

# Mediating Effect of Financial Behaviour on Financial Planning and Financial Well-Being

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## Abstract

The on-going analysis investigates interdependencies between financial planning and financial well-being through a mediating role as exercised by financial behaviour. It successfully highlighted the role of proper planning and favourable behaviours, allowing individuals to make wise decisions to improve their financial well-being. Investors residing in the main cities of the National Capital Region, such as Delhi, Gurugram, Faridabad, Noida and Ghaziabad, made up the study's target population. A thorough questionnaire was used to gather primary data, and convenience sampling was used to select 750 investors as the sample size. The study's conclusions were derived using a variety of analytical techniques, such as descriptive analysis, parametric tests, reliability tests and correlation analysis, all carried out with SPSS 23 and Smart PLS 3.0. The findings of the research indicate that financial planning (FP) significantly influences financial well-being (FWB) and that financial behaviour (FB) partially mediates this influence reported. It was observed that FB mediates 32.42% of the FP-FWB relationship. Effective financial planning encourages favourable financial behaviour, contributing to overall improvement in financial well-being. These findings would, hence, imply that FP and FB promote greater financial satisfaction and security. This is the pioneering research conducted to investigate the relation between financial planning and financial well-being, with financial behaviour being the mediator.

**Keywords:** Financial Planning, Financial Well-Being, Financial Behaviour, Mediating Effect

## Introduction

With the ever-increasing intricacies and uncertainties in finance markets, the issues of financial planning and securing financial well-being are attracting more and more attention from researchers and practitioners. When an individual is faced with a variety of financial

decisions, there is a growing need to be able to efficiently control resources to ensure financial well-being. Financial planning is the procedure where individuals determine their financial objectives and the methods for accomplishing said goals and includes budgeting, savings, investments and risk management. In contrast, financial well-being is the ability of people to have a good money relationship with high financial stability, no financial pressure and the existence of choices that facilitate the enhancement of life quality.

There exists a powerful and complex relationship between financial planning and well-being. When done correctly, financial planning gives people the means to act in a way that produces positive outcomes. For example, with financial planning, investors can define what types of investments they will pursue, how that investment will be made, when it will be made and what other measures should be undertaken to protect the investment. It follows that most people having a firm financial plan can easily realise their aspirations which, in turn, improves their overall psychological state.

In a noticeable way, an individual's financial behaviour appears of paramount importance for the success of planning. Financial behaviour is the umbrella term for actions and habits regarding money management, including obtaining, spending, saving, investing and budgeting. Important aspects of financial behaviours, that include such things as adequate savings, minimal consumption and appropriate investments are intensely important for realising the goals of financial planning. In most cases, negative spending habits and lack of saving tend to destroy good plans – even the best – resulting from poor financial performance and mental pressure.

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It is also important to reiterate that this interaction of factors makes it necessary to study how they relate to each other in order to impact the financial health of the people. In particular, this interaction of financial behaviour in the context of its interaction with financial planning and financial well-being seems to be an important avenue of research. They hypothesise that whereas financial planning establishes a framework for reaching financial targets, the actual outcomes of such planning depend on the individual's behavioural approach towards finances. In other words, it may not be enough to have very well put financial plans, as positive behaviours have to be executed for the financial plans to achieve the desired outcomes.

This study aims to investigate the connection between financial planning and financial well-being, particularly focusing on the part played by financial behaviour in this relationship. By looking at investors in the National Capital Region, this research seeks to reveal how effective financial planning, combined with positive financial behaviours, can improve overall financial well-being. Understanding these dynamics is essential for individuals looking to enhance their financial situations, as well as for policymakers and financial educators who work to foster financial literacy and resilience in the community. In essence, this research is trying to deliberate on the growing scholarly concern that highlights the need for all-encompassing financial management to ensure a better outcome in achieving sustainable financial well-being.

## Review of Literature

### Financial Planning

Financial plans are intellectual considerations in an individual or groups' financial state. It has great importance regarding elaboration and execution. The crucial role of financial planning is in providing financial security from threats and achieving the life objectives. It is concerned with planning financial resources in such a way as to enable individuals to take informed decisions and safeguard assets and investment decisions. Major movement in financial markets and the ever-changing socio-economic conditions have encouraged further research in this area to offer broad mental horizons into understanding the factors driving the behaviour of financial planning and its resulting behaviours. The influence of financial education, demographic

characteristics and financial knowledge in regard to financial management has always been an interest area of researchers and this brings the importance of having a made to measure approach for financial planning (Rentala, 2018; Talib, 2017). In the subsequent review, key literature contributions to financial planning are summarised.

Srinivasan et al. (2023) revealed the personal financial planning habits of Chennai residents. The awareness in regard to the importance of financial planning is there and also they are quite interested in plan their future with the right investments. However, their knowledge of modern investment options is somewhat limited, and they tend to prefer risk-free investments. In addition to this financial behaviour is significantly shaped by their demographic profile.

Salunkhe and Mali (2022) accentuated the significance of financial planning while underscoring the pivotal elements that impact investment choices among individuals in fixed employment. The summary stresses the necessity of proficient financial planning and investing to attain enduring objectives, advocating for regular savings, reduction of superfluous expenditures and consultation with financial professionals. Furthermore, the research proposed integrating fundamental investment education into the educational syllabus to equip young individuals with the expertise required in financial decisions.

Urban et al. (2020) delve into the impact of pre-graduation financial education on students' financial planning behaviours. Focused on individuals aged 18-21, the study analyses their credit report outcomes. The results suggest that providing additional financial education empowers students with vital information essential for fostering responsible financial practices in the long term.

Rentala (2018) conducted a study in Tirupathi Town, Andhra Pradesh, to evaluate the awareness of personal financial planning among individual investors. The research delved into their investment choices and strategies to meet financial goals. Results revealed a diverse range of personal financial planning methods, shaped by educational backgrounds and age. The study highlighted the evolving nature of financial planning, especially post significant life events such as marriage or retirement. Interestingly, no direct links were found between expected returns and risk tolerance levels, or

between employment status and chosen investment instruments.

Talib (2017) emphasises the significance of developing a tailored financial plan to attain success in life. Drawing parallels between investing in financial instruments without a strategy and constructing a building without a blueprint, he underlines the necessity of a comprehensive personal finance approach. According to Talib, a robust financial strategy should entail defined objectives, feasible investment return projections, risk evaluations, appropriate insurance coverage for asset protection, tax optimisation tactics and a systematic financial management approach.

Bansilal (2016) noted that despite a prevalent habit of saving among Indians, there exists a substantial lack of awareness concerning financial planning and its crucial role in attaining precise financial objectives. Furthermore, there is often insufficient understanding of the diverse financial tools essential for retirement planning, leading to a limitation in individuals' optimising returns on their savings. The key drivers motivating their savings and financial planning endeavours comprise safeguarding against medical crises, securing a relaxed lifestyle post-retirement, and financing children's education and marriages.

Agarwal et al. (2015) delved into the correlation between financial planning and personal investment, utilising multivariate analysis to substantiate their findings. Their results suggest that male participants exhibit higher financial literacy levels compared to their female partners. Moreover, the research underscores that financial literacy tends to increase with higher levels of education and a more proactive investment approach.

Palanivelu and Chandrakumar (2013) uncovered that several factors, such as educational attainment, comprehension of the contemporary financial system and the age of investors, significantly influence the investment decisions of salaried employees. These parameters play an imperative contribution in developing the investment choices individuals make regarding various investment opportunities.

Ramakrishnan (2012) explored the relationship between financial planning and individual investment, utilising multivariate analysis to draw his conclusions. He emphasises the importance of financial education not only

for individuals but also for organisations and the broader economy. Educated consumers are more inclined to make well-informed decisions that benefit their personal well-being, thereby contributing to the overall welfare of society.

## **Financial Well-Being**

Financial well-being can be thought of as the satisfaction of an individual with their financial circumstances, as well as with the comfortable and desirable lifestyle that he or she can afford, typically throughout life. The term is commonly used interchangeably with financial comfort, health, wellness and satisfaction (Schmidtke et al., 2020; Xiao & Porto, 2017). It is among the important aspects regarded as necessary for lifelong happiness or fulfilment (Bhatia & Singh, 2023). Earlier research (Prawitz et al., 2006) indicates that very much depends on how an individual sees financial conditions through time. Bruggen et al. (2017) mention that it constitutes the possibility for a sustainable life with financial freedom. Elements like financial literacy and demographic characteristics also significantly define financial well-being (Mokhtar et al., 2020).

Bhatia and Singh (2023) investigated how financial knowledge and attitudes among working professionals of an emerging economy are linked with their financial well-being, emphasising the mediating role of financial behaviour. Findings indicate that financial knowledge alone does not guarantee financial well-being; rather, financial behaviour plays a crucial mediating role. Thus, while gaining financial knowledge and maintaining a positive attitude are important, adopting healthy financial behaviours is the key to achieving financial well-being.

Sardana and Ram (2024) examined the factors influencing financial well-being and the relationships among these determinants. They identified three key aspects of financial well-being: financial anxiety, financial freedom and perceived financial security, all of which were found to have a significant association with overall financial well-being. The results further indicated that both financial freedom and perceived financial security impact the levels of financial anxiety experienced by investors.

Riitsalu et al. (2023) revealed that youth define financial well-being through three components: maintaining their current lifestyle, achieving their aspired living

and attaining monetary sustainability. In contrast, older adults focus on present and future lifestyle maintenance. Additionally, many individuals, regardless of age, lack planning, saving or investment strategies to gain financial stability. The study suggests implications for enhancing financial well-being tailored to generational groups and identifies gaps for future explorations.

She et al. (2023) explored contemporary viewpoints and future possibilities associated with research into young adults' financial wellbeing. Besides personal determinants, judiciously socio-demographic characteristics personality traits, value skills, attitudes and financial practices, contextual factors including macroeconomic shifts, market dynamics, technological innovations and social comparisons also significantly affect the economic security of young adults. In fact, interest in this area is widening, as shown by increasing numbers of scholarly papers on the subject from a more extensive geographical scope, more authors contributing and more theoretical, methodological and measurement diversity than ever before focusing on the subject.

Mokhtar et al. (2020) disclosed the impressions of socio-economic traits on financial health and found that life span significantly influences aspects such as planning for the future, money management, product selection and staying informed about financial matters. In contrast, ethnicity had little impact on overall financial capability, except in the area of future planning. The study recommends increased focus on research and professional training to enhance individuals' financial capabilities. Additionally, both government and non-government organisations should adopt a comprehensive strategy to strengthen financial capability and improve living standards, particularly for financially vulnerable households.

Sabri et al. (2020) investigated the factors influencing the economic stability of Malaysian employees. They found that money attitudes, behaviours, self-confidence and emotional management all play a role in determining financial well-being, with financial habits emerging as the most significant factor. Outcomes of the study may contribute to the development of an all-inclusive strategy for government agencies and related departments that could lead to these organisational partnerships waging against poverty.

Abdullah et al. (2019) examined the impact of money perspective, financial acumen and financial obligation management on the financial well-being of young workers in Malaysia, particularly in light of rising living costs and increased indebtedness. Using multi-stage random sampling, 508 respondents aged 40 and below were surveyed. Pearson's correlation analysis revealed positive relationships between financial acumen, financial obligation management, money perspectives and financial stability.

Bruggen et al. (2017) contributed two main dimensions on financial well-being. The first is concerned with perception, associating financial well-being with current along with desired future living standards as well as financial freedom. The second pertains to the development of a framework that encompasses the essential components of financial well-being, interventions, financial behaviours, consequences, contextual factors and personal factors.

## **Financial Behaviour**

A fundamental facet of personal financial management, that is, financial behaviour, includes actions or decisions related to expenditure, saving, investment and management of resources. In addition, it is critical for financial well-being that one revolves around understanding factors that shape financial behaviour, especially in the issues of stress, mental health in finance and poverty in financial literacy. A plethora of studies have published the determinants of financial behaviour including demographics, self-efficacy financial literacy and socioeconomic status, which are significant in an individual's financial decision-making (Rahman et al., 2021; Herawati et al., 2018). These emphasise the need for establishing a positive financial behaviour in an individual in order to better financial results and even absorb adverse shocks.

Kasim et al. (2024) assessed how financial behaviour, financial acumen and monetary pressure impact awareness of investment scams among retirees. While financial acumen has proved essential in raising awareness, it has however not provided concrete evidence linking either financial behaviour or monetary pressure to hapless awareness. This therefore implies the importance of establishing financial knowledge among retirees for protection against the dangers posed by scams.

Sabri et al. (2023) focused on the determinants of financial behaviour among Malaysian young adults, highlighting financial knowledge, financial technology and self-control as the primary variables shaping their financial behaviour. In addition, financial habits have been found to mediate the association of different variables with financial stability.

Rahman et al. (2021) identified a relation between financial literacy, financial stress, financial behaviour and financial well-being. From all of this, they concluded that financial behaviour is the main driver for financial wellness, supported by significant plays from financial literacy and stress. Financial behaviour training programmes aimed at stress and finance management were reported to be crucial for the improvement of the financial behaviour of individuals.

Bhardwaj and Saxena (2020) revealed that the investors of Agra prefer safe investments in debt, fixed deposits and equities for the reason that they emphasise the dimension of safety for capital appreciation. Independent decision-making of an investor or joint involvement with family members and peer groups constitutes the selection of various investments, while returns and past performance dictate the other parameters. Risk tolerance was shown by the demographic factors to have no impact on it in this study.

Herawati et al. (2018) identified the factors influencing the financial decisions of accounting students and their financial behaviour. Their research revealed positive associations between financial literacy, financial self-efficacy and parental socioeconomic status with students' financial behaviour, with parental socioeconomic status having the most significant impact.

Farrell et al. (2016) stated that self-efficacy in conjunction with financial knowledge and literacy has been deemed to be a strong determining factor of financial behaviour. Financial self-efficacy was conceived to be an important predictor of the variety and types of financial products that investors hold, with some evidence of positive correlation between self-efficacy and financial management skills.

Carlson et al. (2015) analysed factors that affect financial behaviour with particular reference to soldiers. They discovered that personal factors that are responsible for the positive influence on financial behaviour are financial knowledge, strong self-control, low financial anxiety and having savings for emergencies; and credit card debt

which has a negative impact on financial behaviour

Birari and Patil (2014) conducted an analysis of the spending and saving behaviours of college students in Aurangabad city, categorising them into three groups: undergraduates, graduates and postgraduates. The study found that a significant portion of their expenditures was directed towards shopping for branded items, dining, mobile expenses, investments and transportation, with notable differences in spending habits across the three groups. The findings highlight the need for students to cultivate better savings practices and more prudent spending habits.

Atkinson and Messy (2012) found that gender accounts for a disparity in financial behaviour, with males generally demonstrating stronger financial behaviour than females in some distinct countries, including Albania, Armenia, South Africa and the British Virgin Islands, with males scoring 78% compared to females at 66%. However, in countries such as Ireland, Czech Republic and Norway, females scored higher than men.

## Objective of the Study

- To investigate if financial behaviour acts as a mediating factor in the relationship between financial planning and financial well-being.

## Hypotheses

- $H_{a1}$ : There is a relationship between financial planning and the financial well-being of the investors.
- $H_{a2}$ : There is a relationship between financial planning and the financial behaviour of the investors.
- $H_{a3}$ : There is a relationship between financial well-being and the financial behaviour of the investors.
- $H_{a4}$ : There is a mediating effect of financial behaviour between financial planning and financial well-being of the investors.

## Research Methodology

### Research Design

This involved the distribution of 790 questionnaires among different investors belonging to the Delhi-NCR

region. Out of which, 750 complete ones were returned to the researcher. And the respondents were selected on the basis of convenience sampling.

## Sampling Method

This paper will attempt to investigate the views that investors have of financial planning, financial well-being and their financial behaviour. In this study, the sampling unit will be members in the National Capital Region who continuously save a portion of their income in one or another form of investment.

In the initial stage, the NCR region is divided into three primary areas: Delhi, Haryana and Uttar Pradesh (UP). In the second stage, two districts are selected from Haryana (Gurgaon and Faridabad), two from UP (Noida and Ghaziabad) and Delhi is considered to make up the sampling frame, with various demographic and psychographic characteristics of the respondents. At the

third stage, 150 respondents are selected from each region. So, the overall sample size for this study is 750.

## Segments of the Questionnaire

The research tool was organised into four separate sections in order to comprehensively assess the multiple dimensions of investor profiles and behaviours. The first section, in particular, focused on the demographic characteristics and background information of the respondents. It was followed by a section dedicated to exploring the approaches and methods of participants toward financial planning. The third component attempted to explore the current state of financial wellness and satisfaction among investors. And finally, the last part of the questionnaire examined behavioural patterns and decision-making tendencies among investors in their financial dealings.

## Measurement of the Variables

**Table 1: Respondents Demographic Profile**

<i>Demographics</i>	<i>Category</i>	<i>Frequency</i>	<i>Percentage</i>
Income	0-5,00,000	338	45.1
	5,00,000- 10,00,000	184	24.5
	10,00,000 & Above	228	30.4
Gender	Male	438	58.4
	Female	312	41.6
Education	Graduate	290	38.7
	Postgraduate & above	460	61.3
Profession	Private Employee	503	67.1
	Government employee	39	5.2
	Businessman	181	24.1
	Housewife	15	2.0
	Retired	12	1.6
Marital Status	Unmarried	360	48.0
	Married	390	52.0
Monthly Expenditure to total monthly income	30-50 %	185	24.7
	50-65 %	169	22.5
	65-75 %	232	30.9
	More than 75%	164	21.9
Total Savings to total monthly income	0-10 %	159	21.2
	10-25 %	372	49.6
	25% & Above	219	29.2

Source: Primary data.

A total of eighteen items were used to measure three variables (financial planning, financial well-being and financial behaviour) of the investors with the help of a five point Likert scale ranging from strongly disagree to strongly agree. A major proportion of statements in the questionnaire were derived from earlier investigations and adjustments were done to meet the current requirements of the study. Table 1 gives a summary of demographic and financial characteristics of the surveyed population, which includes aspects such as income range, level of education

achieved, employment history and financial behaviours such as spending, saving and investment choices.

### Statistical Tools and Techniques

The collected responses from the respondents were processed and analysed through SPSS version 26 and the mediation effect was checked with the help of Smart PLS 3 (Ringle et al., 2015).

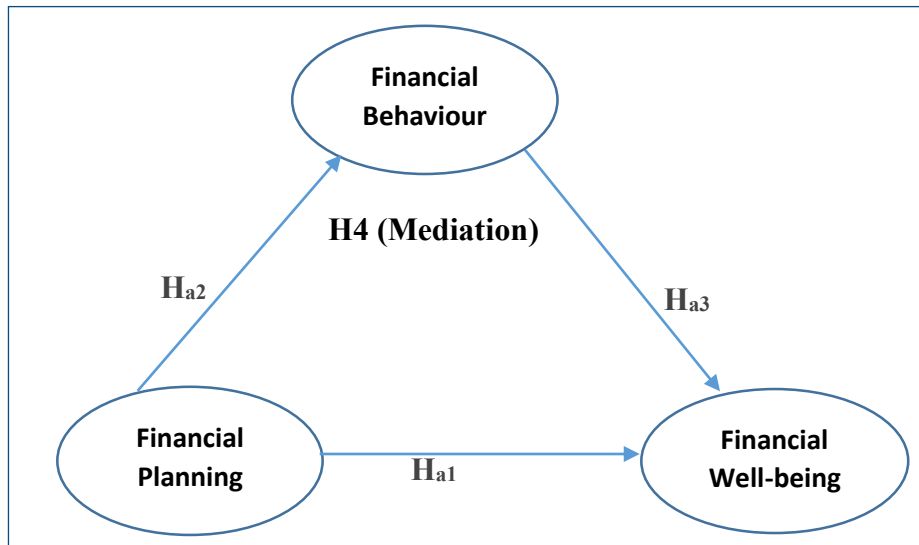


Fig. 1: Research Model

Expansive selection of comprehensive and extensive statistical techniques have been employed for testing hypotheses and establishing the robustness of findings. Reliability and validity tests of measurement instruments were conducted to ensure accuracy and consistency. The descriptive analysis was applied in describing and summarising the major characteristics of the data. The discriminant validity determined the uniqueness of constructs in the study. Furthermore, the application of

t-tests, ANOV and correlation analysis was meant for examining differences between groups and establishing relationships between variables, with testing for statistically significant mean differences. Mediation analysis was carried out to explore indirect effects and underlying mechanisms. Finally, predictive relevance tested the capacity of the modelled construct in predicting outcomes, aiming at the practical applicability of the findings.

## Analysis and Interpretation

### Measurement Model

Table 2: Reliability and Validity Results

Constructs	Factor Loading	$\alpha$	CR	AVE
<b>Financial Behaviour (FB)</b>		<b>0.855</b>	<b>0.857</b>	<b>0.581</b>
FB1	0.733			
FB2	0.737			
FB3	0.739			

<i>Constructs</i>	<i>Factor Loading</i>	<i><math>\alpha</math></i>	<i>CR</i>	<i>AVE</i>
FB4	0.776			
FB5	0.805			
FB6	0.780			
<b>Financial Planning (FP)</b>		<b>0.799</b>	<b>0.804</b>	<b>0.505</b>
FP1	0.573			
FP2	0.719			
FP3	0.774			
FP4	0.603			
FP5	0.770			
FP6	0.793			
<b>Financial Well-Being (FWB)</b>		<b>0.870</b>	<b>0.873</b>	<b>0.605</b>
FWB1	0.809			
FWB2	0.685			
FWB3	0.812			
FWB4	0.786			
FWB5	0.786			
FWB6	0.781			

Source: Primary data.

For determining the quality of reflective measuring models, researchers are interested mainly in two basic criteria: the consistency or reproducibility of results over different occasions (reliability) and the extent to which the model measures what it claims to measure (validity), as presented by (Henseler & Ringle, 2009) in their important work.

The robustness of reflective measurement models is evaluated by two different but essential criteria: the extent to which the measuring exercise generates results that are consistent and stable over different occasions (reliability) and the extent to which the exercise measures what is intended to be measured (validity) with reference to the seminal work of (Henseler & Ringle, 2009).

Reliability and validity were measured using the indicators such as Cronbach's alpha ( $\alpha$ ), composite reliability (CR) and average variance extracted (AVE), as presented in Table 2.

All variables exhibited Cronbach's alpha values exceeding the acceptable cut-offs of 0.7. (Nunnally, 1978), illustrating a high level of internal consistency. Likewise, the CR values of all the variables were greater than 0.7,

which conform to the recommendations provided by Hair et al. (1998).

To gauge convergent validity, AVE and FL were used. All constructs had AVE values significantly superior to the recommended level of 0.5 (Bagozzi and Yi, 1988). All the items showed factor loadings (FL) above the requisite edge of 0.7 (Fornell, 1985), exempting three items (FP1, FP4 and FWB2). However, these items remained in the model since the AVE of the constructs was above the minimum acceptable level of 0.50 (Hair et al., 2022). These findings provide evidence that the reflective constructs and dimensions utilised in the present study are both valid and reliable.

### Goodness of Fit

The Goodness of Fit (GOF) index is a diagnostic tool that was used for checking the fit of the model. This index is computed using the geometric mean of two main metrics: the average variance extracted (AVE)-a measure of average communality-and the average R<sup>2</sup> value of the dependent variables (Tenenhaus et al., 2005). In order to perform the calculation, the following equation is defined

$$GOF = \sqrt{AVE} * \sqrt{R^2}$$

Wetzels et al. (2009) state that the cutoffs for interpreting GOF are when the values are 0.1, meaning there's a small GOF, 0.25, meaning a medium GOF and 0.36, meaning a large GOF. Using the approach presented by Tenenhaus et al. (2005) and Henseler et al. (2016), the GOF index of this model was calculated to yield a value of 0.449. This suggests that the model demonstrates excellent overall fit, validating both the measurement and structural components of the model.

### Structural Model

Before testing the hypothesis, the VIF was calculated using Smart PLS to check multicollinearity. A value above 3.3 is described as pathological collinearity and indicates potential contamination with common method bias (Kock, 2015). Thus, if all factor-level VIFs of a full collinearity test are 3.3 or below, a model is free from common method bias. All VIF values in this study are below 3.3 that emphasises neither multicollinearity nor common method variance concerns exist in this study (Hair et al., 2014).

**Table 3: Multicollinearity Table**

Construct	VIF
FB -> FWB	1.569
FP -> FB	1.000
FP -> FWB	1.569

**Table 5: Descriptive Statistics and Correlation**

Construct	Mean	SD	Skewness	Kurtosis	FP	FWB	FB
FP	3.5311	.70157	-1.285	2.443	**	**	
FWB	3.0704	.81155	.007	-.177	.523	**	
FB	3.3664	.78871	-.832	1.200	.600	.499	

Correlation is significant at 0.01 level.

Source: Primary data.

**Table 6: Hypothesis Testing**

Hypothesis	Path Coefficients	t - Value	F Square	R Square	p - Value	Result
FP -> FWB	0.369	8.590	0.135		0.000	Accepted
FP -> FB	0.602	17.773	0.569	0.363	0.000	Accepted
FB -> FWB	0.295	7.074	0.086	0.355	0.000	Accepted

Source: Primary data.

**Table 4: Discriminant Validity Table**

Heterotrait-Monotrait Ratio (HTMT) – Matrix			
Construct	FB	FP	FWB
FB			
FP	0.724		
FWB	0.584	0.629	

Fornell-Larcker Criterion			
Construct	FB	FP	FWB
FB	0.762		
FP	0.602	<b>0.711</b>	
FWB	0.518	0.547	<b>0.778</b>

Source: Primary data.

Discriminant validity looks into the extent to which the indicators are able to distinguish between the different constructs. It is assessed through the evaluation of the square root of average variance extracted (AVE) for every variable and correlation between constructs.

There is discriminant validity when the AVE square root of a construct is greater than the correlation of that construct with any other constructs as per Fornell & Larcker (1981). In this study, the square roots of the AVEs of each construct are greater than the correlation between the constructs, as shown in Table 4.

Table 5 lists the mutual relationships between the constructs and shows the mean, standard deviation, the kurtosis and the skewness values. The relationships in the correlation are however, of statistical significance if the p value is less than 0.01 (two-tailed).

Statistically significant results were reflected in the examination of path coefficients, indicating that the offered hypotheses were upheld. First, the impact of financial planning on financial well-being was proved ( $\beta = 0.369, t = 8.590, p < 0.001$ ). Second, financial planning showed a significant effect on the financial behaviour ( $\beta = 0.602, t = 17.773, p < 0.001$ ). Third, financial behaviour positively and significantly affected the financial well-being ( $\beta = 0.295, t = 7.074, p < 0.001$ ; results reflected in Table 6. The  $R^2$  values for financial well-being and financial behaviour were 0.35 and 0.36, respectively. Thus, the findings revealed that the hypothesised path was significant leading to their exclusion from the final model. The model was analysed by the coefficients of determination which is expressed as  $R^2$  value. As Hair et al. (2014) pointed out,  $R^2$  shows how much variation in the dependent variable is explained by exogenous variables. An  $R^2$  value within the range of 0 and 1 is appreciated. Here the value of  $R^2$  for FB and FWB is 0.363 and 0.355 which falls within acceptable norms. During the process of this study,  $R^2$  values are the measures of wellness of the

model’s explanatory power. The values of the F-squares indicate the effect range that exogenous factors creates on endogenous variables. F square value below 0.02 indicates no effect, a value between 0.02 & 0.15 indicates lower effect, value between 0.15 & 0.35 reflects a moderate effect and a value larger than 0.35 reflects a high effect. As per the results reflected in Table 7, FP has a low effect on FWB (0.135), FP has a high effect on FB (0.569) and Fb has a low effect on FWB (0.086).

### Mediation Analysis

Herein, the process of mediation is said to occur when the association between the predictor variable and the criterion variable is found to be mediated by a third variable (Hayes & Preacher, 2011). For our study, investors’ financial behaviour operates as the mediator to explain the relationship between financial planning and financial well-being. In our research, we have employed Smart PLS 3.0 software.

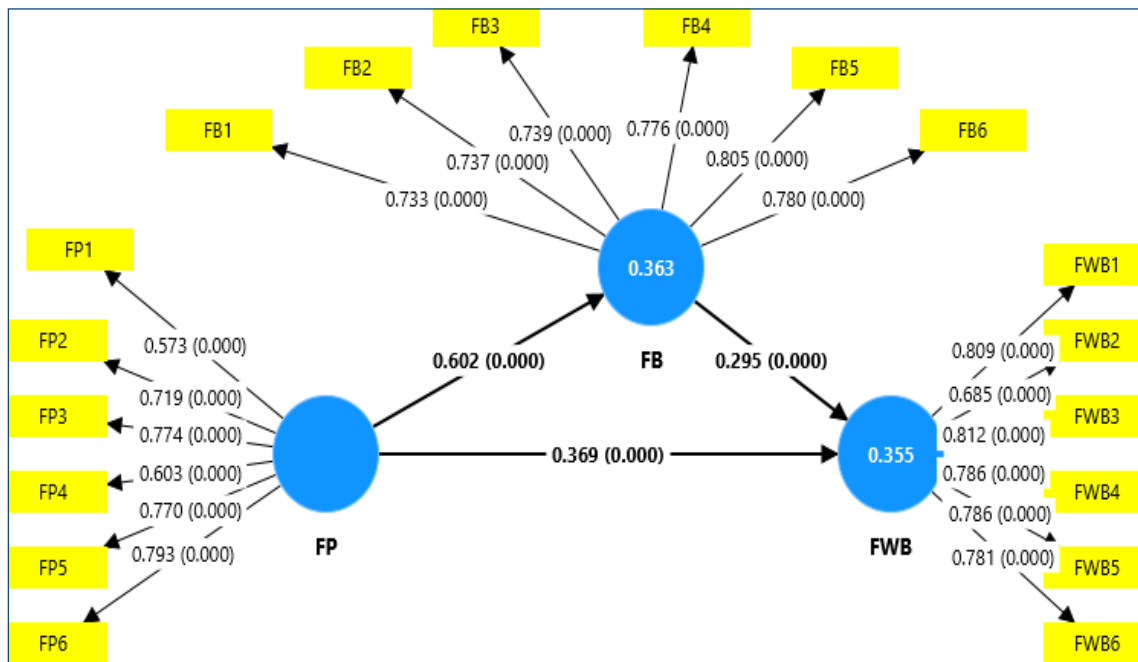


Fig. 2: Mediators Impact

This study aimed at the calculation of mediation by utilising Variance Accounted for (VAF) for measuring financial behaviour (FB) between financial practices (FP) and financial well-being (FWB). As per Hair et al.

(2014), a VAF between 50 and 75% of the total effect is considered a moderately strong degree of mediation. In this regard, VAF is 32.42, meaning that FB only partially mediates the effect of FP on FWB.

**Table 7: Mediation Analysis**

Type of Effect	Effect	Std. $\beta$	T Stats	P Value	Remarks
Total Effect	FP -> FWB	0.549	17.022	0.000	Significant total effect
Specific indirect effect	FP -> FB -> FWB	0.178	6.484	0.000	Significant specific indirect effect
Direct effect	FP -> FWB	0.370	8.590	0.000	Significant direct effect
VAF	$0.178/0.549 * 100 = 32.42\%$				
Conclusion : Partial Mediation					

Source: Compiled by author based on results extracted from Smart PLS.

A good model should point to out-of-sample prediction ability, which mirrors an external validity of the study (Stone, 1974). This can be tested using  $Q_2$  statistics where a positive value, greater than zero indicates predictive relevance (Chin, 1998). The endogenous construct hence in this study shows a value of  $Q_2$  higher than zero, confirming its predictive significance. Moreover, the CVPAT has also been developed by Liengard *et al.* (2021) as part of the comparative PLS-SEM predictive modelling to measure Average Loss Values (ALVs) in PLS-SEM. This refers to out-of-sample predictive relevancy in performance modelling with predictive benchmarks, according to Sharma *et al.* (2023), where a low ALV, lesser than zero is better for the model.

**Table 8: CVPAT: PLS – SEM v/s Indicator Average**

	Average Loss Difference	t-Value	p-Value
PI Overall	-0.197	7.068	0.000

Source: Compiled by author based on results extracted from Smart PLS.

As the values in Table 8, the significance value is negative; hence, proving the generalisability of the model, that is, superior performance in a predictive sense.

**Discussion of Results**

The above mentioned study discusses the following areas. It studies the relationship of FP, FB and FWB, as regarded in the purpose of study, and financial behaviour would be measured as a mediator in the relationship between financial planning and financial well-being. Thus, this study would provide concrete evidence about the need for financial planning as a close aspect of financial well-

being through its overall mechanism towards influencing financial behaviour.

**Direct Effects**

The findings indicate that financial planning implicitly and directly influences financial well-being ( $\beta = 0.369$ ,  $t = 8.590$ ,  $p < 0.001$ ). Specifically, it moves effective financial planning as a decisive factor in determining one’s satisfaction with finances and perceived security in monetary terms. The moderate effect size ( $F^2 = 0.135$ ) strengthens the argument that financial planning is a great determinant of financial well-being. In practice, it means that people who do structured financial planning have better chances of financial stability and experience increased financial satisfaction.

In addition, financial planning positively and substantially affects financial behaviour ( $\beta = 0.602$ ,  $t = 17.773$ ,  $p < 0.001$ ), has a large effect size ( $F^2 = 0.569$ ) and has considerable predictive power ( $R^2 = 0.363$ ). This means, as expected, that so-called financial planners are more likely to engage in prudent financial behaviour - budgeting, saving and investing responsibly. Such behaviours have been financially stabilising and have long-term financial growth implication.

In a similar vein, the effect of financial behaviour on financial well-being is direct and justified statistically ( $\beta = 0.295$ ,  $t = 7.074$ ,  $p < 0.001$ ). The moderate effect size ( $F^2 = 0.086$ ) and the relatively high explanatory power ( $R^2 = 0.355$ ) indicate that, if individuals adopt responsible financial behaviours, their likelihood of experiencing financial well-being is increased. The finding, therefore, emphasises the need to cultivate constructive financial behaviours as a pathway to financial security and satisfaction.

## Mediation Analysis

The mediation analysis takes this finding one step further, showing that financial behaviour serves as a partial mediator in the link between financial planning and financial well-being. The clear indirect effect revealed ( $\beta = 0.178$ ,  $t = 6.484$ ,  $p < 0.001$ ) indicates that financial behaviour is crucial in converting efforts made in financial planning into improvements in financial well-being. This value of variance accounted for (VAF = 32.42%) indicates that around one-third of the total effect of financial planning on financial well-being is mediated through financial behaviour.

Although the contribution of financial behaviour as an intermediary is taken into consideration, the direct bearing of financial planning on financial well-being remained significant ( $\beta = 0.370$ ,  $t = 8.590$ ,  $p < 0.001$ ). It indicates that the mediation is partial since, in addition to causally explaining some portion of the effect of financial behaviour, financial planning retains an important effect on financial well-being on its own.

## Conclusion

Study findings significantly underscore the role of financial planning in improving financial well-being in addition to their direct or indirect impact through financial behaviour being a mediator. These findings are crucial for making sound policy decisions and financial interventions.

It speaks to the need for equipping people with the knowledge and skills to develop full financial plans as a component of direct causality of financial planning about financial well-being. Financial literacy and awareness programmes empower individuals to put their finances in better order by improving financial outcomes.

Encouraging and nurturing responsible financial habits is further emphasised with the mediating role of financial behaviour. The financial interventions should not focus merely on planning but rather on instilling desirable behaviours toward the finances. Such dual-purpose interventions probably maximise impacts of interventions by ensuring people get prepared and act in line with what they would want financially.

This research indeed shows that financial planning is basic to financial well-being, with financial behaviour acting to enhance that effect. These relative findings point

to a good conceptual framework for designing effective financial strategies and efforts in the long run toward increased financial well-being and quality of individual life.

## Interpretation and Implications for the Study

These findings go along with existing literature since it has been found that financial planning can indeed contribute to enhancing financial well-being. Financially planning an individual's behaviour would include proper ways of saving, spending and investing. The major mediating role that financial behaviour has indicates the pathways by which financial planning turns into better financial security.

From a practical perspective, such results put forward that any policy maker, financial advisor or educator should work not only on improving financial planning capabilities but also positive financial behaviour. Financial literacy and behaviour-based financial coaching could ramp up the benefit within the scope of financial planning to promote financial well-being.

## Limitations and Future Directions

This important research work will add to the existing literature on financial planning and well-being as well as financial behaviour, exploring them among investors residing in the National Capital Region. However, it does come up with certain limitations, namely:

The sample covered a small number of respondents, limited to 750 investors residing in the National Capital Region, thus narrowing down its employability among all investors nationwide.

The study could potentially limit representation considering it has focused only on investors residing within the National Capital Region, hence being geographically confined, apart from limited generalisability as well.

It has applied convenience sampling, which has an internal disadvantage not allowing it to be indicative of the whole community.

The study was carried out in controlled settings ignoring outside factors that might have a huge repercussion on how these institutions administer their funds.

These limits create chances for wider studies in the future. This would help to address them in more detail and lead to a deeper grasp of the topic. Future work could also compare personal and business money planning. More research might try to gather data from various places to see how factors change across regions. Studies that look at how rural and urban investors plan their finances could shed new light on this field.

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