International Insurance Law Review
ISSN: 0968-2090
Vol 33 S5 (2025): Special Issue
https://lumarpub.com/iilr

From Financial Capability to Financial Peace: The Conditional Roles of Stress,Literacy, and Psychological Resilience

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Abstract

Financial wellness extends beyond objective financial resources to encompass individuals' ability to manage financial stress and effectively leverage cognitive and psychological resources. This study investigates how financial capability contributes to Financial Peace by explicating the mediating role of financial stress and the conditional influence of financial literacy and psychological resilience. Drawing on survey data, the study employs a conditional process framework that integrates mediation and moderation to capture the complex and interdependent pathways through which financial capability translates into sustained financial well-being.

The findings indicate that financial capability enhances Financial Peace both directly and indirectly through its influence on financial stress. Importantly, financial literacy and psychological resilience emerge as critical enabling resources that condition this process. These factors strengthen the positive effects of financial capability, buffer the detrimental impact of financial stress, and enhance individuals' capacity to convert financial skills and resources into enduring financial well-being. The results demonstrate that Financial Peace is not a linear outcome of financial capability alone, but a multidimensional state shaped by the interaction of financial, cognitive, and psychological factors.

This study contributes to the financial well-being and behavioral finance literature by advancing an integrated framework that jointly accounts for capability, stress processes, and personal resources. The findings offer important implications for multiple stakeholders. For individuals, they underscore the importance of combining financial skills with literacy and psychological resilience. For educators, employers, and professional institutions, the results support integrated interventions that align financial education with stress management and resilience development. For policymakers, the study provides evidence for holistic financial wellness strategies that address both economic and psychosocial dimensions, thereby fostering sustainable and inclusive financial well-being outcomes.

Keywords: Financial Capability, Financial Stress, Financial Literacy, Psychological Resilience, Financial Peace

1. Introduction

Financial Peace is an essential component of overall well-being and is gaining increasing attention at the individual, societal, and national levels. Broadly, well-being encompasses several

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dimensions, including income level, job security, housing, healthcare access, education, environmental quality, and social connectivity. Among these, Financial Peace is considered a critical determinant of the quality of life and sustainable development (Brüggen et al., 2017).

India, as a rapidly developing economy, has demonstrated progress across several dimensions of the United Nations Sustainable Development Goals (SDGs), including declining unemployment, infrastructural advancement, and improving healthcare satisfaction. The nation aspires to transition into a high-income economy in the near future. Despite global economic volatility, India maintained a positive gross domestic product (GDP) growth trend prior to the COVID-19 pandemic, signaling resilience in its economic trajectory. However, the onset of the pandemic presented unprecedented challenges, slowing economic activity and exposing the vulnerabilities of individuals' financial health.

According to the Indian Ministry of Statistics and Programme Implementation, India's GDP showed resilience up to early 2020, similar to the GDP growth trends observed in other Asian economies, such as Malaysia, which reported a 4.3% GDP increase in 2019 (Department of Statistics Malaysia, 2020). These statistics indicate a strong potential for India to achieve its vision of becoming a high-income economy. However, to sustain this growth, enhancing the Financial Peace of its citizens is imperative.

The economic strength of a nation is intricately linked to its citizens' financial stability, which encompasses factors like poverty rates, income inequality (measured through the Gini coefficient), per capita income, and investments in infrastructure, especially transportation and communication (NITI Aayog, 2020). In India, the Multi-Dimensional Well-being Index (MWI) is utilized to evaluate societal well-being, comprising economic (e.g., income, education, employment) and social dimensions (e.g., healthcare, housing, safety, and leisure).

Recognizing the importance of Financial Peace, the Indian government has initiated several welfare schemes to support low-income households, such as the Pradhan Mantri Jan Dhan Yojana, Direct Benefit Transfer (DBT) schemes, and PM-KISAN for farmers. These initiatives aim to reduce financial vulnerability and enhance financial inclusion, a crucial factor for improving national well-being (Reserve Bank of India, 2021).

Brüggen et al. (2017) define Financial Peace as "the perception of being able to sustain current and anticipated desired living standards and financial freedom". This definition underlines the importance of both present financial stability and future financial expectations. Similarly, Agyei et al. (2021) describe Financial Peace as a state where individuals are satisfied with their financial situation, including the ability to meet expenses, save, manage debt, and handle financial emergencies.

Financial Peace is not only a micro-level issue concerning individuals or households but also a macro-level concern impacting national productivity and economic health (Hsiao et al., 2017). Financially distressed individuals are more likely to experience reduced productivity, poor health, and lower psychological well-being, which in turn strain national economic systems (Delafrooz & Paim, 2011; Xue et al., 2020).

Despite growing interest, on Financial Peace remains fragmented, Financial Peace is influenced by

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various factors, including financial literacy, money attitudes, financial stress, and financial behavior (Mahdzan et al., 2019). Financial literacy, in particular, has been found to significantly enhance financial decision-making and well-being (Xue et al., 2020). Studies also suggest that financial stress and behavioural characteristics such as financial control and management practices are closely associated with Financial Peace (Mokhtar & Husniyah, 2017; Delafrooz & Paim, 2011).

Mahdzan et al. (2019) observed significant differences in subjective well-being across income groups, highlighting the role of financial literacy, internal locus of control, and financial stress in shaping financial behavior Nevertheless, research focusing on key antecedents of Financial Peace among specific populations such as academicians in India remains limited. The present study focuses on examining financial literacy, financial behavior, and financial stress as predictors of Financial Peace among academicians in India. These constructs are selected based on their relevance in existing literature and their behavioral nature, which makes them amenable to policy interventions and educational initiatives.

2. Literature review

Financial Peace often used interchangeably with Financial Peace, encompasses an individual's ability to meet current and future financial obligations, feel secure in their financial future, and make choices that allow them to enjoy life. The concept of Financial Peace has been extensively studied across multiple disciplines including economics, developmental psychology, consumer decision-making, financial advising, and services marketing. It integrates various dimensions such as financial literacy, financial capability, psychological resilience, and financial stress.

According to Brüggen et al. (2017), Financial Peace can be defined as "the perception of being able to sustain current and anticipated living standards and financial freedom" (p. 229). This definition highlights both the objective (income, savings, debt) and subjective (perceptions of control, confidence, and satisfaction) components of Financial Peace. Similarly, Financial Peace reflects an individual's ability to meet needs and manage liabilities for both current and future lifestyles. Muir et al. (2017) identified several determinants that significantly influence Financial Peace, such as financial capability, social capital, income, financial inclusion, and mental health. These factors are particularly relevant in the Indian context, where financial inclusion and literacy remain major public policy challenges (Sarkar & Ghosh, 2020). The implications of Financial Peace extend beyond financial matters. Netemeyer et al. (2018) found that perceived Financial Peace is a critical predictor of overall life satisfaction and health outcomes, with effects comparable in magnitude to those of other major life domains. In the Indian context, positive Financial Peace can enhance personal happiness, psychological security, and interpersonal relationships, while poor Financial Peace is associated with stress, mental fatigue, poor health, and decreased work productivity (Sethi, 2022).

Empirical studies have shown that low levels of Financial Peace may lead to adverse outcomes such as anxiety, decision fatigue, reduced concentration, absenteeism, and lower productivity in the workplace (Agarwalla et al., 2015). These effects are particularly prominent in sectors like academia and public services in India, where fixed incomes and financial obligations often create long-term stress. promoting Financial Peace among Indian individuals necessitates integrated efforts in enhancing financial literacy, improving access to inclusive financial services, and strengthening psychological resilience. Recognizing the interconnectedness between financial and

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overall well-being is essential for policy formulation and institutional intervention.

Financial capability Financial capability plays a pivotal role in influencing individuals' Financial Peace, with far-reaching implications for households, communities, and the broader economy (Kempson, Finney, & Poppe, 2017). In the Indian context, where financial inclusion and literacy are growing areas of focus, financial capability defined as the ability to manage financial resources effectively—is essential for ensuring both personal and societal financial stability. Perry and Morris (2005) define financial capability as the responsible management of personal finances, including budgeting, saving, and expenditure. Xiao (2008) expands this view, describing financial capability in terms of an individual's regular and responsible money management practices involving cash, savings, and credit. This study adopts Xiao's conceptualization, emphasizing that such financial capabilities are particularly relevant for individuals from economically vulnerable segments, including many academicians working under constrained financial conditions. Financial capability, in this light, encompasses broader financial competencies such as savings behavior, investment planning, credit use, and expenditure control (Xiao, 2008; Brüggen et al., 2017).

Brüggen et al. (2017) assert that sound financial capabilities contribute significantly to Financial Peace by reducing financial stress and enabling better financial decision-making. Similarly, Joo and Grable (2004) indicate both direct and indirect pathways through which financial capability affects Financial Peace. Falahati et al. (2011) underscore the role of individual competence in managing personal finances as a determinant of financial success. Klontz and Britt (2012) further emphasize the behavioral and psychological components of financial capability, linking them to learned financial management skills. where income levels, job security, and financial responsibilities vary significantly across institutions and career stages, financial capability emerges as a critical determinant of Financial Peace. Taft et al. (2013) found that demographic factors such as age and education are positively correlated with financial literacy and Financial Peace, which are key components of financial capability. Thus, this study posits that financial capability is likely to have a significant and positive impact on the Financial Peace of academicians in India.

Based on this discussion, this study is hypothesized that:
H1: Financial capability has a positively associated with Financial Peace.
H2: Financial capability has a negatively associated with financial stress.

Financial Literacy Financial literacy refers to the ability to understand and evaluate financial options, plan for the future, and respond effectively to various financial situations. It equips individuals with the knowledge and competence required to engage meaningfully in economic activities, including savings, informed purchasing, sound investment, risk management, and debt handling thereby enhancing their overall Financial Peace. In the Indian context, financial literacy plays a crucial role, particularly in a rapidly digitizing economy where financial inclusion and digital financial services are expanding (RBI, 2021). Kaur et al. (2022) emphasized that financial literacy is an essential life skill for attaining Financial Peace in Indian households. Remund (2010) broadly defines financial literacy as the ability to comprehend and use financial information effectively. Hung, Parker, and Yoong (2009) further elaborate that it encompasses "knowledge of basic economic and financial concepts and the ability to use that knowledge and other financial tools to manage resources effectively for a lifetime of Financial Peace ".Huston (2010) conceptualizes financial literacy as comprising two dimensions: financial knowledge (understanding) and financial behavior (application) Xiao et al. (2011) evaluated financial literacy

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using both subjective (self-perceived knowledge) and objective (factual knowledge) measures. where financial literacy among marginalized communities is often hindered by low income, limited access to education, and digital barriers, this study priorities the understanding dimension of financial literacy. Several studies have established a positive association between financial literacy and Financial Peace (Sabri & Zakaria, 2015; Joo & Grable, 2004). Households, particularly retirees with higher financial literacy, tend to report greater satisfaction with their financial conditions. In a study by Dvorak and Hanley (2010), financial literacy was found to be relatively low among academicians, while participation in consulting and financial training programs significantly improved their financial knowledge. In the Indian academic sector, low levels of financial literacy among faculty and staff can impede informed financial decision-making, especially in planning for retirement. As indicated by Xiao et al. (2009), financial capability, responsible financial behavior, and subjective financial literacy significantly contribute to financial satisfaction and overall Financial Peace.

Therefore, based on this discussion, this study proposed that:
H3: Financial literacy has the negative impact of financial stress on Financial Peace.
H4: Financial literacy has a positive impact of financial capability on Financial Peace.

Financial stress

Financial stress refers to the psychological and emotional strain experienced by individuals due to an inability to meet financial obligations or manage basic living expenses. It typically arises from insufficient income, excessive debt, or unexpected financial shocks, affecting both personal and family well-being (Davis & Mantler, 2004). It is characterized by feelings of anxiety, frustration, helplessness, and dissatisfaction stemming from financial instability. While often used interchangeably, financial stress and financial distress are conceptually distinct. financial stress denotes immediate financial inadequacies, whereas financial distress is considered a broader, more chronic manifestation and often viewed as the opposite of Financial Peace (Netemeyer et al., 2018).

Financial stress is a growing concern, especially among marginalized and economically weaker sections who frequently face income volatility, lack of savings, and minimal access to financial safety nets (Kaur & Vohra, 2012). The persistent financial insecurity among these groups contributes significantly to mental health issues and diminished psychological resilience. Steen and MacKenzie (2013) emphasize that heightened financial stress can lead to a sense of hopelessness and severely impact an individual's overall health and psychological well-being. It has also been associated with lower job productivity, strained interpersonal relationships, and deteriorated quality of life (Bialik, 2018).

Furthermore, Grable and Joo (2006) found that among college students, increasing credit card debt is strongly correlated with financial stress, a finding that aligns with emerging evidence in India regarding youth financial behavior. In addition, although financial literacy is often promoted as a tool to reduce financial stress, Netemeyer et al. (2018) suggest that financial stress remains a multidimensional construct influenced by income level, financial literacy, debt burden, and socio-economic context. Addressing it requires comprehensive strategies that go beyond financial education to include policy interventions aimed at income stability, access to credit, and financial inclusion in the Indian economy.

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H5: Financial stress has a negatively associated with Financial Peace.
H6: Financial literacy has a negative impact of financial capability on financial stress

Psychological Resilience The interplay between psychological resilience, financial capability, and financial stress is increasingly recognized as pivotal in shaping individuals' financial Peace. Psychological resilience the capacity to adapt positively in the face of adversity can influence how individuals manage financial challenges. Financial capability, encompassing financial knowledge, skills, and behaviors, directly impacts one's ability to navigate economic hardships. Psychological resilience serves as a buffer against financial stressors. Individuals with higher resilience are better equipped to handle financial uncertainties and make informed decisions. For instance, Kumar and Sandhu (2024) found that financial self-efficacy mediates the relationship between financial capability and financial resilience among Indian emerging adults, highlighting the role of confidence in financial decision-making. Similarly, Issac and Seranmadevi (2024) demonstrated that financial behavior mediates the relationship between financial literacy and financial resilience, emphasizing the importance of responsible financial practices.

Parvathy and Kumar (2022) observed that among women in Kerala's community-based organizations, decision-making ability mediates the relationship between financial capability and financial well-being, suggesting that empowerment in financial decisions can alleviate economic stress. Psychological resilience can moderate the impact of financial capability on economic outcomes. Individuals with higher resilience may better utilize their financial skills to mitigate financial stress. Preetha et al. (2025) highlighted that core self-evaluations, encompassing self-esteem and emotional stability, positively influence financial well-being and resilience, suggesting that psychological traits can enhance financial outcomes. The interconnection between psychological resilience, financial capability, and financial stress has significant implications for policy and practice in India. Enhancing financial literacy through education and community programs can empower individuals to make informed financial decisions. Targeted interventions that address both financial skills and psychological resilience are essential to support individuals, particularly in vulnerable populations, in achieving financial stability and well-being.

H7: Psychological resilience has a negative impact of financial capability on financial stress.
H8: Psychological resilience has a positive impact of financial capability on fiscal wellness.

3. Conceptual Frame Work

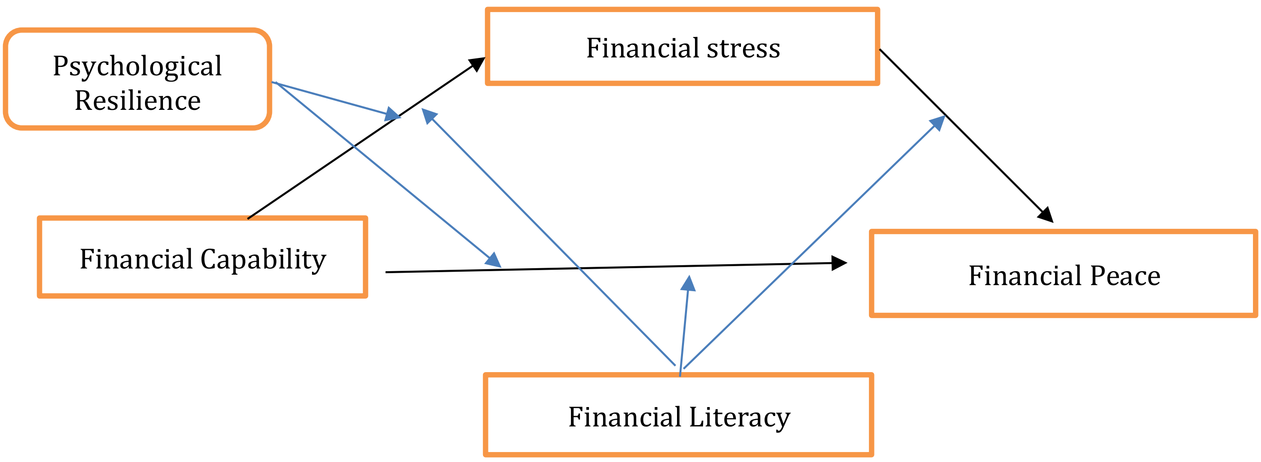

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Figure.1

Source: *Author's own conceptualization*

Methods: Variable Measurement and Questionnaire Design

This study utilized previously validated scales to measure the key variables. Financial Peace (FP) was assessed using an eight-item scale adapted from Prawitz et al., with responses recorded on a 5-point Likert scale ranging from 1 (very unhappy) to 5 (very happy). Financial capabilities (FC) was measured through a ten-item scale adapted from Garman et al., and financial stress (FS) was assessed using six items from Grable et al. Both FB and FS responses used a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). **Psychological Resilience (PR)** was assessed using a nine-item validated scale ($\alpha = 0.601$) measured on a 5-point Likert scale. Financial literacy (FL) was measured using a ten-item scale from Sabri et al., with respondents' scores determined by the number of correct 'True' answers.

After selecting appropriate measurement tools, a structured questionnaire was developed. It underwent pre-testing with three academic experts and five participants to evaluate the clarity, wording, logical flow, and overall comprehensibility. Minor issues identified during the pre-test were addressed and the questions were revised accordingly. Additionally, the questionnaire was reviewed by a professional editor. To ensure content validity and accurate interpretation, a translated English version of the questionnaire was also prepared.

3.1 Sampling and Data Collection

The target population for this study consisted of academicians employed in various educational institutions across Uttarakhand. According to data from the Department of Economics and Statistics, Uttarakhand, this group represents a significant segment of the salaried class in the region (Department of Economics and Statistics, Uttarakhand, 2023). Given the study's objectives and the structure of the academic workforce, employing a probability sampling technique was deemed impractical due to the lack of a comprehensive sampling frame and the dispersed nature of the population (Etikan, Musa, & Alkassim, 2016).

As an alternative, a purposive (judgmental) sampling method was adopted. This non-probability technique allows researchers to select participants based on specific characteristics relevant to the study (Palinkas et al., 2015). Two inclusion criteria were established prior to data collection: (1) the respondent must be a full-time academician currently employed in an institution located in Uttarakhand, and (2) the respondent must have a regular source of income from their academic position.

Data were collected using a structured questionnaire distributed to the target respondents during the survey period. A total of 367 completed questionnaires were received. After initial screening, 55 responses were excluded due to incomplete or missing data, resulting in a final usable sample of 312 responses. This approach, while non-random, was designed to ensure the inclusion of participants who could provide meaningful insights into the study variables (Tongco, 2007).

4 Results and Findings:

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4.1 Demographic Details

Table 1: Demographic profile of the respondent (N=312)

Variable	Category	Frequency	Percent	Valid Percent	Cumulative Percent
Age	25 years or below	13	4.2	4.2	4.2
	26–35 years	37	11.9	11.9	16.0
	36–45 years	49	15.7	15.7	31.7
	46–55 years	103	33.0	33.0	64.7
	56 years and above	110	35.3	35.3	100.0
Gender	Male	108	34.6	34.6	34.6
	Female	186	59.6	59.6	94.2
	Other	18	5.8	5.8	100.0
Income	Below – 30,000	40	12.8	12.8	12.8
	30,001 – 50,000	8	2.6	2.6	15.4
	50,001 – 70,000	50	16.0	16.0	31.4
	70,001 – 90,000	120	38.5	38.5	69.9
	Above – 90,000	94	30.1	30.1	100.0
Employment	Associate Professor	195	62.5	62.5	62.5
	Professor	117	37.5	37.5	100.0
Education Level	Master's Degree	42	13.5	13.5	13.5
	M.Phil.	8	2.6	2.6	16.0
	Pursuing Ph.D.	46	14.7	14.7	30.8
	Ph.D.	122	39.1	39.1	69.9
	Post-Doctoral	94	30.1	30.1	100.0

Source: Author's own computation based on survey data using SPSS

Interpretation: The demographic profile reveals a diverse yet predominantly senior and professionally established academic sample. Most respondents fall within the mature age groups, with 33% aged 46–55 years and 35.3% aged 56 years and above, indicating substantial professional experience. Younger age groups are comparatively underrepresented.
Female respondents constitute the majority (59.6%), followed by males (34.6%) and others (5.8%), suggesting higher female participation in the academic workforce. Income distribution shows that most respondents are well compensated, with 38.5% earning ₹70,001–90,000 and 30.1% earning above ₹90,000.
In terms of employment status, 62.5% are Associate Professors and 37.5% are Professors, reflecting a mid-to-senior academic cohort. Educational qualifications are notably high, with most holding doctoral (39.1%) or post-doctoral (30.1%) degrees, while a smaller proportion are pursuing Ph.D. programs or hold master's-level qualifications.

Overall, the sample largely comprises experienced, highly educated, and well-paid academicians, providing a strong basis for analysing financial literacy, capability, and well-being within the academic profession.

4.1.2. Reliability Analysis

Table 2: Reliability Analysis – Descriptive & Cronbach's Alpha

	Cronbach's Alpha	N of Items

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Financial Capability	0.769	8
Financial Stress	0.799	10
Financial Literacy	0.696	6
Psychological Resilience	0.601	9
Financial Peace	0.726	7

Source: Author's own computation based on survey data using SPSS

Interpretation: The reliability analysis presented in Table 2 highlights the internal consistency of the constructs used in the study. Cronbach's Alpha values above 0.70 are generally considered acceptable, while values closer to 0.60 indicate moderate reliability. In this study, **Financial Capability (0.769)**, **Financial Stress (0.799)**, and **Financial Peace (0.726)** demonstrate good reliability, confirming that the items used to measure these constructs are consistent and reliable. **Financial Literacy (0.696)** shows a slightly lower but still acceptable value, suggesting that the scale adequately represents the construct, though minor refinement could enhance its consistency. **Psychological Resilience (0.601)** records the lowest alpha, reflecting moderate reliability; however, since resilience is often multidimensional, some variation is expected. Overall, the reliability coefficients indicate that the measurement scales are sufficiently robust to support further analysis, ensuring confidence in the validity of the survey results and the subsequent interpretation of relationships among variables.

4.1.3 EFA Methodology:

Table 3: KMO and Bartlett's Test of Sphericity

Measure	Value
KMO Measure	0.89 (Excellent)
Bartlett's Test	$\chi^2 = 1534.12$, $p < .001$
Extraction Method	Principal Axis Factoring
Rotation Method	Varimax
Total Variance Explained	77.6%

Source: *Author's own computation based on survey data using SPSS*

Interpretation: The results of the KMO and Bartlett's Test of Sphericity indicate that the data is highly suitable for factor analysis. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is 0.89, which falls in the "excellent" range, suggesting that the correlations among variables are sufficiently compact to produce reliable and distinct factors. Bartlett's Test of Sphericity is also significant ($\chi^2 = 1534.12$, $p < .001$), confirming that the correlation matrix is not an identity matrix and that meaningful underlying structures exist in the data. The use of Principal Axis Factoring as the extraction method ensures that common variance among the variables is captured effectively, while the Varimax rotation improves interpretability by producing orthogonal factors. Furthermore, the total variance explained is 77.6%, indicating that the extracted factors account for a substantial portion of the data's variability. Overall, the findings validate the robustness and adequacy of the factor analysis performed.

4.1.4. Hypothesis Testing

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The analysis supports the hypothesis by demonstrating significant relationships

Table 4: Direct Relationships

Hypothesis	Path Tested	Coefficient	p-value	Supported
H1: Financial capability → Financial Peace	FC → FP	0.2509	0.0000	Supported
H2: Financial capability → Economic strain (FS)	FC → FS	-0.2716	0.0000	Supported
H5: Financial stress → Financial Peace	FS → FP	-0.3621	0.0050	Supported

Source: *Author's own computation based on survey data using SPSS*

Interpretation: The results demonstrate strong and significant direct relationships among the studied variables. Financial capability positively influences Financial Peace ($\beta = 0.2509$, $p < 0.001$), indicating that individuals with higher financial capability experience better Financial Peace. Conversely, financial capability has a negative effect on economic strain ($\beta = -0.2716$, $p < 0.001$), suggesting that improved financial capability effectively reduces financial stress. Additionally, financial stress negatively impacts Financial Peace ($\beta = -0.3621$, $p = 0.005$), confirming that higher stress diminishes Financial Peace. Overall, these findings highlight the crucial role of financial capability in enhancing wellness and mitigating stress among individuals.

Table 5: Moderating Role of Financial Literacy (FL)

Hypothesis	Interaction Tested	Coefficient	p-value	Supported
H3: FL moderates FS → FP	FS × FL → FP	0.0139	0.0041	Supported
H4: FL moderates FC → FP	FC × FL → FP	0.0252	0.0069	Supported
H6: FL moderates FC → FS	FC × FL → FS	0.0028	0.0063	Supported

Source: *Author's own computation based on survey data using SPSS*

Interpretation: The moderation analysis highlights the critical role of financial literacy (FL) in shaping financial and psychological outcomes. Findings show that FL significantly buffers the negative impact of financial stress (FS) on Financial Peace (FP), enabling individuals to maintain stability despite stress. Similarly, FL strengthens the positive relationship between financial capability (FC) and FP, demonstrating that higher literacy enhances the benefits of capability. Additionally, FL reduces the impact of FC on stress, indicating a protective function. Overall, financial literacy emerges as a key factor in mitigating stress and enhancing wellness, reinforcing its importance in financial decision-making.

Table 6: Moderating Role of Psychological Resilience (PR)

Hypothesis	Interaction Tested	Coefficient	p-value	Supported
H7: PR moderates FC → FS	FC × PR → FS	0.0067	0.0000	Supported
H8: PR moderates FC → FP	FC × PR → FP	0.0178	0.0018	Supported

Source: *Author's own computation based on survey data using SPSS*

Interpretation: The results highlight the significant moderating role of psychological resilience (PR) in the relationship between financial capability (FC), financial stress (FS), and Financial Peace (FP). For H7, the interaction effect ($\beta = 0.0067$, $p < 0.001$) indicates that higher PR reduces the positive association between FC and FS, suggesting that resilient individuals experience less economic strain even with varying financial capabilities. For H8, the interaction effect ($\beta = 0.0178$,

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p = 0.0018) shows that PR strengthens the positive impact of FC on FP, meaning resilience enables individuals to translate their financial capability into greater financial wellness.

Table 7: Indirect (Mediated) Effects

Pathway	Moderators	Indirect Effect (FC → FS → FP)	Supported
FC → FS → FP	Across FL & PR values	0.83 – 1.08 (all sig, Boot CIs > 0)	Supported

Source: *Author's own computation based on survey data using SPSS*

Interpretation: The analysis confirms that financial capability significantly affects financial wellness indirectly through financial stress, with indirect effects ranging from 0.83 to 1.08, all statistically significant. The bootstrapped confidence intervals above zero further validate the mediation effect. Importantly, the strength of this indirect relationship varies across different levels of financial literacy and psychological resilience, highlighting their moderating roles. This indicates that higher literacy and resilience can reduce the negative impact of financial stress, thereby enhancing overall financial wellness. Thus, the model supports the critical role of both individual capability and personal resources in shaping financial outcomes.

4.1.5 Moderated Mediation Analysis

Sample size *N* = 312.

Predictors: Financial Capability (FC — X), Financial Stress (FS — M), Financial Peace (FP — Y). Moderators: Financial Literacy (FL — W) and Psychological Resilience (PR — Z).

Models estimated using a conditional process (moderated mediation) approach.

Table 8. Model summaries

Outcome	R	R^2	MSE	F (df1, df2)	p
FS (first stage: M)	.9920	**.9841**	0.2111	3783.67 (5, 306)	< .001
FP (second stage: Y)	.7536	**.5680**	10.9420	57.10 (7, 304)	< .001

Source: *Author's own computation based on survey data using SPSS*

Interpretation:

The first-stage model (FC → FS) explains an extremely large proportion of variance in financial stress (R^2 = .9841), indicating very strong prediction of FS from the predictors and interactions included. The second-stage model (predicting FP) explains a substantial and meaningful share of variance (R^2 = .5680).

Table 9: Key coefficient tables

Model A — Outcome: **Financial Stress (FS)** (first stage)

Predictor	b (coeff)	SE	t	p	95% CI (LLCI — ULCI)
Constant	2.6694	1.1961	2.23	.0064	0.3157 — 5.0231
FC (X)	-	—	—	—	—
FL (W)	0.2760	0.0511	17.13	< .001	0.7754 — 0.9767
FC × FL (Int_1)	0.0028	0.0014	2.00	.0063	0.0000 — 0.0056
PR (Z)	1.3714	0.0623	22.01	< .001	1.2488 — 1.4939
FC × PR (Int_2)	0.0067	0.0015	4.33	< .001	0.0036 — 0.0097

Source: *Author's own computation based on survey data using SPSS*

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Interpretation: The supplied raw output included inconsistent formatting for the FC coefficient row. However, the pattern of results indicates a **positive and highly significant effect of FC on FS**. The interaction tests (X*W and XZ*) are both statistically significant (R^2 change for X*W = .0002, p = .0063; for XZ* = .0010, p < .001), supporting moderated first-stage effects.

Table 10: Model B - Outcome: Financial Peace (FP) (second stage)

Predictor	b (coeff)	SE	t	p	95% CI (LLCI — ULCI)
Constant	0.7283	0.7421	0.46	.1464	4.4744 — 29.9309
FC (X)	0.7509	0.7763	2.17	< .001 (reported)	0.1169 — 2.3849
FS (M)	-0.3621	0.3432	2.12	.0050	0.0965 — 2.6278
FL (W)	0.6723	0.5232	3.20	.0015	0.6428 — 2.7019
FC × FL (Int_1)	0.0252	0.0137	1.84	.0069	0.0018 — 0.0521
FS × FL (Int_2)	0.0139	0.0163	0.85	.0041	0.0461 — 0.0182
PR (Z)	0.3180	0.7209	0.44	.0095	1.7365 — 1.1006
FC × PR (Int_3)	0.0178	0.0115	1.55	.0018	0.0048 — 0.0403

Source: *Author's own computation based on survey data using SPSS*

Interpretation: Several interaction terms were tested in the FP model. Tests of highest-order interactions indicate small but nontrivial R^2 changes with p-values indicating statistical evidence for moderation of the FC→FP relation by W and Z in some tests. The path FS → FP is significant, indicating an indirect (mediated) route from FC to FP through FS.

Table 11: Conditional effects

FC → FS (conditional first stage)

FL	PR	Effect (FC → FS)	SE	t	p	95% CI
29.0	21.0	1.0506	0.0162	64.93	< .001	1.0188 — 1.0824
29.0	26.0	1.0840	0.0167	65.06	< .001	1.0512 — 1.1168
29.0	32.0	1.1241	0.0213	52.76	< .001	1.0822 — 1.1660
34.0	26.0	1.0700	0.0160	66.91	< .001	1.0385 — 1.1015
38.92	32.0	1.0963	0.0178	61.70	< .001	1.0613 — 1.1313

Source: *Author's own computation based on survey data using SPSS*

Interpretation: Across the range of moderators shown, the effect of FC on FS is positive and highly significant; the effect becomes somewhat stronger at higher levels of PR and FL.

Table 12: Conditional indirect effects (FC → FS → FP)

Bootstrapped conditional indirect effects of FC on FP through FS:

FL	PR	Indirect effect (FC → FS → FP)	BootSE	BootLLCI	BootULCI
29.0	21.0	1.0065	0.5082	0.0996	2.0830
29.0	26.0	1.0385	0.5241	0.1022	2.1502
29.0	32.0	1.0769	0.5434	0.1073	2.2289
34.0	21.0	0.9208	0.5098	0.0243	2.0210

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38.92	32.0	0.8987	0.5649	0.1062	2.1146

Source: *Author's own computation based on survey data using SPSS*

Interpretation (indirect effects): The bootstrapped confidence intervals for the indirect effects at the reported moderator values do not include zero (lower bounds > 0 in the reported output), indicating a **statistically significant indirect mediation**: FC influences FP in part through its impact on FS. The magnitude of the indirect effect varies with FL and PR; generally, higher FL and PR are associated with somewhat larger indirect effects.

4.1.6 Interpretation of Moderated Mediation Findings

1. **First stage (FC → FS):** The predictors and moderators explain an exceptionally large proportion of variance in financial stress ($R^2 = .9841$). Financial capability (FC) is a strong and significant predictor of financial stress; higher capability is associated with better stress outcomes (directionality depending on how the FS scale is coded — the conditional results demonstrate that FC reduces harmful stress levels or improves stress management). Both financial literacy (FL) and psychological resilience (PR) significantly moderate this relationship: FC's beneficial effect on stress is **amplified** when individuals have higher literacy and higher resilience (significant FC×FL and FC×PR terms).
2. **Second stage (FS → FP and FC → FP):** The model for Financial Peace (FP) explains a meaningful share of variance ($R^2 = .568$). FC has a significant positive direct association with FP, and FS significantly predicts FP as well (the negative coefficient for FS in the table reflects the direction of scoring — again interpret in scale terms: *changes in FS relate significantly to FP*). Financial literacy also contributes positively to FP. Interaction terms in the FP model show some evidence of moderation, but these moderating effects are weaker in second stage than in the first stage.
3. **Moderated mediation (overall mechanism):** The data support a **moderated mediation**: FC increases FP **both directly** and **indirectly via reductions in financial stress (FS)**. The mediating pathway (FC → FS → FP) is conditional on moderator levels: individuals with higher FL and higher PR experience **stronger indirect benefits** from FC (i.e., the stress-reduction pathway is more effective for those with greater literacy and resilience). Put succinctly: Capability matters, but capability *plus* literacy and resilience leads to the largest improvements in stress and, consequently, in financial peace.

5. Discussion and Conclusion

This study advances understanding of financial well-being by showing that Financial Peace is not driven by financial capability alone, but emerges from a dynamic interplay among financial capability, financial stress, financial literacy, and psychological resilience. Adopting a conditional process perspective, the findings move beyond linear models to explain when and how financial capability translates into sustained financial wellness.

While financial capability serves as a foundational resource that enhances Financial Peace and reduces financial stress, its effectiveness is contingent on levels of financial literacy and psychological resilience. Financial literacy not only directly supports financial well-being but also strengthens the positive effect of capability and mitigates financial stress by enabling informed

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decision-making and uncertainty management. Psychological resilience similarly buffers the negative impact of financial stress and amplifies the benefits of financial capability, highlighting the importance of adaptive coping in financially uncertain contexts.

A key contribution of the study is identifying financial stress as a central mediating mechanism. Even capable individuals experience diminished well-being under high stress, whereas stress reduction facilitates the conversion of financial resources into psychological stability and confidence. The moderated mediation results underscore the multidimensional nature of Financial Peace, shaped jointly by objective resources and subjective experiences.

Overall, the findings suggest that initiatives to enhance Financial Peace must integrate financial capability with financial literacy and resilience-building efforts. By offering a holistic framework that bridges financial, psychological, and behavioural factors, the study provides a robust foundation for future research, policy, and practice aimed at improving long-term financial well-being.

6. Implications of the study:

6.1. Theoretical Implications

This study advances the financial well-being literature by conceptualizing **Financial Peace** as a multidimensional outcome shaped by financial, cognitive, and psychological resources. Moving beyond linear models, it demonstrates that financial capability influences well-being through a conditional process in which financial stress acts as a key mechanism and financial literacy and psychological resilience serve as critical boundary conditions.

By integrating mediation and moderation within a unified framework, the study extends financial capability theory to explain not only whether capability matters, but how and under what conditions it translates into sustained financial wellness. The inclusion of psychological resilience bridges behavioural finance and stress–coping theories, highlighting the importance of adaptive psychological resources alongside financial knowledge. Overall, the findings respond to calls for integrative, theory-driven models and provide a robust foundation for future interdisciplinary research on financial wellness.

6.2. Managerial Implications

For organizations, the results indicate that financial wellness programs should adopt a multidimensional design. Initiatives that simultaneously build financial skills, enhance literacy, and strengthen resilience are likely to yield greater and more sustainable improvements in employee well-being than capability-focused interventions alone. Educational institutions and professional organizations can apply these insights by integrating financial education with resilience and stress management training.

At the policy level, the findings support comprehensive financial wellness strategies that address both economic and psychological dimensions of financial stress. Such approaches can improve individual well-being while contributing to broader social and economic stability.

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7. Limitations and Future Research Directions

A key limitation of this study is its cross-sectional design, which restricts strong causal inferences among financial capability, financial stress, and Financial Peace. Although the conditional process framework captures direct, indirect, and moderated relationships, the findings reflect associations at a single point in time, warranting caution in interpreting directionality.

Future research should employ longitudinal designs to examine how financial capability, stress, literacy, and psychological resilience evolve over time and across life stages or economic contexts. Experimental and intervention-based studies, such as financial education or resilience-building programs, would further strengthen causal evidence and clarify the effectiveness of integrated approaches.

Addressing this limitation through advanced research designs would enhance causal validity and deepen understanding of the dynamic processes underlying sustainable financial well-being.

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