

Financial Literacy and Financial Well-being as Mediated by Financial Self-efficacy of Microfinance Borrowers

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Abstract— This study determined the mediating effect of financial self-efficacy on the relationship between financial literacy and financial well-being among 300 microfinance borrowers, specifically in cooperatives within Panabo City, Davao del Norte. The study employed a non-experimental, quantitative research design using a descriptive correlational approach. Results revealed that the levels of financial literacy, financial self-efficacy, and financial well-being were all high, indicating that borrowers generally possess sound financial knowledge, confidence in managing finances, and a stable financial condition. Correlation analysis showed a significant positive relationship among the three variables. Moreover, the mediation analysis revealed that financial self-efficacy partially mediated the relationship between financial literacy and financial well-being, accounting for 80.50% of the total effect. This implies that borrowers with higher financial literacy tend to have stronger financial self-efficacy, which in turn enhances their financial well-being. Thus, improving both financial knowledge and confidence can lead to better financial outcomes among microfinance borrowers.

Keywords— finance, financial literacy, financial self-efficacy, financial well-being, mediation, microfinance borrowers, Panabo City.

I. INTRODUCTION

Financial well-being has emerged as a pressing concern for cooperative microfinance borrowers, due to its strong link to an individual's quality of life and economic stability. Despite having access to credit, many borrowers continue to experience financial instability due to poor financial attitudes and a materialistic mindset, which limit their ability to manage resources effectively and maintain financial well-being. Globally, a study published by Kasoga and Tegambwage (2024) shows that problematic money attitudes among microfinance borrowers contribute to over-indebtedness and poor loan repayment, which in turn significantly affects financial well-being. This means that how people think about money (their attitude) translates into how they act, and these actions (behavior) then shape their financial well-being. In the Philippines, Navarro and Murcia (2022) found that microfinance borrowers in Mindanao often struggle with spending discipline and savings-related behaviors, factors strongly linked to weakened financial well-being. Echoing these findings, testimonies from cooperative microfinance borrowers reveal similar struggles. One borrower shared that they keep borrowing to pay off previous loans, while the other members stated that their income is not enough to save money. It illustrates how attitudes and confidence collectively hinder their financial well-being. Indeed, the financial constraints limit their ability to meet daily

needs, plan for emergencies, and achieve long-term financial goals, highlighting the importance of understanding and addressing the factors that influence financial well-being.

Studying financial well-being is crucial, as it reflects an individual's capacity to meet financial obligations, manage expenses, and maintain financial security, an aspect that is especially important for microfinance borrowers who often rely on small, short-term loans. Choowan et al. (2024) experimental study shows that financial literacy and financial behavior have a positive impact on financial well-being, highlighting that prior interventions are limited and calling for more thorough and situation-specific research. Likewise, Zia-Ur-Rehman et al. (2021) show that financial well-being plays a critical role in an individual's ability to learn from past financial mistakes and develop healthier financial behaviors, reinforcing the idea that financial well-being is not merely an outcome but a key indicator of long-term financial stability. Collectively, these studies highlight the importance of studying financial well-being.

The implications of these studies suggest that strengthening financial literacy and financial self-efficacy is crucial for enhancing financial well-being, particularly among individuals with limited financial resources, such as microfinance borrowers. Globally,

there are existing research consistently shows that financial attitudes, behavior, and self-efficacy significantly influence financial security; however, empirical evidence within the Philippines' microfinance and cooperative sectors remains limited (Navarro & Murcia, 2022).

The mentioned authors specifically note the absence of localized assessments that examine how borrowers' financial capabilities, attitudes, and confidence interact to shape their financial well-being.

This highlights the need to analyze these three ideas simultaneously to understand how financial self-efficacy mediates the relationship between financial literacy and the financial well-being of microfinance borrowers.

Furthermore, various studies in the literature and related research describe the correlation between measures of financial literacy and financial well-being, as mediated by financial self-efficacy.

As expressed by Lusardi and Streeter (2023), understanding how to manage money is increasingly essential, as it directly influences an individual's financial well-being, especially among populations with limited access to financial education.

Recent studies affirm that higher financial literacy is associated with stronger financial self-efficacy, as individuals with greater financial knowledge are more confident in performing financial tasks (Wulansari et al., 2023).

Financial self-efficacy, in turn, significantly contributes to financial well-being by shaping behaviors related to budgeting, saving, debt management, and long-term planning (Sabri et al., 2022).

Since financial literacy enhances financial self-efficacy, and financial self-efficacy improves financial well-being, the variables demonstrate a clear interrelationship in which financial literacy indirectly supports financial well-being through the mediating role of financial self-efficacy.

Moreover, financial self-efficacy is known to have a strong positive relationship to financial well-being. Indeed, someone with confidence in financial knowledge and the ability to achieve their financial goals will also have a high level of financial well-being (Vosloo et al., 2014).

Recent studies reaffirm that financial literacy remains a critical predictor of financial well-being, as it equips individuals with essential competencies in budgeting, saving, managing credit, and evaluating financial products (OECD, 2021). Chaity et al. (2024) found that financial literacy significantly enhances both financial self-efficacy, which in turn improves financial well-being.

Meanwhile, Perez and Rambaud (2025) demonstrated that self-efficacy, not just knowledge, is a key psychological mechanism translating financial literacy into greater financial resilience and well-being.

Empirical correlations among the three constructs are also strongly supported: in a mediation model, financial literacy positively predicts self-efficacy (Pamungkas & Setyani, 2024), and self-efficacy strongly contributes to financial well-being via improved perceived financial control and financial behaviors (Perez & Rambaud, 2025). Collectively, these recent studies reinforce the interconnected pathways linking financial literacy, financial self-efficacy, and financial well-being.

This study is anchored on three key theories that further explain the connections among the variables. First, Financial Literacy Theory (Huston, 2010), which emphasizes that financial knowledge and behaviors are critical in promoting sound financial management and well-being.

Financial literacy then equips individuals with the skills and confidence to manage financial challenges, linking it to financial self-efficacy. Second, Joshanloo's (2022) subjective financial well-being theory emphasizes that an individual's perception of economic control, financial independence, and ability to sustain living standards directly enhances well-being, demonstrating how financial self-efficacy translates knowledge into improved financial outcomes.

Lastly, Ghasarma et al.'s (2017) financial self-efficacy theory highlights how individuals' belief in their capacity to manage dynamic financial resources influences their actual management behaviors, including the effective use of microcredit.

Collectively, these studies and theories demonstrate that financial literacy (IV) fosters financial self-efficacy (MV), which in turn enhances financial well-being (DV), thereby forming a coherent pathway supported by empirical evidence.

Conceptual Framework

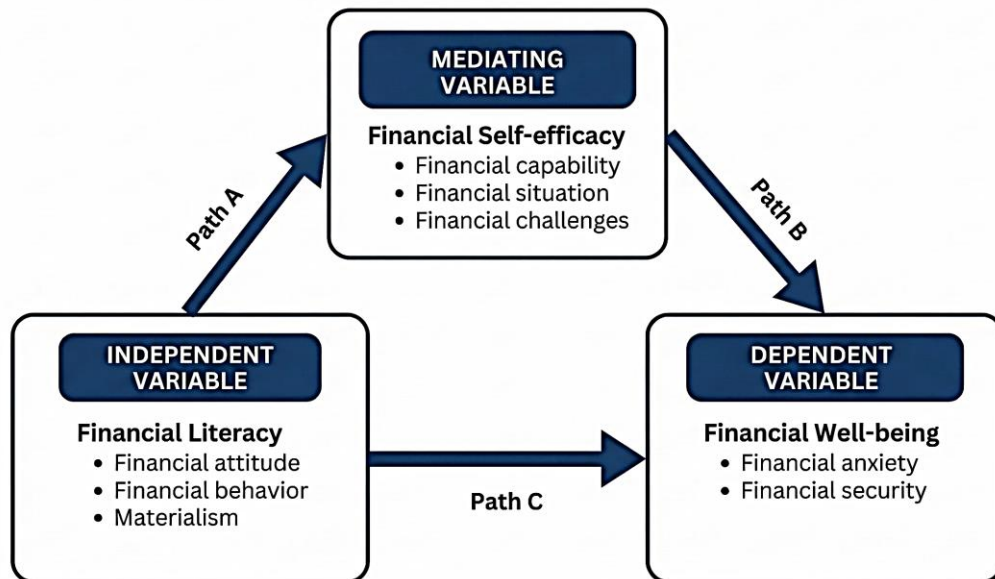


Figure 1. The Conceptual Framework of the Study

Shown in Figure 1, financial literacy is the independent variable, which is crucial for every human being's survival in society. The Organization for Economic Cooperation and Development (OECD) defines it as a combination of awareness, knowledge, skill, attitude, and behavior necessary to make financial decisions and achieve financial well-being. Financial literacy has the following indicators: financial attitude which means to possess a favorable state of mind, opinion, and judgment in regards to a person's economic beliefs, savings and investment, cash management, credit management, and insurance; financial behavior which refers to an individual's ability to operate their own finances to become successful in life; and materialism which refers to a character considering the ownership of an object as essential to show an individual their status or to make them happy (Pangestu & Karnadi, 2020).

Meanwhile, the dependent variable is financial well-being. The Consumer Financial Protection Bureau (CFPB) describes financial well-being as a subjective and objective state in which individuals can meet their current financial obligations, feel secure about their financial future, and have the capacity to make choices that enhance their quality of life (Guo & Huang, 2023). Financial well-being has the following indicators: financial anxiety, which refers to the fear or stress that people experience when they feel overwhelmed by their financial situation; and financial security, which refers to the state of having enough financial resources to cover

one's current and future needs without worrying (Hirvonen, 2018).

On the other hand, the mediating variable is financial self-efficacy. A recent conceptual discussion defines financial self-efficacy as one's ability and confidence to manage financial tasks and challenges through access to resources, problem-solving, and social support (Fan, 2022). Financial self-efficacy has the following indicators: financial capability, which refers to people's knowledge and skills to understand their financial circumstances and the motivation to act; financial situation, which refers to one's condition or status in terms of finances; and financial challenges that relate to complications or problems involving finances (Bamisha & Nidheesh, 2022).

While existing studies have examined financial literacy, financial self-efficacy, and financial well-being, most have focused on these variables in international contexts, often overlooking the nuances of local financial well-being and microfinance settings. Furthermore, prior research tends to examine the main variables in isolation or considers broad populations, leaving gaps in understanding how financial self-efficacy specifically mediates the relationship between financial literacy and financial well-being among low-income or microfinance borrowers. In the Philippine context, particularly within Panabo City, there is limited empirical evidence on how financial literacy translates into actual financial well-being, as measured by the

confidence and skills captured by financial self-efficacy. Thus, this study addresses this gap by focusing on the specific domains of each variable within a local setting, providing insights into the mechanisms by which financial knowledge and confidence interact to influence financial security. The urgency of this study lies in its potential to provide financial strategies to microfinance borrowers and guide financial institutions, specifically microfinance cooperatives, in developing programs that not only enhance financial knowledge but also build self-efficacy, ultimately promoting sustainable financial well-being. By doing so, the study makes a unique contribution to the literature, theory, and practice of financial literacy and well-being in a local, microfinance-driven context.

The purpose of this study is to determine the relationship between financial literacy and financial well-being as mediated by the financial self-efficacy of microfinance borrowers. Specifically, this study aims to address the following objectives: first, to assess the level of financial literacy among microfinance borrowers in terms of financial attitude, financial behavior, and materialism. Second, is to determine the level of financial self-efficacy of microfinance borrowers in terms of financial capability, financial situation, and financial challenges. Third, is to describe the level of financial well-being of microfinance borrowers in terms of financial anxiety and financial security. Fourth, is to determine the significant relationship between financial literacy and financial self-efficacy. Fifth, is to determine the significant relationship between financial literacy and financial well-being. Sixth, is to determine the significant relationship between financial self-efficacy and financial well-being. Lastly, to determine the relationship between financial literacy and financial well-being as mediated by the financial self-efficacy of microfinance borrowers.

The hypothesis of the study is tested at a 0.05 level of significance, stating that there is no significant relationship between financial literacy and financial well-being. Second, there is no significant relationship between financial literacy and financial self-efficacy. Third, there is no significant relationship between financial self-efficacy and financial well-being. Lastly, there is no significant relationship between financial literacy and financial well-being, as mediated by the financial self-efficacy of microfinance borrowers.

This study contributes to the global literature by offering localized insights into the financial well-being of

microfinance borrowers in the Philippine setting, providing specific contextual evidence that enriches international understandings of how financial well-being is manifested in developing countries. It contributes to achieving the United Nations Sustainable Development Goals, specifically Goal No.1: No Poverty, Goal No.4: Quality Education, and Goal No.10: Reduced Inequalities. By promoting effective financial management and enhancing the financial capabilities of microfinance borrowers, the research supports initiatives aimed at reducing poverty, advancing financial literacy as a form of lifelong learning, and bridging economic disparities among low-income communities. It also offers social value by empowering borrowers with the knowledge and skills to make informed financial decisions, thereby enhancing stability and improving their quality of life. Moreover, this study can help microfinance institutions by using the findings for financial planning to better attract and support clients, while borrowers gain awareness of factors affecting their financial well-being. Lastly, the study offers a substantial foundation for future research to examine, on a broader scale, the relationship among financial literacy, financial self-efficacy, and financial well-being in comparable contexts.

II. METHOD

This chapter outlines the methods and procedures employed in this study, including the research respondents, materials and instruments, and design and procedure.

Research Respondents

In this study, the research participants were microfinance borrowers within Panabo City, Davao del Norte. Furthermore, to provide more targeted insights, this study specifically focused on microfinance borrowers affiliated with cooperatives. Cooperatives were chosen because they represented significant subsets of microfinance borrowers and offered distinct characteristics and experiences related to their engagement with microfinance services. By focusing on cooperatives, this study aimed to provide a deeper understanding of the unique dynamics between microfinance borrowers and their cooperative institutions. The total number of respondents who participated in the study was 300, following conventional guidelines in multivariate research that uses a sample size of 200–400 respondents to achieve adequate statistical power and representativeness (Hair et al., 2014). The respondents considered were active borrowers of MFIs whose credit purposes included

business expansion, asset purchase, seasonal needs, emergency funds, education, and/or housing improvements. Due to indications of potential age-related differences in perceptions about the variables, the participants allowed to participate were individuals who were microfinance borrowers aged 20 to 60 years old, regardless of gender and socioeconomic status. However, individuals who were not microfinance borrowers, borrowers who were aged below 20 years old and above 60 years old, microfinance borrowers whose credit purposes did not include business expansion, asset purchase, seasonal needs, emergency funds, education, and/or housing improvements, and those who were not fit to answer the survey questionnaire, absent or unavailable during the conduct of the study were excluded as respondents. Moreover, the respondents were allowed to withdraw at any time if they thought it was not favorable to them and they felt threatened. The researcher used simple random sampling techniques to select the participants. Simple random sampling is a sampling technique in which the participants in the sample are chosen randomly and by chance. As a result, the sample's quality was unaffected because every participant had an equal probability of being selected (Bhardwaj, 2019). Using the data provided by the Local Government Unit of Panabo City, the researcher employed a simple random sampling technique to determine the ideal sample size for the population. The study was conducted in Panabo City, Davao del Norte, to understand the conceptual evolution of financial well-being and to address some concerns regarding financial well-being, financial literacy, and financial self-efficacy. Moreover, the City of Panabo is located between the two bustling cities of Tagum and Tibungco (Davao City), Region XI. It is within the latitude of 1250 to 44 ° North and the Longitude of 7°, 14°, and 23 ° East. It is bounded in the Northwest by the Municipality of Carmen, on the West by Davao City.

Materials and Instruments

Three sets of adopted and modified questionnaires were used in the study. The first was used to measure the level of financial literacy, the second to measure the level of financial well-being, and the third to measure the financial self-efficacy of microfinance borrowers. To measure the level of financial literacy as the independent variable, the researcher used the standardized survey adopted by Pangestu and Karnadi (2020), which included the following indicators: financial attitude, financial behavior, and materialism. On the other hand, to measure the level of financial well-being as the dependent variable, the researcher utilized the

standardized questionnaire developed by Hirvonen (2018) with the following indicators: financial anxiety and financial security. Lastly, to measure the level of financial self-efficacy as the mediating variable, the survey questionnaire developed by Bamisha and Nidheesh (2022) was employed, with the following indicators: financial capability, financial situation, and financial challenges. The contents of the instruments were presented to a group of experts for validation and review. The researcher used the 5-point Likert scale as the parameter limit in interpreting the results. The parameters of limits for independent variable are as follows: 1.00-1.79 with a descriptive equivalent of very low which means financial literacy of microfinance borrowers is never practiced, 1.80-2.59 with a descriptive equivalent of low which means financial literacy of microfinance borrowers is less practiced, 2.60-3.39 with a descriptive equivalent of moderate which means financial literacy of microfinance borrowers is sometimes practiced, 3.40-4.19 with a descriptive equivalent of high which means financial literacy of microfinance borrowers is often practiced, and 4.20-5.00 with a descriptive equivalent of very high which means financial literacy of microfinance borrowers is always practiced. The parameters of limits for dependent variable are as follows: 1.00-1.79 with a descriptive equivalent of very low which means financial well-being of microfinance borrowers is not evident, 1.80-2.59 with a descriptive equivalent of low which means financial well-being of microfinance borrowers is less evident, 2.60-3.39 with a descriptive equivalent of moderate which means financial well-being of microfinance borrowers is fairly evident, 3.40-4.19 with a descriptive equivalent of high which means financial well-being of microfinance borrowers is much evident, and 4.20-5.00 with a descriptive equivalent of very high which means financial well-being of microfinance borrowers is very much evident. The parameters of limits for mediating variable are as follows: 1.00-1.79 with a descriptive equivalent of very low which means financial self-efficacy of microfinance borrowers is never practiced, 1.80-2.59 with a descriptive equivalent of low which means financial self-efficacy of microfinance borrowers is less practiced, 2.60-3.39 with a descriptive equivalent of moderate which means financial self-efficacy of microfinance borrowers is sometimes practiced, 3.40-4.19 with a descriptive equivalent of high which means financial self-efficacy of microfinance borrowers is often practiced, and 4.20-5.00 with a descriptive equivalent of very high which means financial self-

efficacy of microfinance borrowers is always practiced. As part of the process, the three sets of instruments underwent pilot testing to determine Cronbach's Alpha values before being validated by experts.

Design and Procedure

This study employed a non-experimental quantitative research design, utilizing a descriptive-correlational technique, designed to systematically describe the levels of the three variables among microfinance borrowers and to examine the relationship between these variables without manipulating them (Creswell & Creswell, 2017; Gay et al., 2012), with the aid of standardized questionnaires adopted for data collection from the respondents. This procedure aimed to determine the relationship between two or more variables and examine the extent to which one or more relationships exist. After the approval from the panel members, the researcher followed these steps: (1) submitted a letter and requested permission from each microfinance institution and their borrowers/clients to conduct the study; (2) personally administered the survey questionnaires to respondents, explaining the purpose and use of the research tool; (3) after respondents completed the surveys, the researcher retrieved the questionnaires and ensured that all data were secured in accordance with RA 10173; (4) finally, the researcher tabulated all information, which was subjected to statistical analysis under the supervision of a qualified university-recommended statistician. The statistical findings were examined and interpreted, and conclusions and recommendations were drawn based on the results. The statistical tools used for data analysis and interpretation are the following:

- **Mean.** This statistical tool was used to determine the level of financial literacy, financial well-being, and financial self-efficacy.
- **Pearson (r).** This statistical tool was employed to determine the significant relationships between financial literacy and financial well-being, financial literacy and financial self-efficacy, and financial self-efficacy and financial well-being.
- **Multiple Regression Analysis.** This statistical tool was used to determine the influence of financial literacy and financial well-being on microfinance borrowers, as well as the influence of financial literacy and financial self-efficacy on these borrowers.
- **Sobel Test.** This statistical tool was used to determine the mediating effect of financial self-efficacy on the relationship between financial

literacy and financial well-being among microfinance borrowers.

In adherence to the standards set by the University of Mindanao Ethics Review Committee (UMERC), the researcher took specific steps to ensure that respect, beneficence, and justice were observed. The study was issued a UMERC certification number, UMERC-2025-048, and compliance with UMERC requirements, including obtaining a certificate of approval, is mandatory before actual data collection begins. To uphold ethical standards, the researcher prioritized participant privacy, confidentiality, and informed consent. Potential risks, such as emotional distress, privacy concerns, and data security breaches, were mitigated by providing clear information, ensuring participants can withdraw at any time, and implementing secure data storage practices. Additionally, the researcher fully disclosed any conflicts of interest and avoided ethical violations, such as plagiarism, fabrication, and deceit, to ensure transparency and integrity throughout the research process.

III. RESULT AND DISCUSSION

This chapter presents the data and conclusions derived from the borrowers' responses on financial literacy, financial well-being, and financial self-efficacy among microfinance borrowers in Panabo City, Davao del Norte. Following are the subheadings for the tables: level of financial literacy of microfinance borrowers, level of financial self-efficacy of microfinance borrowers, level of financial well-being of microfinance borrowers, the significant relationship between financial literacy and financial self-efficacy, financial literacy and financial well-being, financial self-efficacy and financial well-being, and the relationship between financial literacy and financial well-being as mediated by financial self-efficacy of microfinance borrowers.

Level of Financial Literacy of Microfinance Borrowers

Shown in Table 1 are the descriptive statistical results on the level of financial literacy of microfinance borrowers in Panabo City, Davao del Norte. The results revealed an overall mean of 4.12 with a standard deviation of 1.04, described as High. This implies that the financial literacy of microfinance borrowers was often practiced, suggesting that most borrowers demonstrate a sound understanding and application of basic financial concepts, such as saving, budgeting, spending management, and responsible borrowing.

Among the three indicators, the financial attitude obtained the highest mean score of 4.28 (SD = 1.11), described as High, indicating that the respondents frequently exhibited positive outlooks toward money management and financial responsibility. This was followed by financial behavior, with a mean of 4.21 (SD = 0.80), also described as High, suggesting that the borrowers often engaged in responsible financial

practices such as saving regularly, paying bills on time, and keeping track of their expenses. Meanwhile, materialism recorded the lowest mean score of 3.75 (SD = 1.09) but was still categorized as High. It implies that cooperatives may implement budgeting workshops to help borrowers better understand spending priorities and strengthen responsible financial behaviors.

Table 1. Level of financial literacy of microfinance borrowers

Indicators	Standard deviation	Mean	Descriptive Equivalent
Financial attitude	1.11	4.28	High
Financial behavior	0.80	4.21	High
Materialism	1.09	3.75	High
Overall result	1.04	4.12	High

The results indicate that microfinance borrowers in Panabo City demonstrated a high level of financial literacy, reflecting their ability to make informed and responsible financial decisions. This finding aligns with the Financial Literacy Theory (Huston, 2010), which emphasizes that financial knowledge and behavior are critical in promoting sound financial management and well-being. The high mean scores in financial attitude and financial behavior imply that borrowers possessed discipline, optimism, and consistency in applying financial principles, traits that support Lusardi and Mitchell's (2014) assertion that financially literate individuals are better equipped to plan, save, and avoid excessive debt. Although materialism obtained the lowest mean, its still a high rating that suggests growing awareness among borrowers to balance wants and needs, aligning with Mette et al. (2019) who found that reduced materialistic tendencies enhanced financial control and satisfaction. These findings suggest that continuous exposure to financial education from microfinance institutions fosters both knowledge and behavioral change, validating that financial literacy serves as a foundation for financial empowerment and sustainable economic participation.

Level of Financial Self-Efficacy of Microfinance Borrowers

Shown in Table 2 are the descriptive statistics on the level of financial self-efficacy of microfinance

borrowers in Panabo City. The results revealed an overall mean of 4.08 with a standard deviation of 0.86, which is described as High. This indicates that, on average, financial self-efficacy was often practiced among the respondents. It implies that borrowers generally possessed confidence in managing their financial responsibilities and in making sound financial decisions. Among the three indicators, financial capability obtained the highest mean score of 4.28 (SD = 1.11), described as High, suggesting that borrowers frequently demonstrated strong ability and confidence in handling their finances, budgeting, and planning expenditures.

This was followed by financial situation with a mean of 4.14 (SD = 0.83), interpreted as High, indicating that the respondents were generally capable of coping with their present financial conditions and managing their resources effectively.

Meanwhile, financial challenges registered the lowest mean score of 4.04 (SD = 0.89) among the indicators but still described as High. It indicates that borrowers experience comparatively fewer financial difficulties.

This result suggests that cooperatives may benefit from interactive workshops for their members through practical exercises that help elevate borrowers' financial resilience and minimize financial challenges.

Table 2. Level of financial self-efficacy of microfinance borrowers

Indicators	Standard deviation	Mean	Descriptive Equivalent
Financial capability	1.11	4.28	High
Financial situation	0.83	4.14	High
Financial challenges	0.89	4.04	High
Overall result	0.86	4.08	High

The findings imply that microfinance borrowers in Panabo City, Davao del Norte, possessed a high level of financial self-efficacy, reflecting confidence in managing, planning, and sustaining their financial resources despite challenges. This result aligns with Ghasarma et al.'s (2017) financial self-efficacy theory, which highlights how individuals' belief in their capacity to manage dynamic financial resources influences their actual management behaviors, including the effective use of microcredit. Similarly, it supports the empirical findings of Bamisha and Nidheesh (2022) and Ibarrientos et al. (2024), who emphasized that individuals with high financial self-efficacy demonstrate responsible financial behaviors such as saving, budgeting, and effective debt management. The high scores across indicators, particularly financial capability and financial situation, suggest that borrowers have developed a sense of financial control and resilience, key traits that enhance financial empowerment. These findings highlighted the vital role of financial self-efficacy as a psychological mechanism that enables microfinance clients to translate financial knowledge into practical, responsible financial actions, ultimately strengthening their overall financial well-being.

Level of Financial Well-Being of Microfinance Borrowers

Shown in Table 3 are the descriptive statistical results on the level of financial well-being of microfinance

Table 3. Level of financial well-being of microfinance borrowers

Indicators	Standard deviation	Mean	Descriptive Equivalent
Financial anxiety	0.80	4.21	High
Financial security	0.85	4.05	High
Overall result	0.94	4.05	High

This suggests that respondents generally experience reduced financial anxiety and greater financial security, reflecting confidence in managing their financial responsibilities and meeting personal and household needs. A high level of financial well-being implies that borrowers have developed the capacity to manage financial stress, maintain stability, and effectively plan for future financial goals. These findings are consistent with the theoretical premise that Joshanloo's (2022) subjective financial well-being theory emphasizes: an individual's perception of economic control, financial independence, and ability to sustain living standards directly enhances well-being, demonstrating how financial self-efficacy translates knowledge into improved financial outcomes. Empirically, the results support the findings of Joo and Grable (2004) and Shim

borrowers in Panabo City, Davao del Norte. The findings revealed an overall mean of 4.05 with a standard deviation of 0.94, described as High. This suggests that the financial well-being of the respondents is evident, indicating that most microfinance borrowers experience financial stability and a sense of control over their financial situations. Among the two indicators, financial anxiety recorded the highest mean score of 4.21 (SD = 0.80), described as High, indicating that respondents experience less financial stress and feel more confident in handling their financial obligations. This finding suggests that borrowers have developed resilience and coping mechanisms in response to financial pressures, including loan repayments, budgeting, and emergency expenses.

On the other hand, financial security obtained a mean score of 4.05 (SD = 0.85), also described as High, suggesting that the borrowers perceive their financial conditions as generally stable and sufficient to meet their current needs, with some level of preparedness for unforeseen financial demands.

However, financial security had the lowest mean among the indicators, indicating an area that requires improvement. This suggests the importance of strengthening initiatives that enhance long-term financial planning, particularly retirement planning, thereby increasing their sense of financial security.

et al. (2009), who emphasized that financial literacy and self-efficacy have a positive influence on financial well-being by promoting prudent financial behavior and reducing financial stress.

Similarly, the study aligns with Mahendru et al. (2022), who noted that financial well-being reflects an individual's confidence, control, and security in handling financial matters.

Hence, the high level of financial well-being among microfinance borrowers suggests that participation in microfinance programs enhances their financial confidence, reduces anxiety over financial obligations, and strengthens their overall financial resilience

Significant Relationship between Financial Literacy, Financial Self-Efficacy, and Financial Well-Being

Shown in Table 4 is the relationship between the independent (financial literacy), dependent (financial

well-being), and mediating (financial self-efficacy) variables.

Table 4. Significant Relationship between Financial Literacy, Financial Self-Efficacy, and Financial Well-Being

Indicators	Standard deviation	Mean	Descriptive Equivalent
Financial attitude	1.11	4.28	High
Financial behavior	0.80	4.21	High
Materialism	1.09	3.75	High
Overall result	1.04	4.12	High

Correlation Analysis of the Variables

The relationships among the variables were determined using a bivariate correlation analysis with the Pearson product-moment correlation coefficient. The analysis assessed the strength and significance of the relationships between financial literacy, financial self-efficacy, and financial well-being among microfinance borrowers in Panabo City, Davao del Norte.

The first correlation reveals a strong positive relationship between financial literacy and financial self-efficacy ($r = 0.855$, $p < 0.001$), suggesting that higher financial knowledge, responsible financial behavior, and sound financial attitudes are associated with greater confidence in managing finances. This implies that as microfinance borrowers enhance their understanding of budgeting, saving, and debt management, they develop stronger self-efficacy, enabling them to make informed financial decisions and fulfill loan obligations. These findings support Bandura's (1997) Social Cognitive Theory, which suggests that knowledge alone is insufficient without self-efficacy to translate it into effective behavior. Empirically, this aligns with Xiao and O'Neill (2016), who emphasized that financial literacy has a positive influence on self-efficacy among low-income clients.

The result further suggests that financial literacy programs offered by microfinance institutions not only increase knowledge but also enhance borrowers' confidence and self-reliance. Strengthening such programs can improve responsible borrowing, disciplined repayment, and long-term financial stability, underscoring the practical importance of integrating skill-building with information dissemination.

Similarly, in the second correlation analysis, financial literacy exhibits a strong positive correlation with financial well-being ($r = 0.728$, $p < 0.001$). This indicates that borrowers with higher financial literacy

tend to experience greater financial satisfaction, reduced anxiety, and stronger financial security. The implication is that knowledge of financial principles enables borrowers to feel more in control of their resources and better prepared for unexpected economic challenges.

Theoretically, this supports the subjective financial well-being framework of Joshanloo (2022), which emphasizes that individuals' perception of managing resources effectively enhances their sense of financial security. Empirically, this finding concurs with those of Lusardi and Messy (2023) and Magli et al. (2021), who reported that financial literacy significantly improves financial confidence and stability among low-income households. Consequently, enhancing financial literacy through targeted interventions is essential for promoting the overall well-being of microfinance borrowers.

The third correlation analysis reveals a strong positive correlation between financial self-efficacy and financial well-being ($r = 0.807$, $p < 0.001$), indicating that borrowers who trust their ability to manage finances tend to experience higher financial security and lower financial anxiety. This implies that self-efficacy is a crucial psychological mechanism through which confidence in managing finances enhances perceived stability and satisfaction.

These results reinforce the theoretical proposition of Bandura (1997) that self-efficacy mediates the relationship between knowledge and effective behavior, and empirically, they align with Sajid et al. (2024), who found that financial self-efficacy strengthens the link between financial knowledge and well-being. Practically, this highlights the importance of incorporating confidence-building strategies into financial literacy programs offered by microfinance institutions to enhance borrowers' long-term financial resilience and success.

Mediation Analysis of the Financial Literacy, Financial Self-efficacy, and Financial Well-being

The mediation analysis was conducted to determine whether financial self-efficacy mediates the relationship between financial literacy and financial well-being among microfinance borrowers in Panabo City. The regression results satisfied the four-step mediation criteria established by Baron and Kenny (1986). Table 5 categorizes the steps from 1 to 4. In step 1 (Path c), Financial literacy (IV) significantly predicted financial well-being (DV). This suggests that higher financial literacy is associated with greater financial well-being among microfinance borrowers. In step 2 (Path a), Financial literacy (IV) significantly predicted financial self-efficacy (MV), suggesting that financially literate

borrowers possess greater confidence in their ability to manage financial challenges effectively.

In step 3 (Path b), Financial self-efficacy (MV) significantly predicted financial well-being (DV), implying that borrowers who are confident in their financial abilities are more likely to experience better financial well-being.

Lastly, in step 4 (Path c'), when financial self-efficacy was added to the model, the direct effect of financial literacy on financial well-being decreased from $\beta = 0.728$ to $\beta = 0.142$. Still, it remained significant ($p < 0.05$)

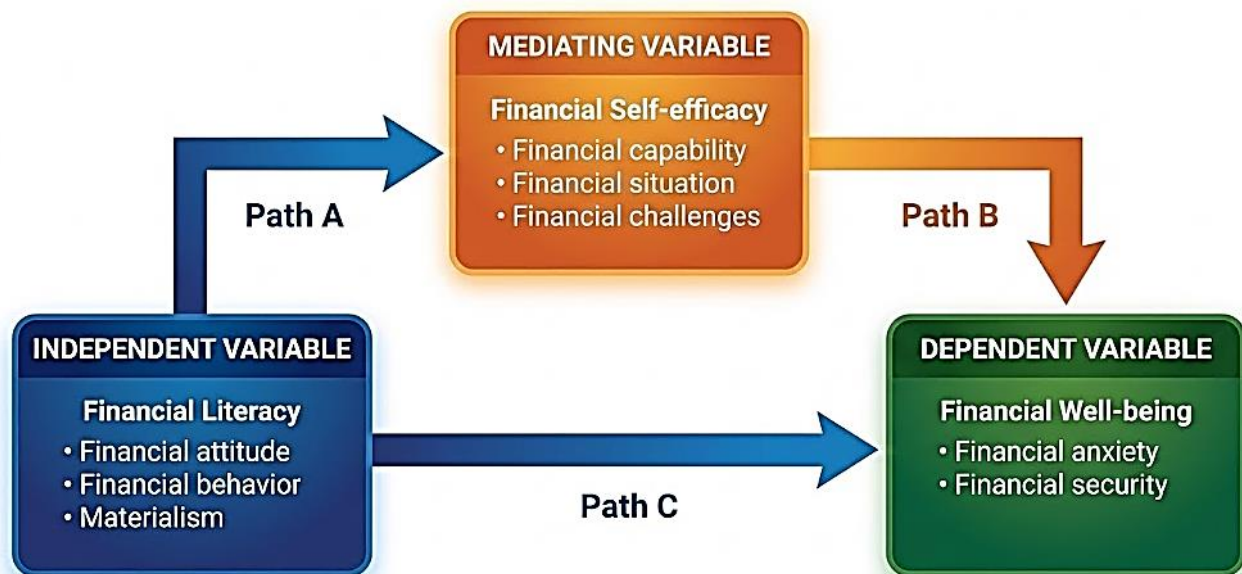
Table 5. Regression results of the variables in the four criteria of the presence of mediating effect

Pair	Variables	Correlation Coefficient	p-value	Decision
IV and MV	Financial literacy and financial self-efficacy	.855**	.000	Reject
IV and DV	Financial literacy and financial well-being	.728**	.000	Reject
MV and DV	Financial self-efficacy and financial well-being	.807**	.000	Reject

This reduction in the beta coefficient of the direct path (from 0.728 to 0.142) indicates that financial self-efficacy partially mediates the relationship between

financial literacy and financial well-being. The Sobel z-value of 9.5938 ($p < 0.05$) confirms that this mediating effect is statistically significant.

Standard Coefficients



Mediation Analysis

Measure	Value	Significance
Sobel z-value	9.5938	$p < 0.05$ (p-value: 0.00000)
Percentage of the total mediated effect	80.5027438	-
The ratio of the indirect to direct effect	412.8926814	-

Type	Coefficient
Total	0.838
Direct	0.163
Indirect	0.675
Ratio Index	0.805

Shown in Figure 2, the Sobel test result ($z = 9.5938$, $p < 0.05$) confirms that the mediating effect of financial self-efficacy is statistically significant. Moreover, 80.50% of the total impact of financial literacy on financial well-being is transmitted through financial self-efficacy, highlighting the strong indirect influence of the mediator. The ratio index of 0.805 and a high indirect effect value (0.675) further support the robustness of the mediation.

This finding implies that while financial literacy directly enhances financial well-being, its effect is primarily channeled through financial self-efficacy. In essence, borrowers' financial knowledge improves their confidence in managing money, which in turn enhances their financial stability, satisfaction, and overall well-being. Thus, financial self-efficacy serves as a psychological bridge between what borrowers know (financial literacy) and how well they manage their finances (financial well-being).

The result aligns with the Social Cognitive Theory (Bandura, 1986), which posits that self-efficacy influences how individuals use knowledge and skills to achieve desired outcomes. Borrowers who are both knowledgeable and confident are more likely to apply sound financial behaviors, such as saving regularly, budgeting wisely, and managing debts responsibly, which collectively lead to improved financial well-being.

This outcome also supports earlier empirical findings. For instance, Obenza et al. (2024) emphasized that individuals with higher levels of financial self-efficacy are more likely to engage in financial actions that enhance their overall financial well-being. Likewise, Matthew and Kumar (2022) highlighted that financial self-efficacy had a direct positive impact on financial well-being through one's financial actions.

In the context of microfinance borrowers in Panabo City, Davao del Norte, this finding highlights that empowering clients with both financial knowledge and confidence is crucial. Recent studies, such as those by Wulansari et al. (2023), demonstrate that financial

literacy has a significant impact on self-efficacy, which in turn enhances financial behavior and outcomes. Enrichment Programs that combine literacy training with experiential learning, goal-setting exercises, and confidence-building activities significantly boost borrowers' self-efficacy and, consequently, their financial well-being. Microfinance institutions should not only disseminate financial information but also develop interventions explicitly aimed at building clients' confidence in their decision-making skills, autonomy, and capacity to manage their financial lives.

The mediation analysis confirms that financial self-efficacy partially mediates the relationship between financial literacy and financial well-being among microfinance borrowers in Panabo City, as evidenced by the reduction in beta. In other words, financial literacy enhances financial well-being via increased self-efficacy. This result aligns with the findings of Lone and Bhat (2022), who also identified a similar mediating role of financial self-efficacy in the pathway from financial literacy to financial well-being. The implication is that microfinance programs should not only impart financial knowledge but also actively build clients' confidence and belief in their financial decision-making abilities: by doing so, they amplify the pathway from literacy to empowerment and improved financial well-being.

IV. CONCLUSION AND RECOMMENDATION

This section presents the researcher's conclusions and recommendations grounded in the results.

Conclusion

The study reveals high levels of financial literacy and financial well-being mediated by self-efficacy. However, there were indicators that received the lowest mean: materialism, financial challenges, and financial security, respectively, but were still rated as high. It highlights the need for effective financial strategies to mitigate materialism, bolster resilience against financial challenges, and foster long-term financial stability.

In terms of inferential findings, the results reveal significant and strong positive correlations among the three variables. Financial literacy is found to be strongly

related to both financial self-efficacy and financial well-being, while financial self-efficacy also significantly correlates with financial well-being. Lastly, the financial self-efficacy partially mediates the relationship between financial literacy and financial well-being. Thus, financial literacy directly enhances financial well-being, its influence becomes more substantial when borrowers have greater confidence in their ability to manage financial matters effectively.

The findings support Joshanloo's (2022) theory of subjective financial well-being, which highlights that a person's sense of economic control, financial independence, and capacity to maintain an adequate standard of living directly contribute to their overall well-being, illustrating how financial self-efficacy helps transform financial knowledge into better financial security. The results also align with Huston's (2010) Financial Literacy Theory, confirming that financial knowledge and behavior are fundamental in equipping individuals to manage financial challenges effectively. Furthermore, the study reinforces Ghasarma et al.'s (2017) financial self-efficacy theory, highlighting that borrowers' confidence in their capacity to manage dynamic financial resources influences actual financial behaviors, including responsible loan use and savings practices. Accordingly, the present results reinforce the view that enhancing both financial knowledge and confidence plays a critical role in achieving sustainable financial well-being among microfinance borrowers. Thus, this study concludes that fostering both financial literacy and financial self-efficacy is essential in strengthening the financial well-being of microfinance borrowers in Panabo City.

Recommendations

The findings indicate that materialism, financial challenges, and financial security received the lowest mean scores among the indicators, yet they were still rated as High. To improve the area of materialism, the CEO of Panabo Multipurpose Cooperative may assign the Budget Department to conduct budgeting workshops that teach borrowers to categorize expenses into needs versus wants, set spending limits for non-essential items, and use cash-flow tracking tools to ensure essential needs are met first. To address the issue of financial challenges, the Member Services Department may conduct structured interactive workshops, including practical exercises, to enhance knowledge of budgeting, saving, and responsible financial decision-making, thereby increasing financial resilience. Finally, to strengthen financial security, the Savings and

Investment Department may provide personalized retirement-focused financial coaching that guides borrowers in setting realistic long-term goals and introducing savings or micro-investment plans, ultimately promoting financial discipline, security, and preparedness for the future. Further, the researcher may recommend that microfinance institutions may develop innovative digital tools, such as mobile platforms that provide continuous financial education and guidance, enabling borrowers to track expenses, set savings goals, and manage loans more effectively. Lastly, future researchers are encouraged to use larger, more diverse samples, longitudinal or mixed-methods approaches, and explore additional contextual variables to better understand the dynamics of financial well-being and evaluate the effectiveness of interventions in other low-income settings.

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