

**“FINANCIAL LITERACY, FINANCIAL BEHAVIOR, PAY
SATISFACTION, AND FINANCIAL WELLNESS OF EMPLOYEES OF
MEDIUM-SIZED ENTERPRISES”**

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ABSTRACT:

This study intended to analyze the effects of financial literacy, financial behavior, and pay satisfaction on the financial wellness of employees of medium-sized enterprises in the Mysuru district of Karnataka state. Mysuru, a historical tourism hub with modern industry, is nestled in the Kaveri and Kabini river banks. This study explores how financial literacy, financial behavior, and pay satisfaction impact employee financial wellness in the district's medium-sized enterprises. Surveying 358 respondents from a population of 5015, researchers used questionnaires and SPSS tools to analyze data, results show significant correlations between variables. The study examines the moderating effect of financial behavior on financial literacy and financial wellness, and improved pay satisfaction also contributes to better financial wellness of the employee. These findings illuminate the interrelation among variables like financial literacy, and financial behavior pay satisfaction, with the financial wellness of the employees of medium-sized enterprises in Mysuru's evolving business landscape.

KEYWORDS: Financial Literacy, Financial Behavior, Financial wellness, Employees, Medium-Sized Enterprises, Mysuru District.

1. INTRODUCTION

“People make bad financial decisions. We save too little for retirement” (Özgüner, 2020). Achieving good financial wellness depends on good financial decisions. Financial decisions depend on individual financial efficacy or referred financial self-efficacy. **Financial literacy refers to an individual's ability to comprehend, analyze, and effectively apply personal financial information and resources to make informed decisions about managing their economic well-being** (Huston, 2010). Understanding the terms of finance and interest calculations in today's complex world is more important for an individual to make good financial decisions. Financial behavior refers to the habits and actions individuals take when managing their finances, including budgeting, timely bill payments, and consistent saving. According to

Rai et al. (2019), it involves making informed financial decisions, maintaining control over expenditures, and ensuring financial stability. Additionally, responsible financial behavior contributes to long-term financial security, reduces financial stress, and fosters wealth accumulation. Developing strong financial habits can lead to improved economic well-being and a better quality of life.(Rai et al., 2019). Individuals make different decisions in their daily lives, among various decisions financial decisions are more important and purely depend on his/her financial literacy, knowledge, financial management and individual behavior. Higher income and wealth are associated with greater financial efficacy, as they provide more opportunities to engage in financial decision-making(Xiao, 2008). Employee Financial efficiency is dependent on financial literacy and behavior. Every economic person needs an economic source to sustain his economic life. In the case of an employee, pay determines his economic sustainability. Employee financial efficacy and pay of the employee has a major decisive role in the financial wellness of the employee. "Individual profiles, such as gender, age, and education, can influence pay satisfaction. For example, women and younger workers often report lower pay satisfaction" (Ostroff & Atwater, 2003). Employee gender, age, and education have a direct relation with pay satisfaction. "Financial wellness is the ability to meet financial obligations, feel secure about the future, and make choices that allow enjoyment of life" (Kim & Garman, 2003). Financial wellness is a comprehensive derived concept. Financial wellness has direct and indirect effects from its determinants and is influenced by many factors. We the researchers try to find out the relation of medium-sized enterprises' employee financial efficacy in terms of financial literacy, behavior, and pay satisfaction on financial wellness.

2. Literature Review

Financial Literacy

"Financial literacy is widely regarded as the capacity to comprehend and apply essential financial competencies, encompassing personal finance management, budgeting, savings strategies, investment decision-making, and responsible debt handling. This skill set enables individuals to navigate complex financial systems, mitigate risks, and align their choices with long-term goals such as retirement security or wealth accumulation"(Lusardi & Mitchell, 2011).Financial literacy and knowledge make individuals better equipped to be informed about financial aspects and help to make good decisions about saving, investing, and borrowing(Hastings et al., 2013). Financial literacy has gained significant attention in recent years due to its critical role in personal and economic well-being, its determinants, and its impact on financial decision-making.

Financial Behavior

"Financial Literacy, Financial Education, and Downstream Financial Behaviors found that the effectiveness of financial education diminishes over time, suggesting the need for ongoing interventions"(Fernandes et al., 2014). "Higher financial literacy is associated with lower levels of debt and better debt management practices" (Lusardi & Tufano, 2015). Why Do Women Invest Differently Than Men? found that women tend to be more risk-averse and have different investment behaviors compared to men"(Bajtelsmit & Bernasek, 1996). Financial behavior examines how individuals, households, and organizations make financial decisions, the factors influencing these decisions, and the consequences of such behaviors.

Pay Satisfaction

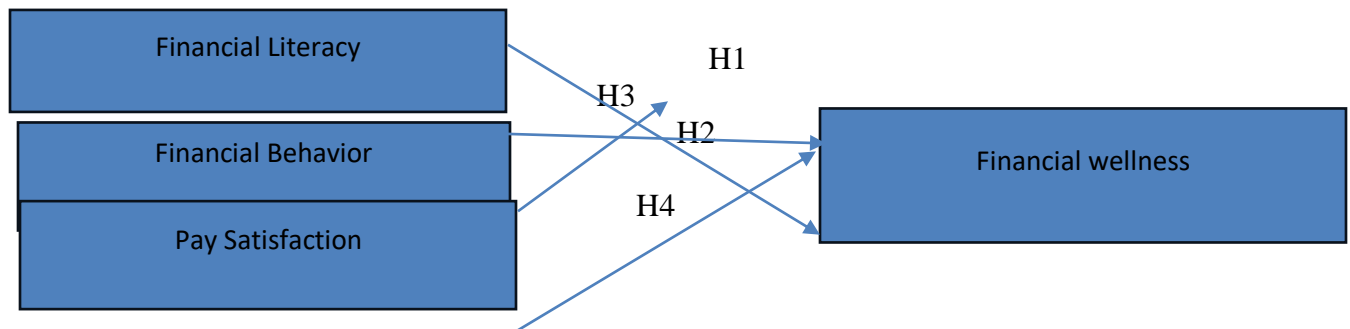
“Higher absolute pay levels are generally associated with greater pay satisfaction”(Judge et al., 2010).”Satisfied employees are more motivated to perform well and achieve organizational goals”(Lawler, 1971).”Personal characteristics, such as gender, age, and education, can influence pay satisfaction. For example, women and younger workers often report lower pay satisfaction “(Ostroff & Atwater, 2003) .Pay satisfaction is a critical factor in employee motivation, performance, and retention. It is influenced by pay level, equity, individual differences, and organizational policies.

Financial Wellness

“Financial well-being as a blend of financial stress and financial satisfaction, highlighting the psychological dimensions of financial health”(Netemeyer et al., 2018).a multidimensional construct encompassing financial satisfaction, objective financial status, attitudes, and behaviors" that directly impacts job productivity and life satisfaction”(Joo & Grable, 2004). Financial wellness can be understood from both objective and subjective perspectives. To gain a comprehensive understanding of an employee's overall financial well-being, it is essential to examine both aspects. Objective measures may include income, savings, and debt levels, while subjective factors encompass financial satisfaction, stress, and confidence in managing finances. A holistic approach that integrates both perspectives provides a more accurate and meaningful assessment of financial wellness.

3. Conceptual Model

From the literature review for the present study, a conceptual model is proposed. Details about the conceptual model and its hypotheses are as follows



Figure;1 Conceptualmodel (author's conceptualization)

4. Hypotheses for the proposed research

H1. There is a positive relationship between financial literacy and financial wellness.

H2. There is a positive relationship between financial behavior and financial wellness.

H3. Financial behavior moderates the relationship between financial literacy and financial wellness.

H4. Pay satisfaction has a positive effect on financial wellness.

5. Sampling and Methodology

This study encompassed 44 medium-sized enterprises with a combined workforce of 5,105 employees. To determine the minimum sample size, Slovin's formula was applied (margin of error = 5%), yielding a requirement of 358 participants. To account for potential non-responses and ensure robustness, 500 questionnaires were distributed using a cluster sampling technique. Of these, 412 responses were received, with 44 excluded due to incomplete or inconsistent data, resulting in 368 valid responses for analysis. Prior to conducting formal statistical analysis, reliability assessments were performed. Cronbach's α coefficients for all independent variables (Financial Literacy, Financial Behavior, Pay Satisfaction, and Financial Wellness) exceeded the threshold of 0.70, confirming internal consistency. Structural equation modeling (SEM) was subsequently employed to evaluate the hypothesized relationships between constructs.

6. Data Analysis and Result.

The analysis of respondent data provides insights into their demographic characteristics. In terms of age, the majority of participants in this study fall within the 30–40 age group, accounting for 131 individuals, or 36.7% of the total respondents. This suggests that a significant portion of the workforce surveyed consists of employees in their early to mid-career stages. On gender, the respondents are dominated by men (62.4%) totaling 223 people. Employees' educational background, (8.3%) or 30 are above post-graduation, (47.7%) with a total of 171 employees being postgraduates, graduates are 131 or (36.7%) and the remaining are below graduation (7.3%) or 26. while almost all of the employees are on payroll. For the duration of work, the majority of respondents 128 or (35.8%) were employees who have been working for below 5 years. It is an indication that employees are switching from one enterprise to another for one or the other reasons. Regarding the marital status, 223 respondents (62.4 %) are married, the income of the employees 179, or 49.9 % have an income below Rs 5,00,000, and finally the savings of the employee 82 or (22.9%) Rs 1,50 000 and above. Each variable has a mean value above the standard deviation. This shows that the data has a good distribution and no outlier data was found.

Table 1 :Scale Reliability Statistics

	<i>N</i>	Mean	SD	Cronbach's α
Financial Literacy	358	3.78	.680	.879
Financial Behaviour	358	3.79	.628	.793
Pay Satisfaction	358	3.39	.762	.634
Financial wellness	358	0.752	0.306	.675

First, we carried out a reliability test. Table -1 shows, the Cronbach's Alpha indicator also showed that all research instruments were reliable (< 0.50). SEM analysis result presented that relationships between constructs in the research model were different 1.00. All of the p-values

were very small, so the null hypotheses were rejected. Thus, four constructs in this study had discriminant validity.

Table 2: Relationships between Constructs

Relationship	R	se(r)	1 - r	Critical value	p-value
FW– FL	.463	.0372	.337	7.3476	.000
FW – PS	.603	.0241	.137	3.7872	
FL - FB	.455	.0436	.445	8.3578	.000
PS –FL	.263	.0172	.187	3.3446	.000
FB - FL	.435	.0417	.425	7.2789	.000
FW – FB	.276	.0236	.289	6.1212	.000

Table -2 presents the relationships between different constructs, along with statistical measures to evaluate the strength and significance of these relationships. Here's a breakdown of the columns and their interpretations This value indicates the strength and direction of the relationship between the two constructs. The correlation coefficient (r) ranges from -1 to +1. A positive value indicates a positive relationship, while a negative value indicates a negative relationship. The closer the value is to 1 or -1, the stronger the relationship FW– FL: r = 0.463 (moderate positive relationship) statistically significant., FW – PS: r = 0.603 (strong positive relationship) FL – FB: r = 0.455 (moderate positive relationship), PS – FL: r = 0.263 (weak positive relationship) FB – FL: r = 0.435 (moderate positive relationship), FW – FB: r = 0.276 (weak positive relationship). All p-values in the table are 0.000, indicating that all relationships are statistically significant at the 0.05 level. The strongest relationship is between FW and PS (r = 0.603). All relationships are statistically significant (p < 0.05). The weakest relationships are between PS – FL (r = 0.263) and FW – FB (r = 0.276).

Table 3: Result of Hypothesis Testing

Hypothesis	Path	Results				Conclusion
		Coefficient	Se	c.r	P-value	
H1	FL → FW	.406	.092	4.413	.002	Support
H2	FB → FW	.348	.082	4.240	.000	Support
H3	FB → FL	.433	.0954	.557	.045	Support
H4	PS → FW	.947	.1984	.7828	.043	Support

Detailed Interpretation

H1 is accepted as FL → FW (Financial Literacy → Financial Wellness), Coefficient: 0.406 (moderate positive effect), p-value: 0.002 (< 0.05). Financial Literacy has a statistically significant and positive effect on Financial Wellness. This means that individuals with higher financial literacy are more likely to achieve better financial wellness (e.g., reduced financial stress, better financial planning). H2 is accepted as FB → FW (Financial Behavior → Financial Wellness) Coefficient: 0.348 (moderate positive effect) and p-value: 0.000 (< 0.05). Financial Behavior has a statistically significant and positive effect on Financial Wellness. This means that individuals who exhibit positive financial behaviors (e.g., saving, budgeting, avoiding debt) are more likely to achieve better financial wellness. H3 result supports hypotheses and accepted FB → FL (Financial Behavior → Financial Literacy), Coefficient: 0.433 (moderate positive effect), p-value: 0.045 (< 0.05). Financial Behavior has a statistically significant and positive effect on Financial Literacy. This suggests that individuals who practice good financial behaviors are more likely to improve their financial literacy over time. H4 accepted PS → FW (Pay Satisfaction → Financial Wellness), Coefficient: 0.947 (strong positive effect), p-value: 0.043 (< 0.05). Pay Satisfaction has a statistically significant and strong positive effect on Financial Wellness. This means that individuals who are satisfied with their pay or income are more likely to achieve better financial wellness. The strongest relationship in the model is between Pay Satisfaction (PS) and Financial Wellness (FW) (Coefficient = 0.947). This indicates that pay satisfaction plays a critical role in achieving financial wellness. Moderate Relationships Financial Literacy (FL) and Financial Behavior (FB) both have moderate positive effects on Financial Wellness (FW). Financial Behavior (FB) also positively influences Financial Literacy (FL), suggesting a reinforcing relationship between the two. All Hypotheses Supported: All four hypotheses are supported, indicating that the proposed model is statistically valid.

CONCLUSION

This study seeks to examine and able to understand the relationship and impact of financial literacy, financial behavior, and pay satisfaction on the financial wellness of employees working in medium-sized enterprises. By analyzing these factors, the research aims to provide valuable insights into how financial knowledge, money management habits, and compensation satisfaction contribute to overall financial wellness. The findings could help organizations develop targeted financial wellness programs to enhance employee financial stability and job satisfaction. The independent variable pay satisfaction has a significant effect on financial wellness. Improving financial literacy can directly enhance financial wellness. Educational programs and resources should be promoted to increase financial knowledge. Encouraging positive financial behaviors (e.g., saving, and budgeting) can improve both financial wellness and financial literacy. Employers and policymakers play a crucial role in promoting financial wellness by ensuring fair and satisfactory compensation, as it directly impacts employees' financial well-being. However, when using cross-sectional data, it is important to recognize its limitations, as it captures information at a single point in time and cannot establish definitive causal relationships. Longitudinal studies or experimental research may be necessary to better understand the long-term effects of pay satisfaction on financial wellness.

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