prudent financial behaviours. This can be further broken down into the general hypotheses and sub-hypotheses for each dimension of financial literacy.

H1a: Financial knowledge (understanding of personal finance concepts) positively affects financial well-being (Atkinson & Messy, 2012; Chu et al., 2017).

H1b: Financial behaviour (sound money management practices such as budgeting, saving, and responsible borrowing) positively affects financial well-being (Rahman et al., 2021; Abdurrahman & Adi, 2024).

H1c: Financial attitude (positive mindset and confidence in financial matters) positively affects financial well-being (Brüggen et al., 2017; Amoa-Gyarteng, 2021).

These dimensions are anticipated to contribute to better financial outcomes, consistent with multidimensional financial literacy models. For example, knowledge provides the what and why of sound financial practices, while behaviour implements those practices and attitude provides the motivation and discipline to sustain them. Prior empirical research suggests that all three aspects determine financial wellness. Hence, the following hypothesis is that recent graduates scoring higher in these areas will exhibit higher overall financial well-being, such as less financial stress, more satisfaction with their financial situation, and better objective outcomes.

H2: Graduates who have received personal finance education will exhibit higher financial literacy levels than graduates who have not received such education.

This hypothesis directly addresses the second research question by positing a significant difference between the two groups. This is grounded in evidence from both international studies and theories. Acquiring financial knowledge through coursework or training should elevate one's literacy and potentially influence behaviour, as suggested by the human capital investment argument. Empirically, numerous studies document that exposure to financial education correlates with higher literacy scores (Nano & Cani, 2020). Accordingly, the hypothesis will be tested statistically via an independent samples *t-test* to determine if mean literacy levels differ between the educated and non-educated groups. A significant finding favouring H2 would support calls to integrate personal finance topics more widely into university curricula. In contrast, a non-significant difference might suggest that mere coursework as currently delivered is not enough to create a competency gap, highlighting the need to improve the quality or practicability of financial education.

Together, H1 and H2 form the empirical core of the study. H1 examines the impact of financial literacy on an outcome (financial well-being), aligning with global evidence that better-informed individuals make better financial choices. H2 examines a key source of variation in financial literacy (educational experience), probing whether formal education effectively boosts literacy among youths. Confirming these hypotheses would contribute evidence that educating young people in personal finance can yield dividends in their financial health, thereby guiding educators and policymakers. Conversely, if the hypotheses are not supported, that would offer insights into potential gaps. For instance, if financial literacy does not translate into well-being in this context, it may indicate the presence of other binding constraints on well-being such as low incomes or lack of job opportunities, or if educated and non-educated graduates show no literacy gaps, this might indicate that current educational content is insufficient or that informal learning channels substitute for formal courses. In any outcome, the findings will enrich the ongoing discourse on how to foster financial well-being among the next generation of adults in emerging economies.

Methods

A quantitative survey design was adopted to examine the relationships between financial literacy and financial well-being. By using closed-ended items and Likert scales, the survey design ensures objective measurement of respondents' financial knowledge and well-being and addresses the research questions (Alqam & Hamshari, 2024). The target population comprised recent university graduates (class of 2022-2024) residing in the Jaffna district, Sri Lanka. This group was purposefully chosen because individuals recently left higher education and entered an important transitional stage of labour market entry and financial independence. In the Sri Lankan context, this transition is particularly challenging in post-conflict regions like Jaffna, where youth unemployment rates remain high relative to other districts. Graduates in this region face structural disadvantages, including limited access to formal employment, regional economic disparities, and weak financial guidance infrastructure (Borham, 2018). A stratified random sampling strategy was used to enhance representativeness. Data was collected via a structured online questionnaire. The survey instrument included multi-item scales to measure financial literacy (knowledge, skills, and attitudes) and financial well-being. Core survey items were adopted from the financial literacy and well-being instruments used by Orozco-Orozco et al. (2024) Which was validated in a comparable socio-economic context. Adapting an existing validated scale ensures content validity and allows comparison with prior research. The final questionnaire was deployed online and distributed via social media groups. The questionnaire comprised three sections. Part I captured demographic information, Part II assessed financial literacy, and Part III evaluated financial well-being. A five-point Likert scale (1 = strongly disagree to 5 = strongly agree) was employed. Data analysis included reliability testing, descriptive statistics, correlation, and regression to examine the relationship between financial literacy and financial well-being.

Conceptualization

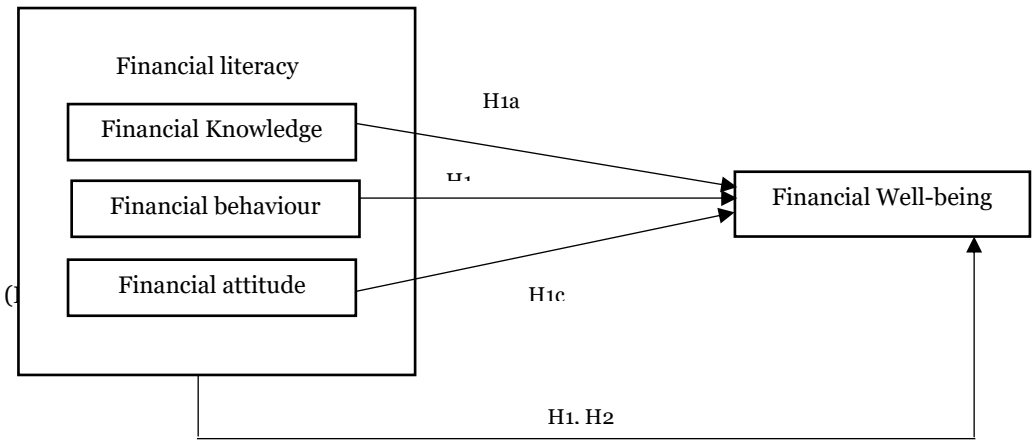

Figure 01: Conceptualization Model

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The above conceptual model is structured to address the two primary research questions.

RQ1: Does financial literacy significantly influence the financial well-being of recent graduates in the Jaffna District?

This is examined through,

H1: Financial literacy positively influences financial well-being.

H1a: Financial knowledge positively influences financial well-being.

H1b: Financial behaviour positively influences financial well-being.

H1c: Financial attitude positively influences financial well-being.

RQ2: Is there a measurable difference in financial literacy levels between recent graduates receiving personal finance education and those not?

This is addressed by,

H2: There is a significant difference in financial literacy levels between graduates who have received personal finance education and those who have not.

Operationalization

Table 01: Measurement of the Variables

Concepts	Variables	Indicators	Measurements
Financial literacy	Financial knowledge	• Interest rate, Savings, Loans • Inflation • Risk and return • Diversification	Questions 1-6
	Financial behaviour	• Evaluates careful spending • Future orientation • Satisfaction with consumption • Attitude towards risk • Propensity to spend instead of saving for the future • Reverse-coded	Questions 7-14
	Financial attitude	• Financial Planning • Timely payment obligations • Contingency preparedness	Questions 14-21
Financial wellbeing		• Satisfaction • Well-being perception • Ability to cover certain expenses • Worry and stress related to the financial situation	Questions 1-9

Source: Adapted from a Questionnaire prepared by Orozco-Orozco et al. (2024)

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Data Analysis and Discussion

The Profile of The Study's Respondents

Table 02: Demographic Characteristics of Recent Graduates

Demographic characteristics		Frequency	Per cent
Age	24	9	7.2
	25	10	8
	26	41	32.8
	27	51	40.8
	28	14	11.2
Gender	Male	43	34.4
	Female	82	65.6
Marital Status	Married	4	3.2
	Unmarried	121	96.8
Average Monthly Income	Below 30000	18	14.4
	30000-50000	35	28
	50000-100000	39	31.2
	100000-150000	20	16
	Over 150000	13	10.4
Personal Finance Course	Yes	61	48.8
	No	64	51.2

Source: Survey data (2024)

The demographic profile reveals that many respondents were 26-27, comprising over 73% of the sample, indicating a typical post-graduation age range. Female respondents comprised 65.6%, suggesting an actual enrollment pattern in local universities. Most participants (96.8%) were unmarried, consistent with the early career stage of the target group. Regarding income, 59.2% reported earnings between LKR 30,000 and 100,000 per month, reflecting modest early career earnings in the Jaffna context. Notably, 51.2% had not completed a personal finance course, highlighting a gap in formal financial education among recent graduates, an important contextual factor for interpreting financial literacy outcomes.

Reliability

The reliability of the measurement scales was assessed using Cronbach's alpha, a widely accepted indicator of internal consistency.

Table 03: Reliability – Cronbach's alpha (N=125)

Variables	No of items	Cronbach's Alpha
Financial knowledge	6	0.892
Financial behaviour	8	0.875
Financial attitude	7	0.876

Financial wellbeing	9	0.879
Financial literacy	21	0.850

Source: Survey data (2024)

As shown in Table 3, all constructs proved strong reliability, with alpha values exceeding the conventional threshold of 0.7 (Nunnally, 1978). Financial knowledge (α = 0.892), financial behaviour (α = 0.875), financial attitude (α = 0.876), and financial wellbeing (α = 0.879) each displayed high internal consistency, indicating that the items within each subscale measured cohesive constructs. The overall financial literacy scale, composed of 21 items, also yielded a satisfactory α value of 0.850, affirming the scale's suitability for further analysis.

Correlation Analysis

Pearson's correlation coefficient was employed to examine the strength and direction of the relationship between financial literacy and financial well-being.

Table 04: Correlation Matrix for Financial Literacy and Financial Well-being

		FW	FL
Financial well-being (FW)	Pearson Correlation	1	
	Sig. (2-tailed)		
Financial literacy (FL)	Pearson Correlation	.723**	1
	Sig. (2-tailed)	0.000	

Correlation is significant at the 0.01 level (2-tailed)
Source: Survey data (2024)

As shown in Table 4, the results indicate a strong positive correlation between the two variables (r = 0.723, p< 0.01). This statistically significant association suggests that higher levels of financial literacy are associated with greater financial well-being among recent graduates.

Table 05: Correlation Matrix for Dimensions of Financial Literacy and Financial Well-being

		FK	FB	FA	FW
Financial knowledge (FK)	Pearson Correlation	1			
	Sig. (2-tailed)				
Financial behaviour (FB)	Pearson Correlation	.543**	1		
	Sig. (2-tailed)	0.000			
Financial attitude (FA)	Pearson Correlation	.545**	.631**	1	
	Sig. (2-tailed)	0.000	0.000		
Financial wellbeing (FW)	Pearson Correlation	.577**	.636**	.625**	1
	Sig. (2-tailed)	0.000	0.000	0.000	

Correlation is significant at the 0.01 level (2-tailed)
Source: Survey data (2024)

As Table 5 represents the correlation matrix, the financial knowledge (r = 0.577, P < 0.01), financial behaviour (r = 0.636", P < 0.01), and financial attitude (r = 0.625, P < 0.01) have a significant relationship with financial well-being at a 99% confidence level. Hence, financial knowledge, behaviour, and attitude are positively correlated with the financial well-being of recent graduates.

Multiple Regression Analysis

Table 06: Regression Coefficients for Financial Literacy and Financial Well-being

Model	B	Std. Error	β	t	p	Tolerance	VIF
(Constant)	-0.416	0.358	-	-1.163	0.247	-	-
Financial literacy	1.135	0.098	0.723	11.602	0.000	1.000	1.000
R2 = 0.523	Adj R2= 0.519		F= 134.618	p=0.000			

Source: Survey data (2024)

As shown in Table 6, financial literacy emerged as a statistically significant predictor of financial well-being (B = 1.135, β = 0.723, p<0.001). The β indicates a strong positive influence, suggesting that higher financial literacy is associated with better perceived financial well-being. The overall model explained 52.3% of the variance in financial well-being (R^2 = 0.523, Adjusted R^2 = 0.519), which shows substantial explanatory power for the study (Cohen, 1988). The F statistic (F=134.618, p<0.001) further confirms the highly significant regression model. Multicollinearity diagnostics show a VIF of 1.000 and a tolerance of 1.000, indicating no multicollinearity issues. These findings reinforce the critical role of financial literacy in shaping young adults' financial outcomes, aligning with human capital theory (Becker, 1964) and recent empirical evidence (Lusardi & Mitchell, 2023; Orozco-Orozco et al., 2024), which emphasize that knowledge and capability in managing finances contribute meaningfully to individual wellbeing.

Table 07: Regression Coefficients for Dimensions of Financial Literacy and Financial Well-being

Model	B	Std. Error	Beta	t	p	Tolerance	VIF
(Constant)	0.42	0.288	-	1.449	0.150	-	-
Financial knowledge	0.22	0.071	0.25	3.130	0.002	0.638	1.568
Financial behaviour	0.32	0.085	0.32	3.788	0.000	0.546	1.832
Financial attitude	0.32	0.093	0.29	3.397	0.001	0.544	1.839
R2 = 0.526	Adj R2= 0.514		F= 44.724	P=0.000			

Source: Survey data (2024)

Table 7 above shows that all three dimensions significantly predicted financial well-being at the 5% level. Financial behaviour (β = 0.32, p < 0.001) emerged as the strongest predictor, followed by financial attitude (β = 0.29, p = 0.001) and financial knowledge (β = 0.25, p =

0.002). These standardized coefficients indicate that practical financial actions and attitudes toward money slightly influence well-being more than conceptual knowledge alone. This reinforces findings by Lusardi and Mitchell (2023) and supports the view that behavioural competencies and attitudes are critical determinants of financial outcomes in young adults. The model explained 52.6% of the variance in financial well-being ($R^2 = 0.526$, Adjusted $R^2 = 0.514$), indicating a strong fit for the study. The F statistic was also significant, confirming the model's overall validity. Moreover, multicollinearity diagnosis (VIF <2) confirmed that the predictors were sufficiently independent, ensuring the robustness of coefficient estimates. This highlights the importance of equipping graduates with knowledge and strong financial behaviours and attitudes.

Personal financial courses and financial literacy

Table 08: Independent Samples t-test between Personal Financial Courses and Dimensions of Financial Literacy

6. Have you completed any courses in personal finance, either as an elective or as part of your required curriculum?		N	Mean	Std. Deviation	Std. Error Mean
FL	Yes	61	3.7136	0.53124	0.06802
	No	64	3.5380	0.44379	0.05547
FKWG	Yes	61	4.2248	0.75524	0.09670
	No	64	3.7232	0.85103	0.10638
FBR	Yes	61	3.8761	0.85925	0.11002
	No	64	3.7257	0.63102	0.07888
FAT	Yes	61	3.7111	0.81571	0.10444
	No	64	3.6816	0.55943	0.06993

FL - Financial Literacy, FKWG - Financial Knowledge and General Awareness, FBR - Financial Behavior, FAT - Financial Attitude

Source: Survey data (2024)

Table 09: Independent Sample T-test

		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
FL	Equal variances assumed	0.951	0.331	2.009	123	0.047	0.17558	0.08739
	Equal variances are not assumed.			2.000	117.046	0.048	0.17558	0.08777
FK	Equal variances assumed	5.166	0.025	3.479	123	0.001	0.50161	0.14417

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	Equal variances are not assumed.			3.489	122.387	0.001	0.50161	0.14376
FB	Equal variances assumed	7.235	0.008	1.119	123	0.265	0.15044	0.13439
	Equal variances are not assumed.			1.111	109.886	0.269	0.15044	0.13537
FA	Equal variances assumed	18.237	0.000	0.236	123	0.814	0.02942	0.12460
	Equal variances are not assumed.			0.234	105.635	0.815	0.02942	0.12569

Source: Survey data (2024)

The independent samples t-test determines whether a statistically significant difference exists between the means in two unrelated groups. This allows for determining whether completing a personal finance course significantly influences financial literacy and its sub-dimensions.

Levene's test confirmed the homogeneity of variances for overall financial literacy (p = 0.331), thus the assumption of equal variances was met. The test results revealed a statistically significant difference in overall financial literacy between graduates who had completed a personal finance course (M = 3.71, SD = 0.53) and those who had not (M = 3.54, SD = 0,44), t(123) = 2.009, p = 0.047. This suggests that formal financial education is associated with greater financial literacy among recent graduates.

Levene's test indicated unequal variances for the sub-dimensions, so unequal variance t-test tests were used. Financial knowledge showed a significant difference (p = 0.001), with course completers scoring higher. In contrast, financial behaviour (p = 0.269) and financial attitude (p = 0.815) did not show significant differences between the two groups. These results suggest that financial education improves conceptual understanding (knowledge) but may not directly influence behavioural or attitudinal aspects. This aligns with findings from Lusardi and Mitchell (2023), who argue that financial knowledge alone does not always translate into improved behaviour without supportive contextual and psychological reinforcement.

These findings suggest that while a personal finance course successfully imparts knowledge, it might not be sufficient to change a person's financial behaviour or attitudes in the short run. As a result, the overall financial literacy score, which is a combined measure of knowledge, behaviour, and attitudes, does not differ much between the two groups; the increase in knowledge for course takers could be offset by similar behaviour and attitude levels as the non-takers. In other words, improvements in one component (knowledge) were balanced by no changes in the other components, leading to no significant difference in the composite financial literacy score.

This interpretation is consistent with insights from behavioural economics theory, which argues that financial capability involves more than just knowledge. According to this perspective, having information and facts (cognitive knowledge) is only one part of the equation; psychological factors, habits, and attitudes often have an equal or greater influence on how people handle their finances. Thus, a graduate might learn about budgeting and the importance of saving in a class (knowledge gain). However, whether they follow a budget or start savings (behavioural change) depends on personal discipline, motivation, and other psychological factors. Likewise, their feelings of financial confidence or stress (attitude) may not shift immediately just because they took a course.

Hence, the study's results confirm that financial literacy significantly impacts recent graduates' financial well-being, especially its knowledge, behaviour, and attitude components. All three components independently contribute to better financial outcomes and mirror prior research findings. At the same time, taking a one-time personal finance course does not automatically translate into higher overall financial literacy or well-being. Education boosts knowledge significantly, but lasting improvements in financial well-being may also require changes in behaviour and attitude. This underscores the importance of educating individuals about finances and finding ways to influence habits and mindsets, such as practical financial experience and ongoing coaching so that knowledge gains lead to tangible improvements in financial well-being.

Implications

Theoretical Implications

The findings support established theories in human capital and behavioural economics. First, the positive impact of financial knowledge on graduates' financial well-being is consistent with Human Capital Theory, which posits that education and skill acquisition are investments that enhance an individual's productivity and economic potential (Kubota & Takehara, 2018). Financial literacy can be viewed as a form of human capital, the knowledge and skills to manage personal finances effectively. The results confirm that graduates with more financial knowledge tend to achieve higher financial well-being by making more informed decisions, like budgeting wisely and avoiding high-cost rent. This aligns with Becker's (1964) argument that investing in practical skills yields economic benefits. In the context of global evidence, financial education improves household financial management and stability. In short, the data reinforce that financial literacy is an economically valuable form of capital for individuals, improving their capability to attain financial security.

Moreover, the significance of financial behaviour (p=0.000) and attitude (p=0.001) in predicting well-being highlights the relevance of behavioural finance models, particularly the Behavioral Life Cycle hypotheses (Shefrin & Thaler, 1988b). This extends the traditional life cycle theory by incorporating psychological factors. It argues that individuals employ mental

accounting, self-control mechanisms, and framing strategies to make financial decisions over their life cycle (Griesdorn et al., 2014).

Together, these findings highlight that financial literacy is not merely a matter of knowledge acquisition, but also behavioural and attitudinal application. This study affirms that cognitive and psychological factors shape financial outcomes. This theoretical integration contributes to understanding the financial well-being of young adults, particularly in transitioning economies such as Sri Lanka.

Practical Implications

From an applied standpoint, the study provides several actionable insights for educational institutions, non-governmental organizations, and individuals. The data reveal significant financial literacy score differences between graduates with formal personal finance education and those without ($t = 2.009$, $p = 0.047$). This highlights the practical value of integrating personal financial management courses within university curricula. Such courses could cover foundational topics like budgeting, credit management, saving, and investment strategies. Institutions should also consider embedding financial literacy into general education or employability programs to prepare students for financial independence post-graduation.

Beyond curricular offerings, financial literacy workshops facilitated by NGOs, financial institutions, or alumni networks could serve as supplemental education. These programs should emphasize theoretical knowledge and behavioural practice through simulations, case studies, and real-life budgeting exercises. Since financial behaviour was found to be a stronger predictor of well-being than knowledge alone, programs should target habits and routines rather than purely content delivery.

Further, given the tech savviness of the target population, mobile budgeting apps, expense trackers, and online learning platforms can reinforce learning. These tools can aid in translating financial knowledge into habitual behaviour, fostering greater financial control and reduced stress among graduates entering the workforce.

Policy Implications

At the policy level, several strategic recommendations emerge. The Ministry of Education and higher education authorities in Sri Lanka should mandate or incentivize the inclusion of personal finance education at both secondary and tertiary levels. International evidence indicates that early financial education improves credit outcomes and reduces debt delinquency (Lusardi & Mitchell, 2023).

This study also reinforces the relevance of the Central Bank of Sri Lanka's financial literacy roadmap (2024-2028), which emphasizes building financial resilience. This finding affirms that higher financial literacy enhances financial well-being, thus supporting the roadmap's aim to instil prudent financial behaviours among the youth.

Also, government agencies can collaborate with private sector banks, fintech companies, and civil society organizations to deliver large-scale financial literacy programs. Financial institutions could provide free training as part of their CSR initiatives, targeting graduates in Sri Lanka. Furthermore, policymakers should invest in longitudinal tracking of financial literacy and well-being indicators among graduates. Incorporating financial well-being metrics in the labour force or household surveys can help monitor policy impact and ensure targeted interventions.

Hence, enhancing financial literacy through coordinated efforts across education, policy, and practice can improve individual welfare and contribute to broader economic stability. This study provides local empirical evidence supporting the integration of financial literacy into strategic youth and economic development agendas in Sri Lanka.

Conclusion

This study examines the impact of financial literacy on financial well-being among recent university graduates in the Jaffna district of Sri Lanka, specifically knowledge, behaviour, and attitudes. Grounded in human capital theory and behavioural life cycle hypothesis, the findings confirm that both cognitive and behavioural components of financial literacy significantly contribute to enhanced financial well-being. Financial knowledge was positively linked to prudent decision-making. At the same time, behavioural and attitudinal factors emerged as stronger predictors, highlighting the importance of self-control, future orientation, and mindset in financial outcomes. Although participants who had completed personal finance courses exhibited higher knowledge levels, these courses did not significantly influence their financial behaviour or attitudes. This suggests that formal education must complement experiential and habit-forming interventions to promote lasting behavioural change. However, studying is not without limitations. Using a cross-sectional design restricts causal inference, and reliance on self-reported data may introduce social desirability bias. Additionally, the sample was geographically limited to the Jaffna district, which may affect the generalizability of the results to other regions or demographic groups in Sri Lanka. Future research could adopt longitudinal or experimental designs to examine how financial behaviours evolve and assess the sustained impact of financial education programs. Comparative studies across multiple regions or among educational levels would also provide broader insights. Moreover, integrating qualitative methods could help unpack the psychological mechanisms and contextual barriers influencing financial decision-making among young adults. Hence, the findings highlight the need for integrated financial literacy strategies that address knowledge and behaviour. Strengthening these dimensions through targeted education and behavioural interventions can enhance financial resilience, particularly in economically vulnerable and post-conflict contexts like Jaffna.

The findings highlight a critical need for integrated financial literacy strategies that address knowledge and behaviour. Strengthening these dimensions through targeted education and behavioural interventions can enhance financial resilience, particularly in economically vulnerable and post-conflict contexts like Jaffna.

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