

Financial Knowledge and Financial Well-Being: A Behavioral Pathway Analysis of Self-Efficacy, Cognitive Evaluation, and Financial Behavior

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Abstract: This study aims to examine the mechanism by which financial knowledge influences financial well-being, with the interplay of cognitive, psychological, and behavioral factors within the Theory of Planned Behavior (TPB) in the context of self-help groups. Within this framework, the study aims to explore the mediating roles of financial efficacy, financial attitude, financial behavior, and positive net valence in shaping members' financial behavior in rural India. For the study, primary data were collected from 375 members across India using a 5-point Likert questionnaire. PLS-SEM methodology is used to analyze the impact of financial knowledge on the financial well-being of the members in rural India. The empirical analysis establishes that financial knowledge has no direct impact on financial well-being. Instead, the influence of financial knowledge on financial well-being is transmitted through indirect pathways. Financial efficacy and financial behavior as mediators strengthen the influence of financial knowledge on financial well-being. Positive net valence strengthens these relationships between financial knowledge and financial well-being through cognitive evaluations and enhances self-efficacy. In contrast, financial attitude does not significantly influence financial behavior, which confirms the presence of an attitude-behavior gap.

Keywords: Financial Knowledge, Financial Efficacy, Financial Attitude

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