Impact of Financial Literacy on the Socio-Economic Well-being of People in Kaski District, Nepal

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Abstract

Financial literacy is considered one of the crucial factors influencing the attainment of the Sustainable Development Goals (SDGs). This paper examines how financial literacy affects social and economic well-being in Nepal's Kaski District. The study follows descriptive and cross-sectional research designs. A sample of 385 households was selected for data collection. The head of each household was identified as the participant, and a survey questionnaire was used to collect the necessary data. Various statistical techniques, such as frequency distribution, exploratory factor analysis, and structural equation modelling, were used for data analysis. This study found that financial literacy positively influences both the social and economic well-being of households. Possessing the necessary knowledge and skills in financial matters enables individuals to meet their social and economic needs. The findings are very important for policymakers, educators, and stakeholders to enhance financial knowledge and skills and support the achievement of the Sustainable Development Goals.

1. INTRODUCTION

The Sustainable Development Goals (SDGs) are a set of 17 globally recognised objectives established by the United Nations to address diverse challenges encompassing economic, social, and environmental spheres as well as promote the overall well-being of individuals (Chiriacò et al., 2022). Many countries around the world, including Nepal, aim to achieve the SDGs by implementing specific strategies and initiatives. Within the context of advancing these goals, numerous factors have been identified as influential, including financial literacy (Mavlutova et al., 2022). Financial literacy pertains to the knowledge and competencies required for the effective management of personal financial matters, encompassing aspects such as budgeting, saving, investing, and retirement planning (Nepal Rastra Bank, 2020). The extent of financial literacy prevalent within a given population possesses significant implications for key socioeconomic indicators, including economic growth, income inequality, and social welfare (Prayitno et al., 2022). Consequently, financial literacy exhibits a strong

correlation with various SDGs, specifically those pertaining to poverty reduction, economic advancement, and sustainable development.

Socio-economic well-being is a primary objective for every society, state, and nation. It serves as a crucial measure of a nation's development. Developing nations like Nepal are actively striving to improve the well-being of their people. However, Nepal still faces challenges due to its medium-level Human Development Index (HDI) value (Latha et al., 2019), low Gross National Income (GNI) per capita, slow economic growth, and high rates of poverty and unemployment (Joshi et al., 2010). As a result, it is crucial to make ongoing efforts to improve the socio-economic conditions of the people in Nepal. Various studies have shown that financial literacy has a substantial impact on individuals' socio-economic well-being. The findings of Kamakia et al. (2017), and Lone and Bhat (2022) mentioned that those who are financially educated are more likely to save money, invest wisely, and avoid debt. They are also better equipped to navigate complex financial products and make informed decisions about their finances. At a broader level, financial literacy extends its implications to encompass the overall economic and social well-being of a population. A higher level of financial literacy within a society has significant ramifications, including the promotion of stable financial markets and fostering stronger economic growth (Prayitno et al., 2022). A financially literate population is more likely to possess enhanced access to credit, thereby facilitating entrepreneurial endeavours and fostering the development of small businesses (Chaulagain, 2019).

Moreover, financial literacy plays a pivotal role in mitigating income inequality and poverty (Ingale & Paluri, 2022). Individuals who possess inadequate financial literacy often find themselves trapped in cycles of poverty and indebtedness (Lea, 2021), with limited access to resources and opportunities for socioeconomic advancement (Prayitno et al., 2022). In contrast, individuals with elevated levels of financial literacy are empowered to accumulate wealth and foster economic opportunities for themselves and their families (Van Rooij et al., 2012). This enhanced capacity to navigate the intricacies of personal finance aids in reducing income disparities (Abitoye et al., 2023) and fostering greater economic mobility within society (Sangeeta et al., 2022).

In addition to its economic impact, financial literacy can also improve social well-being (Dulina et al., 2016). Individuals who are financially literate are better able to plan for their future, meet their basic needs, and achieve their goals (Lone & Bhat, 2022). They are also more likely to have a sense of financial security and control over their lives, which can reduce stress and improve mental health. Furthermore, financial literacy can promote responsible financial behaviour, such as charitable giving and ethical investment (Dusuki, 2008), which can contribute to broader social welfare.

Financial literacy is a critical component of an individual's economic and social well-being. It is important to investigate the impact of financial literacy on socio-economic well-being in specific contexts. However, there has been limited research comprehensively examining its impact on the socio-economic well-being of individuals in Nepal. Previous studies conducted by Thapa and Nepal (2016) focused on measuring the financial literacy status of college students, while Chaulagain (2019) examined the effect of financial literacy on the financial behaviour of small borrowers, found a significant impact. Likewise, Oli (2020) discovered that financial literacy has a significant influence on personal financial planning among Nepalese individuals; Chaulagain and Devkota (2018) emphasized the importance of financial literacy for empowering marginalized individuals; and Shrestha et al. (2023) found a significant impact of financial literacy on investment decisions. Nevertheless, there remains a need to explore research questions such as the contribution of financial literacy to the social and economic well-being of individuals in the specific context of Nepal. Therefore, this paper aims to bridge this gap by investigating the influence of financial literacy on the social and economic well-being of individuals in the Kaski district of Nepal. By examining the impact of financial literacy on well-being, this study intends to provide valuable insights for designing targeted interventions and policies to improve financial literacy and enhance overall socio-economic well-being in Kaski District.

This study followed a quantitative approach, utilising a survey to assess the level of financial literacy among individuals in the Kaski District and collect data on economic and social indicators. The researchers administered a questionnaire to the primary decision-maker in each of the selected households for data collection. In this study, exploratory factor analysis (EFA) and structural equation modelling (SEM) were employed to analyse the data and test the research hypotheses. For this study, the following hypotheses were developed and tested:

H1: Financial literacy significantly enhances the social well-being of people.
H2: Financial literacy significantly enhances the economic well-being of people.

The research findings have significant implications for policy, practice, and theory. The results support regional sustainable development objectives and the establishment of targeted interventions and financial literacy initiatives to improve social and economic well-being in Kaski District. The findings also inform financial service providers, policymakers, and educators on the importance of financial literacy, enabling them to tailor their initiatives to better meet the needs of the local population. Additionally, the research advances theoretical understanding by highlighting the specific challenges

and opportunities of financial literacy in Kaski District and providing insights for evidence-based policies and practices in similar regions facing similar challenges.

The research article is structured into five sections. In addition to this introduction part, it contains a literature review section that provides concepts and previous studies related to financial literacy, social well-being, and economic well-being. The methodology section describes the data collection and analysis methods used. The data analysis and results section present the findings from the quantitative analysis and interprets the results. Finally, the conclusion section summarises the key findings of the study and discusses their implications.

2. LITERATURE REVIEW

Concepts related to financial literacy and well-being

Financial literacy refers to the understanding and application of financial knowledge, skills, and principles, enabling individuals to make informed and beneficial financial choices that contribute to their overall well-being (OCDE, 2014). Different theories are related to financial literacy and well-being. In the 1960s, economists Gary Becker and Theodore Schultz presented Human Capital Theory. According to Blaug (1976), the concept of human capital theory suggests that individuals who make investments in their own human capital, such as acquiring education and undergoing training, are likely to experience higher income levels and improved financial well-being. This theory provides a framework for understanding how investments in knowledge, skills, and education can enhance an individual's productivity and overall economic welfare. Financial literacy can be viewed as a form of human capital, as it represents an investment in knowledge and skills related to personal finance. In this sense, financial literacy can enhance an individual's economic productivity and well-being by improving their ability to make informed financial decisions, effectively manage their resources, and plan for the future. Moreover, human capital theory suggests that individuals who invest in their own education and skills are more likely to enjoy higher earnings and better economic outcomes in the long run. Similarly, individuals who invest in their financial literacy are more likely to make informed financial decisions, which can positively impact their financial well-being in the long term. Thus, by improving financial literacy, individuals can develop the knowledge and skills necessary to effectively manage their finances, make informed decisions, and ultimately improve their overall economic and social well-being (Nafukho et al., 2004).

Similarly, the financial literacy theory of financial inclusion suggests that financial literacy can help individuals achieve financial well-being by increasing their access to and use of formal financial services. By becoming aware of the available financial

products and services, individuals can make informed decisions about which products best suit their needs and goals. This can lead to increased financial stability and security, as well as the ability to take advantage of investment and mortgage opportunities. Financial literacy can also help individuals become more self-sufficient and better able to manage their personal finances. By learning to distinguish between needs and wants, creating and managing a budget, saving for future expenses, and planning for retirement, individuals can reduce financial stress and improve their overall well-being. In summary, this theory argues that financial literacy can increase individuals' access to and use of formal banking services, improve their ability to manage their personal finances, and ultimately contribute to greater financial well-being (Ozili, 2020).

Overall, these theories highlight the significance of financial literacy in fostering both financial and social well-being.

Previous studies on financial literacy and well-being

Various research have been done on financial literacy and well-being. Taft et al. (2013) investigated the connection between financial literacy, financial well-being, and financial concerns among individuals. The research utilized a survey method to collect data from 400 employees in Iran. The study found a positive impact of financial literacy on business and personal lives. The research indicates that a higher level of financial well-being may be associated with increased financial literacy.

Bilal & Zulfiqar (2016) emphasized the significance of financial literacy in achieving economic wellbeing, especially for women. The research revealed that having a positive financial attitude has a substantial and positive influence on the financial well-being of employed women. The authors concluded that higher financial literacy and a favourable financial attitude contribute to enhanced financial well-being. The paper highlighted the importance of financial literacy among employed women in Pakistan.

Dulina et al. (2016) examined the association between financial literacy and social well-being among the urban population of Volgograd Oblast in Russia. The research found a positive connection between financial literacy and social well-being. Enhancing financial literacy could potentially improve social well-being and benefit both individuals and communities.

Kamakia et al. (2017) examined the impact of financial literacy on individuals' behavioural control over their finances as public sector employees and how this translates to their financial well-being. The study found that people's level of financial knowledge significantly influences their financial well-being. Specifically, financially

literate individuals have better behavioural control over their finances, leading to improved financial well-being.

Durodola et al. (2017) in their study, focused on the financial literacy and well-being of immigrants in Lloydminster, Canada. The study examined the possible patterns between their current level of financial literacy and their financial decisions. The study highlighted that providing financial literacy education to immigrants following a systematic curriculum could equip them with the tools to make informed financial decisions and positively impact their well-being.

Lone and Bhat (2022) investigated how financial literacy influences the economic well-being of faculty in India. The research revealed a positive correlation between financial literacy and both financial self-efficacy and financial well-being. Similarly, Zhang and Chatterjee (2023), and Garg and Singh (2018) also found a positive association between financial literacy and financial well-being.

Aggarwal and Sangal (2022) examined the intricate relationship between financial knowledge, attitudes, behaviours, and their impact on an individual's overall financial well-being. By conducting a survey with 115 respondents and employing Structural Equation Modeling (SEM) the study found a significant influence of financial attitudes and behaviours on financial well-being, with financial behaviour has the pivotal role of in shaping individuals' overall financial health. However, the study found that financial knowledge alone does not have a substantial impact on financial well-being.

Overall, the studies reviewed highlight the positive association between financial literacy and financial well-being across different populations and contexts. The findings suggest that individuals who are financially literate have higher financial management abilities, make more informed financial decisions, and experience improved financial well-being and overall quality of life. The following model has been developed for this study:

Figure 1: Model of the Study
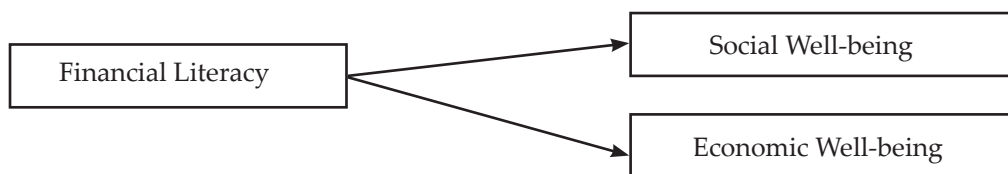
3. METHODS AND DATA

This study was carried out in the Kaski district of Nepal and follows a descriptive and cross-sectional research design. The population unit for this study was considered to be the total households of 120,594 in the district (CBS Nepal, 2022), and a sample of 385 households was taken. The major decision-maker within each household was chosen as the participant, and data was collected using a researcher-administered questionnaire with items rated on a 5-point Likert scale. The survey was divided into two sections: the first portion emphasised the respondents' socio-demographic characteristics, while the subsequent section measured the constructs of the study, with financial literacy as the independent variable consisting of four dimensions (financial knowledge, skills, attitude, and behaviour) and economic well-being and social well-being as dependent variables. The data was analysed through various statistical techniques such as frequency distribution, exploratory factor analysis, and structural equation modelling utilizing IBM SPSS AMOS software.

In the current study, we have used different variables such as financial literacy, social well-being, and economic well-being. The measurement scales (presented in Table A1) of these variables were taken from previous studies (Bongomin et al., 2018; Morgan & Long, 2020; Sugiyanto et al., 2019; Nepal Rastra Bank, 2020; Nandru et al., 2021). Exploratory Factor Analysis (EFA) was conducted separately for financial literacy and well-being. This was done as a preliminary step before performing Confirmatory Factor Analysis (CFA). The aim was to determine the measurement scale that is associated with each construct and eliminate any factors that are not relevant or unrelated.

After conducting EFA, the study proceeded with Structural Equation Modelling (SEM) to test the hypotheses. The SEM included a measurement model and a structural model. The measurement model was employed to assess the model fit, as well as examine the reliability and validity of the constructs. Confirmatory Factor Analysis (CFA) was utilized to evaluate the model fit using various indices such as CMIN/DF, GFI, NFI, CFI, and RMSEA. The reliability of the constructs was assessed using measures like Cronbach's alpha and composite reliability. Convergent validity was examined using the Average Variance Extracted (AVE), while discriminant validity was assessed using Fornell and Larcker's criteria. Once reliability, validity, and model fit were confirmed, the structural model was used to measure the relationship between independent variables (financial literacy) and dependent variables (well-being).

4. RESULTS AND DISCUSSION

Socio-demographic profile

This includes socio-demographic characteristics such as living area, gender of household head, marital status, age, family type, education status, and household's monthly income, which are given in Table 1.

Table 1: Socio-demographic Characteristics

Variables	Categories	Frequency	Percent
Area of Living	Municipality	325	84.4
	Rural Municipality	60	15.6
Gender of HH head	Male	269	70.0
	Female	116	30.0
Age Structure	30 years and less	56	14.5
	31-40 years	93	24.2
	41-50 years	138	35.8
	51-60 years	75	19.5
	More than 60 years	23	6.0
Marital Status	Married	338	87.8
	Unmarried	36	9.4
	Divorced/Single	4	1.0
	Widow	7	1.8
Family Type	Nuclear family	246	63.9
	Joint family	139	36.1
Caste	Brahmin	202	52.5
	Chhetri	93	24.2
	Janajati	72	18.7
	Others	18	4.7
Education Status	Illiterate	10	2.6
	Literate but no formal education	18	4.7
	Primary education (up-5)	23	6.0
	Lower secondary education (6-8)	53	13.8
	Secondary Education (9-12)	157	40.8
	Higher education (Bachelors and above)	124	32.2
Monthly Income of Household (NPR)	Up-Rs. 10, 000	35	9.1
	Rs. 10,001-Rs. 40,000	174	45.2
	Rs. 40,001-Rs. 125,000	145	37.7
	Above Rs. 125,000	31	8.1
	Total	**385**	**100.0**

Table 1 shows information on various demographic variables, their categories, and their frequencies in percentage terms for the study conducted in Kaski District, Nepal. In terms of the area of living, 84.4% of the participants are from municipalities, while 15.6% are from rural municipalities. The majority of the households' heads were male (70.0%), and the remaining 30.0% of households' heads were female. Regarding age structure, the largest group was 41–50 years, accounting for 35.8% of the participants, followed by 31–40 years (24.2%) and 51–60 years (19.5%). In terms of marital status, the majority of participants were married, accounting for 87.8% of the total, while 9.4% were unmarried, 1.0% were divorced or single, and 1.8% were widows. Concerning family type, 63.9% of the participants were from nuclear families, while 36.1% were from joint families. In terms of caste, Brahmins comprised the largest percentage (52.5%), followed by Chhetri (24.2%), Janajati (18.7%), and others (4.7%). Regarding education status, 40.8% had secondary education, while 32.2% had higher education. Only 2.6% were illiterate, and 4.7% were literate but had no formal education. Regarding monthly income, 45.2% of the households had an income of NPR 10,001 to NPR 40,000, followed by 37.7% with an income of NPR 40,001 to NPR 125,000, 9.1% with an income of up to NPR 10,000, and 8.1% with an income of above NPR 125,000.

Exploratory Factor Analysis (EFA)

Financial literacy – EFA

The researcher used 26 items to measure financial literacy, which comprise 9 items related to financial knowledge (FK1 to FK9), 7 items related to financial skill (FS1 to FS7), 6 items related to financial attitude (FA1 to FA6), and 4 items related to financial behaviour (FB1 to FB4). The details of items are presented in Table A1. The items having communalities less than 0.40 and having cross-loading on more than one item were removed. The final solution was achieved with 18 items after deleting 8 items (FK5, FK7, FK8, FK9, FS1, FS6, FA5, and FA6). The result of EFA is given below:

Table A2 displays the outcomes of the KMO and Bartlett tests of financial literacy. The KMO value of 0.884 indicates the sample size is suitable for factor analysis. Likewise, the significant p-value at the 1 percent level of significance of Bartlett's test of sphericity denotes that there is a high association among the statements of financial literacy used in the study.

The communalities of the measurement scale of financial literacy are given in Table A3. The value of communality ranges from 0.417 to 0.727. All the values meet our minimum acceptance criteria of 0.40, so they are considered for factor analysis.

Table 2: Result of EFA

Factors	Items	Loading	% of Variance	Cumulative %
Financial Knowledge	FK1	.738	17.718	17.718
	FK2	.787		
	FK3	.725		
	FK4	.685		
	FK6	.688		
Financial Skill	FS2	.713	17.333	35.051
	FS3	.759		
	FS4	.759		
	FS5	.705		
	FS7	.661		
Financial Attitude	FA1	.548	13.908	48.959
	FA2	.632		
	FA3	.751		
	FA4	.568		
Financial Behaviour	FB1	.597	11.754	60.713
	FB2	.771		
	FB3	.789		
	FB4	.654		

Table 2 presents the results of EFA for financial literacy. The factor solution is based on the eigenvalue. All factors with eigenvalues greater than 1.0 are considered. Here, four items have an eigenvalue greater than 1, explaining 60.713% of the total variance. The first factor, financial knowledge, comprises five items (FK1, FK2, FK3, FK4, and FK6) and explains 17.718% of the variance. The second factor, financial skill, comprises five items (FS2, FS3, FS4, FS5, and FS7) and explains 17.333% of the variance. The third factor, financial attitude, comprises four items (FA1, FA2, FA3, and FA4) and explains 13.908% of the variance, and the final factor, financial behaviour, comprises four items (FB1, FB2, FB3, and FB4) and explains 11.754% of the variance.

Well-being – EFA

The researcher started with a total of 18 items: nine items related to economic well-being (EW1 to EW9) and nine items related to social well-being (SW1 to SW9). The details of items are presented in Table A1. The items having communalities less than 0.40 and having cross-loading on more than one item were removed. The final solution was achieved with 15 items after deleting 3 items (EW6, EW9, and SW3). The result of EFA is given below:

The result of KMO and Bartlett's test of well-being is presented in Table A4. The KMO value is 0.948, which indicates the adequacy of the sample for factor analysis. Likewise, the significant p-value at the 1 percent level of significance of Bartlett's test of sphericity denotes that there is a high association among the items of economic well-being used in the study.

The communalities of the measurement scale of well-being are given in Table A5. The value of communality ranges from 0.523 to 0.747. The communalities of all items are at least 0.50, which is sufficient for performing factor analysis.

Table 3: Result of EFA

Factors	Items	Loading	% of Variance	Cumulative %
Economic Well-being	EW1	.724	34.787	34.787
	EW2	.711		
	EW3	.761		
	EW4	.687		
	EW5	.623		
	EW7	.671		
	EW8	.720		
Social Well-being	SW1	.675	28.136	62.923
	SW2	.722		
	SW4	.777		
	SW5	.784		
	SW6	.772		
	SW7	.756		
	SW8	.786		
	SW9	.757		

The result of EFA for initial economic well-being is presented in Table 3. The factor solution is based on the eigenvalue being greater than 1.0. Here, two items have an Eigen value greater than 1, which explains 62.923% of the variance. The first factor, economic well-being, comprises 7 items (EW1, EW2, EW3, EW4, EW5, EW7, and EW8) and explains 34.787% of the variance. The second factor, social well-being, comprises 8 items (SW1, SW2, SW4, SW5, SW6, SW7, SW8, and SW9) and explains 28.136% of the variance.

Structural Equation Modelling (SEM)

Measurement Model

The measurement model of financial inclusion and well-being is presented in Figure 2. This figure shows the associations between different constructs and their respective indicators. Financial literacy (FinLit) has three dimensions – financial knowledge, financial skill, and financial behaviour, after removing one dimension (financial attitude which was not fitted in the model). Financial knowledge (FK) has four items (FK1 to FK4) with loadings ranging from 0.607 to 0.843; financial skill (FS) has four items (FS2 to FS5) with loadings ranging from 0.663 to 0.817; and financial behaviour (FB) has four items (FB1 to FB4) with loadings ranging from 0.613 to 0.794. Similarly, social well-being (SWB) has six items (SW2, SW4, SW5, SW7, SW8, and SW9) with loadings ranging from 0.718 to 0.834 and economic well-being (EWB) has four items (EW1 to EW4) with loadings ranging from 0.619 to 0.797. The measurement model shows that all the items have good loadings (> 0.50). The result of model fit indices is presented in Table 4.
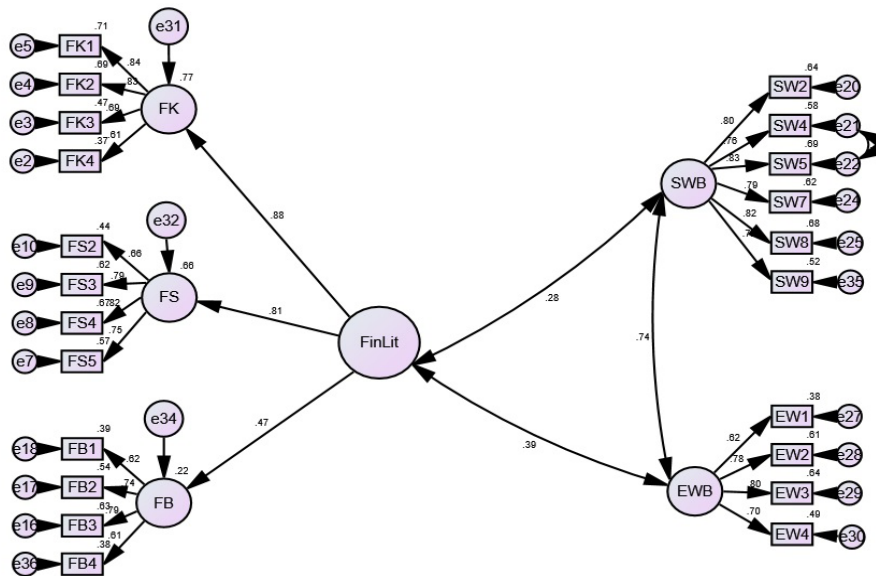
Figure 2: Measurement Model

Table 4: Model fit indices

Indices	Criteria	Calculated Value	Comments
Absolute fit measures			
CMIN/DF	<3	2.195	Good fit
GFI	> 0.90	0.903	Good fit
RMSEA	< 0.08	0.056	Good fit
Incremental fit measures			
NFI	> 0.90	0.90	Good fit
CFI	> 0.90	0.943	Good fit

Table 4 shows that CMIN/DF = 2.195, which is less than 3. Likewise, the GFI value is 0.903, the NFI is 0.90, and the CFI is 0.943, all of which exceed the required value of 0.90. Similarly, the RMSEA is 0.056, which is less than 0.08. Herein, all the model fit indices meet the criteria, which provides strong evidence for model fitness. Thus, it is appropriate to establish the connection between financial literacy and well-being.

Table 5: Result of measurement model, reliability and validity test

Construct	Items	Estimate	C.R.	P	Cronbach's Alpha	Composite Reliability	Average Variance Extracted
Financial Literacy	FK	0.88	6.021	***	0.867	0.777	0.552
	FS	0.815	6.494	***			
	FB	0.467	---	---			
Economic Wellbeing	EW2	0.780	11.699	***	0.81	0.816	0.528
	EW3	0.797	11.849	***			
	EW4	0.698	10.863	***			
	EW1	0.619	---	---			
Social Wellbeing	SW2	0.799	---	---	0.909	0.907	0.621
	SW4	0.76	15.95	***			
	SW5	0.834	18.045	***			
	SW7	0.789	16.899	***			
	SW8	0.822	17.8	***			
	SW9	0.718	14.991	***			

Table 5 presents the results of CFA, Cronbach's alpha, composite reliability, and AVE. The factor loadings of all items in all the constructs exceed 0.50 and are significant at the 1 percent level of significance. All the Cronbach alpha values exceed 0.70 for all

constructs, i.e., financial literacy (0.867), economic well-being (0.810), and social well-being (0.909). Thus, internal consistency exists in the proposed model. Likewise, all the CR values exceed 0.70 for all constructs, i.e., financial literacy (0.777), economic well-being (0.816), and social well-being (0.907). Therefore, there is a presence of composite reliability in the model. In the same manner, the AVE value for financial literacy is 0.552, economic well-being is 0.528, and social well-being is 0.621. All these values are above the required value of 0.50. Thus, there is a presence of convergent validity in the model.

**Table 6: Discriminant validity – Forenell and Lacker's criteria**

	FinLit	SWB	EWB
FinLit	*0.743*		
SWB	0.280	*0.788*	
EWB	0.389	0.724	*0.727*

The results of Forenell and Lacker's criteria for financial literacy and well-being are given in Table 6. The diagonal (bold and italic) value represents the square root of AVE, and other values represent the correlation value between the constructs. Here, the correlation value between financial literacy and social well-being is 0.280, financial literacy and economic well-being is 0.389, and economic well-being and social well-being is 0.724, which are less than the square root AVE of the respective constructs. Thus, there is the presence of discriminant validity.

Structural Model

A linkage between financial literacy and well-being (social and economic) was established here. Figure 3 shows the impact of financial literacy on social and economic well-being. In this study, the structural model was developed based on 22 items from various constructs in the measurement model, including financial literacy (with its dimensions), social well-being, and economic well-being. Here, financial literacy is an exogenous variable that is determined by financial knowledge, financial skill, and financial behaviour having coefficients of 0.83, 0.82, and 0.47, respectively. Similarly, social well-beings and financial well-beings both are an endogenous variable.

Figure 3: Path diagram
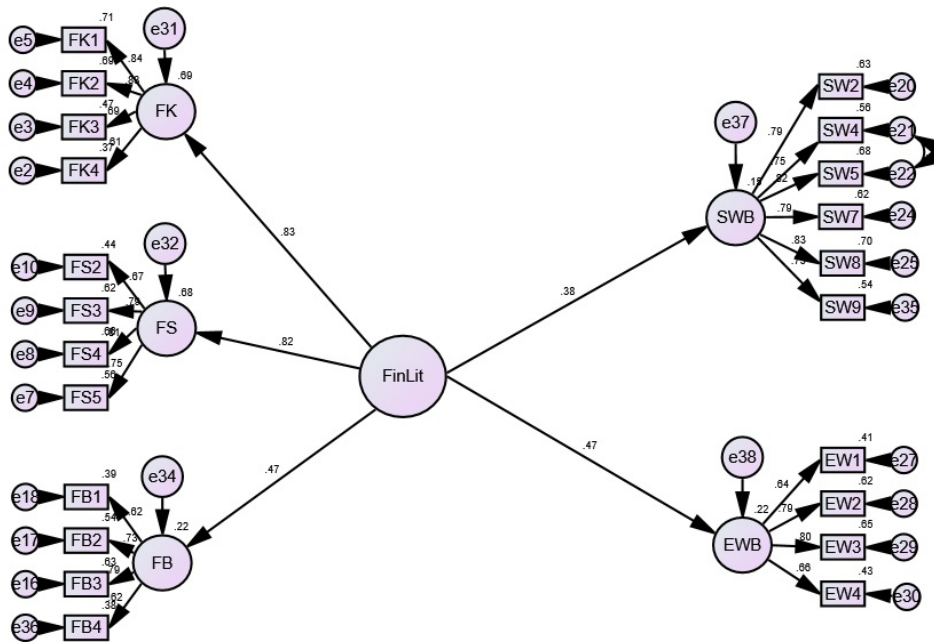
The fitness of the structural model is also assessed using CMIN/DF, GFI, CFI, and RMSEA. The value of CMIN/DF is 2.996, GFI is 0.877, CFI is 0.904, and RMSEA is 0.072. All the fit indices meet the minimum acceptable criteria except for the value of GFI, which is also very near 0.90. So, this provides strong evidence that the data fits the given structural model. The results of the hypothesis test are given in Table 7.

Table: Result of path analysis

	Estimate	S.E.	C.R.	P
FinLit ---> SWB	0.383	0.188	4.915	***
FinLit ---> EWB	0.472	0.161	5.215	***

The impact of financial literacy on social and economic well-being is given in Table 7. The result indicates that financial literacy has a significant positive impact on the social well-being of people (β = 0.383, t-value = 4.915, p<0.001). Likewise, the result indicates that financial literacy has a significant positive impact on the economic well-being of people (β = 0.472, t-value = 5.215, p<0.001). Further, it is found that the impact of financial literacy on economic well-being is greater than the effect on social well-being.

Discussion

Financial literacy has gained significant attention as a key driver of economic and social development. This study examined the impact of financial literacy on the social and economic well-being of people in Kaski district, Nepal. The result indicates that financial literacy has a significant positive impact on both social and economic well-being. The study findings align with the previous literature, reinforcing the positive and significant impact of financial literacy on both social and economic well-being. The research conducted by Dulina et al. (2016) in Russia supports the notion that financial literacy is associated with improved social well-being. The study emphasises that enhancing financial literacy can have wide-ranging benefits for individuals and communities. This finding resonates with the current study's finding that financial literacy positively impacts social well-being by enabling individuals to make informed financial decisions and access essential services.

Furthermore, the link between financial literacy and economic well-being is also supported by previous literature. Taft et al. (2013) found that a higher level of financial well-being is associated with increased financial literacy. This suggests that individuals with better financial knowledge and skills are more likely to experience improved economic outcomes. Similarly, Bilal & Zulfiqar (2016) highlight the role of financial literacy and a favourable financial attitude in enhancing financial well-being. The study suggests that individuals who possess higher financial literacy levels are better equipped to manage their finances effectively, leading to improved economic well-being. The research by Kamakia et al. (2017) further strengthens the connection between financial literacy and financial well-being. The study demonstrates that financially literate individuals have better behavioural control over their finances, which translates into improved financial well-being. This aligns with the current study's findings that financial literacy contributes to reduced dependence on money lenders, increased household savings, and improved purchasing power, all of which positively impact economic well-being. Additionally, Zhang and Chatterjee (2023), and Garg and Singh (2018) also find a positive association between financial literacy and financial well-being. These studies further underscore the importance of financial literacy in achieving positive economic outcomes.

Overall, the findings from this study align with and build upon the previous literature, providing further evidence of the positive impact of financial literacy on both social and economic well-being. The consistent results across multiple studies emphasise the significance of promoting financial literacy as a means to enhance various aspects of well-being.

5. CONCLUSION

This study emphasizes the significance of financial literacy in enhancing social and economic well-being, particularly in the context of Nepal's Kaski District. The findings of the research demonstrate that financial literacy has a significant positive impact on both the social and economic well-being of people. When individuals possess the necessary knowledge and skills to effectively handle their personal finances, they are better equipped to meet their basic needs, plan for the future, and achieve their goals. This leads to a greater sense of financial security and control over their lives, ultimately reducing stress and improving mental health, resulting in social well-being. Similarly, individuals who are financially literate are more likely to engage in responsible financial behaviours, such as saving, investing, and avoiding excessive debt. By making informed decisions, they can maximize their financial resources, accumulate wealth, and create economic opportunities for themselves and their families. These research findings provide valuable insights into the positive impact of financial literacy on social and economic well-being in Nepal's Kaski District.

6. POLICY IMPLICATION

Recognizing the importance of financial literacy in enhancing social and economic well-being in Nepal's Kaski District, policymakers should prioritize the integration of comprehensive financial education in school and higher education curriculum. Similarly, community-based programs, accessible financial resources, and counselling services should be established to cater to diverse demographic groups. Additionally, policy advocacy and awareness campaigns should be undertaken to emphasize the benefits of financial literacy. These measures collectively aim to empower individuals with the knowledge and skills necessary for responsible financial behaviours, contributing to a more prosperous and equitable society aligned with Sustainable Development Goals.

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Appendices

Tabe A1

Indicators of Financial Literacy and Well-beings

Financial Literacy Indicators	
FK1	Knowledge of savings & loans
FK2	Knowledge of loan collateral
FK3	Knowledge of financial service fees
FK4	Familiarity with cheques
FK5	Familiarity with ATMs, credit cards
FK6	Understanding of insurance services
FK7	Knowledge of remittance
FK8	Familiarity with digital financial services
FK9	Understanding about financial risk
FS1	Ability to select bank account
FS2	Ability to fill up account opening form
FS3	Ability to do cost and benefits
FS4	Ability to complete the loan application form
FS5	Ability to compute interest
FS6	Ability to fill remittance forms
FS7	Ability to use financial services
FA1	Attitude towards saving habit
FA2	Interest in financial news
FA3	Attitude toward insurance
FA4	Attitude toward reduction of expenses
FA5	Attitude toward bank loans
FA6	Readiness on using digital financial services
FB1	Regular saving habit
FB2	Less spending habit
FB3	Habit of balancing income and expenditure
FB4	Keeping financial records
Economic Well-being Indicators	
EW1	Reduced reliance on money lenders
EW2	Household confident in emergency funds

EW3   Increased family purchasing power

EW4   Creation of new employment opportunities

EW5   Boost productivity in agriculture sector/business

EW6   Family income rises with employment

EW7   Increment of the physical assets (land, plants, building, etc.) in the HH

EW8   Increment the basic modern assets (such as TV, bike, computer, furniture, etc.) in the HH

EW9   Family members free from financial stress

Social Well-being Indicators

SW1   Improved education access

SW2   Enhancement of nutritional food intake for the HH

SW3   Better health care access

SW4   Improved household outlook

SW5   Enhanced utility access

SW6   Active participation in community

SW7   Lifestyle improvement

SW8   Women's empowerment

SW9   Improvement in social image

Tabe A2

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.884
Bartlett's Test of Sphericity	Approx. Chi-Square	2853.851
	df	153
	Sig.	0.000

Table A3

Communalities

Items	Initial	Extraction
FA1	1.000	.450
FA2	1.000	.494
FA3	1.000	.602
FA4	1.000	.417
FB1	1.000	.533
FB2	1.000	.674

FB3	1.000	.689
FB4	1.000	.599
FK1	1.000	.700
FK2	1.000	.727
FK3	1.000	.633
FK4	1.000	.587
FK6	1.000	.589
FS2	1.000	.588
FS3	1.000	.714
FS4	1.000	.689
FS5	1.000	.630
FS7	1.000	.613

Table A4

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.948
Bartlett's Test of Sphericity	Approx. Chi-Square	3594.035
	df	105
	Sig.	0.000

Table A5

Communalities

Items	Initial	Extraction
EW1	1.000	.537
EW2	1.000	.602
EW3	1.000	.663
EW4	1.000	.602
EW5	1.000	.523
EW7	1.000	.564
EW8	1.000	.612
SW1	1.000	.587
SW2	1.000	.666
SW4	1.000	.687
SW5	1.000	.747
SW6	1.000	.683
SW7	1.000	.660
SW8	1.000	.702
SW9	1.000	.604