ISSN No:-2456-2165

Investigating the Direct Effect of Financial Knowledge, Financial Stress, Financial Risk Tolerance and Financial Socialization on the Financial Behavior and Financial Well-Being of Individuals in Iran

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Abstract:- This study aims to investigate the financial well-being of individuals in Ahvaz, Iran, and explores the factors that influence their financial behavior and well-being. The sample consisted of 394 participants from various socio-economic backgrounds. The study employed a survey questionnaire to collect data on financial behavior, financial well-being, and several key determinants, including financial knowledge, financial risk-tolerance, and financial socialization. The findings revealed significant associations between financial behavior and both financial well-being and overall well-being. Positive financial behavior was found to be a significant predictor of higher levels of financial well-being and enhanced overall well-being among individuals in Ahvaz. This highlights the importance of adopting responsible financial behaviors, such as effective budgeting, saving, and responsible debt management, for achieving better financial outcomes and overall life satisfaction. Furthermore, the study identified financial knowledge, financial risk-tolerance, and financial socialization as influential factors in shaping individuals' financial behavior and well-being. Higher levels of financial knowledge were associated with more positive financial behaviors and greater financial well-being. Similarly, individuals with higher financial risk-tolerance were more likely to engage in positive financial behaviors and experience higher levels of financial well-being. Additionally, financial socialization, including the transmission of financial knowledge and values from parents or family members, had a positive impact on individuals' financial behavior and overall well-being. These findings emphasize the significance of financial literacy programs, interventions, and family-based financial education to enhance individuals' financial knowledge, risk-tolerance, and socialization. By promoting positive financial behaviors, such initiatives can contribute to improved financial well-being and overall life satisfaction among individuals in Ahvaz, Iran.

Keywords:- *financial behavior, financial well-being, financial knowledge, financial risk-tolerance, financial socialization.*

I. INTRODUCTION

Financial well-being is a concept that encompasses the ability to maintain a satisfactory quality of life and achieve economic freedom. It involves adopting sound financial management skills, such as spending less than one earns, creating and adhering to a budget, increasing financial knowledge, and establishing an emergency savings fund. Financial well-being has attracted multidisciplinary interest, as it is closely linked to reduced financial stress and improved physical and mental health [1].

Governments, policymakers, and financial organizations recognize the importance of financial well-being. It serves as a measure of economic development and informs policy interventions. Financial institutions also consider the financial well-being level of their customers when setting borrowing policies, making market entry decisions, and developing new products [2, 3].

The Consumer Financial Protection Bureau (CFPB) defines financial well-being as the ability to meet immediate and future financial obligations, feeling secure about one's economic future, and making decisions that enable individuals to enjoy life.

Financial well-being is closely related to the achievement of several United Nations Sustainable Development Goals (SDGs), including eradicating poverty, promoting good health and well-being, reducing inequality, and strengthening institutions [4]. However, despite economic growth, individuals face various unmet needs such as rising medical expenses and the need for retirement savings. Financial management is essential to achieve financial well-being and meet these necessities.

Financial behavior, on the other hand, relates to individuals' ability to effectively manage their finances. It encompasses routine financial management, financial planning, saving, investing, spending, debt management, and building a safety net for the future. Extensive research demonstrates a significant and positive association between financial behavior and financial well-being [5, 6].

Financial knowledge plays a crucial role in reducing financial stress and increasing individuals' confidence and trust in handling financial matters [7]. Financial socialization, the process through which individuals acquire financial skills, knowledge, and attitudes, shapes financial knowledge and ultimately influences financial well-being [8].

Moreover, demographic factors such as gender, age, income level, and work experience have been found to significantly influence financial well-being.

While studies on financial well-being have been conducted in various countries, there is a need for comprehensive research focusing on the determinants of financial well-being in specific regions. This study aims to bridge that gap by examining the factors that affect individual financial well-being in the National Capital Region (NCR) of Iran. By analyzing financial knowledge, financial socialization, financial stress, and financial risk tolerance this research seeks to provide insights to researchers, policymakers, and practitioners on the determinants of financial well-being.

In conclusion, understanding the factors that influence financial well-being is crucial for individuals, societies, and economies. By examining the relationship between financial knowledge, financial behavior, and financial well-being, researchers can shed light on how individuals can improve their financial outcomes and enhance their overall well-being.

II. REVIEW OF LITERATURE

A. Financial wellbeing

In an earlier study by Porter and Garman, financial well-being was defined as "a function of personal characteristics, objective attributes, perceived attributes, and evaluated attributes of the financial domain" [9]. Gutter and Copur conducted a survey of 15,797 college campus students in the United States (US) to examine individual savings, budgeting, pathological buying, and behavior toward credit cards and their relationship to financial well-being [10]. Similarly, the Consumer Financial Protection Bureau conducted a comprehensive study of 10,804 adults aged 18 and older, defining the financial well-being scale based on specific behaviors, attitudes, skills, and knowledge that contribute to enhancing financial well-being.

In the context of emerging economies, Chatterjee conducted a study on 327 Iranian adults and found that income security has a positive impact on financial well-being, while unemployment has a negative effect. Sehrawat et al. highlighted that individuals worldwide strive to improve their financial lives by making economic decisions such as spending, saving, and borrowing to enhance their financial health and well-being [11]. Sabri et al. developed a conceptual model of financial well-being that includes factors such as money attitude, self-efficacy, emotional coping, and financial practices, revealing that money attitude, self-efficacy, and financial practices positively impact financial well-being [12].

Anvari-Clark and Ansong demonstrated that financial products, savings practices, and accumulated wealth contribute positively to financial well-being [13]. She found that psychological factors such as locus of control and financial attitude positively influence the financial health and well-being of younger adults. Several well-known studies have explored the conceptual model of financial well-being. Parvathy and Kumar highlighted the significant contribution of financial capability to women's long-term financial well-being [14].

Moreover, Barrafrem et al. found that government mistrust in handling health-related issues is directly associated with lower general well-being, particularly during the current pandemic [15]. Through an extensive review of the financial well-being concept over three decades, studies have consistently shown that it represents a mental state in which individuals achieve their financial goals and feel secure and happy about their future.

B. Financial knowledge

Financial knowledge refers to the understanding of essential information and cognitive abilities needed to comprehend one's economic situation and effectively manage their financial matters. A literature review conducted by Philippas and Avdoulas highlights that financial knowledge involves the competence to comprehend and evaluate monetary options, make appropriate decisions, and respond effectively to financial events [16]. This capability can significantly impact individuals' living conditions, their ability to navigate financial situations, and their preparedness for the future. Prakash et al. have concluded that there is a positive association between financial behavior and financial knowledge [7]. They have also observed that higher levels of financial knowledge contribute to increased wealth within communities and higher economic growth. Numerous studies have emphasized the strong correlation between financial knowledge and financial well-being [7].

In the Australian context, recent studies have shown that the financial knowledge of individuals in small businesses is positively related to improved business performance and cash flow [17]. The efficiency of financial knowledge among the population is a crucial factor in the success of national strategies. According to the OECD, financial knowledge levels are generally low among young people (aged 18-29), while middle-aged individuals (aged 30-59) tend to have higher financial knowledge scores. The report also indicates that seniors (60 years and above) typically have lower financial knowledge and well-being. Furthermore, Prakash et al. state that higher financial knowledge is closely linked to an enhanced ability to cope with unexpected expenses and financial shocks [7]. Conversely, lower levels of financial knowledge are associated with inadequate financial planning, unproductive spending habits, high-cost borrowing, and poor debt management, which can hinder economic growth [7]. Therefore, based on these observations, we propose testing the following hypothesis:

- H1a: Financial knowledge significantly influences the financial behavior.
- H2a: Financial knowledge significantly influences the financial well-being.

C. Financial risk tolerance

Financial risk tolerance refers to an individual's capacity to withstand financial losses [17]. It encompasses the highest level of uncertainty and volatility that a person is willing to tolerate when making financial decisions. Financial risk tolerance is an objective measure of an individual's actual financial behavior [18], which, in turn, influences their financial well-being, including the types of risk assets they hold. In a review conducted by Castro-Gonzalez et al. on financial risk tolerance and its impact on financial behavior, it was revealed that financial risk tolerance plays a significant and positive role in financial well-being [19]. Individuals with higher risk tolerance tend to have higher financial assets and net worth [20]. Moreover, higher levels of risk tolerance are associated with positive financial behaviors that lead individuals closer to financial satisfaction. Risk tolerance also plays a crucial role in shaping various government strategies concerning consumer exposure to financial decisions. Based on these findings, we have formulated the following hypothesis:

H1b: Financial risk-tolerance significantly influences the financial behavior.

H2b: Financial risk-tolerance significantly influences the financial well-being.

D. Financial socialization

Financial socialization refers to the process of exposing individuals to financial behaviors, values, knowledge, and attitudes that prepare them for their financial lives, ultimately impacting their financial well-being. Studies suggest that the quality of interaction between children and their parents significantly influences the extent to which adults model their parents' financial behavior, thereby enhancing their subjective financial well-being. Professionals involved in financial socialization provide valuable information on financial management to promote financial well-being. Their research highlights the relationship between parental financial socialization, the financial behavior of young adults [21], and financial well-being [8]. Notably, financial socialization and well-being are positively correlated. They also note that financial socialization encompasses discussions about financial matters to establish a strong credit score, wise decision-making as a consumer, and achieving career success [22]. Based on these findings, the following hypothesis has been formulated:

- H1c: Financial socialization significantly influences the financial behavior.
- H2c: Financial socialization significantly influences the financial well-being.

E. Financial stress

Financial stress refers to the experience of anxiety, worry, and emotional tension related to personal finances, debts, and current or anticipated expenses. Individuals with higher levels of financial well-being tend to experience lower levels of stress [23]. They are more motivated in their financial pursuits and have healthier family relationships [24]. On the other hand, even mild financial stress can have adverse effects on individuals' physical and mental health. According to the OECD, a survey on adult financial literacy found that 42% of individuals were stressed about meeting their daily living expenses, 40% were anxious about their financial situation, and 37% reported struggling financially.

The COVID-19 pandemic has intensified economic uncertainty, leading to increased stress among households in managing their debts and negatively impacting their financial well-being [25]. Similarly, it was found that gambling and credit card debt contribute to lower financial well-being. When individuals face financial difficulties such as job loss and job insecurity, they experience heightened financial stress, which further impairs their financial well-being [25]. Financial stress can also lead to unhealthy behaviors such as smoking, weight gain, excessive alcohol consumption, and substance misuse. She and co-workers observed that Malaysian working adults face financial stress and challenges due to income instability, rising expenses, and high borrowing costs [26]. Moreover, Ponchio et al. found that exercising self-control in spending helps reduce money management stress [27].

The literature consistently demonstrates the negative impact of financial stress on financial well-being [7]. Financial shocks, such as expensive medical bills, job loss, or major car repairs, can significantly increase stress levels and harm financial well-being. However, individuals can mitigate financial stress by maintaining proper budgets, managing debt effectively, and saving for future needs. Based on the literature, the following hypothesis is formulated:

- H1d: Financial stress significantly influences financial behavior.
- H2d: Financial stress significantly influences financial wellbeing.

F. Financial behavior

According to Castro-Gonzalez, individuals who hold optimistic beliefs about finance tend to exhibit financial behaviors that enhance their financial well-being. Several authors have emphasized the strong impact of financial behavior on financial well-being [8]. It was highlighted that the importance of managing personal finances and meeting financial needs for overall well-being, both at the individual and societal levels.

Studies conducted a study examining various antecedents, including financial knowledge, personality attributes, and mindful finance, and their influence on financial behavior. They found that prioritizing saving over spending and avoiding financial temptations positively contribute to financial well-being. Similarly, studies emphasized the role of financial behavior in financial well-being, particularly through its association with financial socialization.

While most researchers have indicated a positive association between financial behavior and financial well-being, studies explored the impact of long-term financial behavior and found a negative relationship with financial well-being. Hence, it can be concluded that:

- H3: Financial behavior significantly influences financial wellbeing.

III. RESEARCH MODEL

Drawing from the existing literature, the conceptual framework of the present study encompasses the influence of various determinants, namely financial literacy, financial risk-tolerance, financial socialization, financial stress, and socio-demographic factors, on financial behavior, which in turn affects financial well-being. The model posits that financial knowledge, financial risk-tolerance, financial socialization, and financial stress are hypothesized to significantly impact financial behavior and well-being. Furthermore, it is proposed that financial behavior acts as a mediator in the relationship between these determinants and financial well-being. To validate and examine the proposed research model, this study employs partial least squares structural equation modeling (PLS-SEM), as depicted in Figure 1.

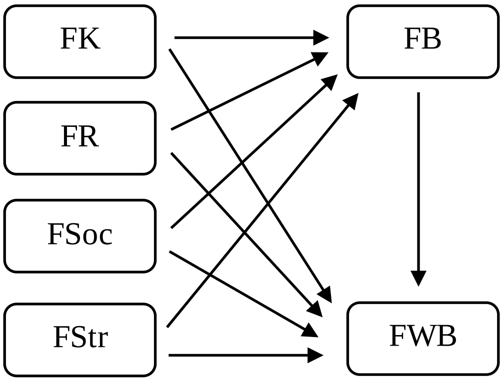

Fig. 1: Conceptual Model

FK: financial knowledge; FR: financial risk-tolerance; FSoc: financial socialization; FStr: financial stress; FB: financial behavior; FWB: financial well-being.

IV. RESEARCH METHODOLOGY

The objective of this study is to examine the factors influencing individuals' levels of financial well-being in the National Capital Region (NCR) of Iran. Considering the study's objectives and the practical constraints associated with studying the entire population of NCR, convenience sampling was deemed appropriate. This approach has been utilized in similar studies conducted by Chatterjee et al. [2] and She et al. [6].

A. *Survey instrument*

To develop a comprehensive survey instrument, an extensive review of relevant literature was conducted. The adapted constructs were derived from various researchers' studies. Prior to the final survey administration, a pilot study was conducted with 61 respondents who were interviewed to fulfill the study objectives. Based on their feedback, the survey instrument was refined, and subsequently distributed to the target respondents. Data collection took place between January 2023 and March 2023. The survey consisted of two sections, comprising a total of 28 items rated on a five-point Likert scale, ranging from "strongly disagree" to "strongly agree." The use of a five-point Likert scale is common in studies analyzing constructs of a similar nature. The first section of the survey focused on gathering demographic information from the respondents, including gender, age, education, income, and marital status. The second section assessed individuals' financial knowledge, financial risk-tolerance, financial socialization, and financial stress that influence financial behavior. The final section explored the impact of individuals' financial knowledge, financial risk-tolerance, financial socialization, and financial stress on their financial well-being.

Table 1: Frequency of demographic of respondents

Characteristics	N= 394 (%)	Characteristics	N= 394 (%)
Age (years)		***Marital Status***	
18-25	65 (16.50)	Married	215 (54.57)
25-35	117 (29.70)	Unmarried	159 (40.36)
35-45	103 (26.14)	Widow/widower	16 (4.06)
45-55	63 (15.99)	Divorced	4 (1.01)
Above 55	46 (11.68)	***Education***	
Gender		High school	121 (30.71)
Male	217 (55.08)	Graduation	185 (46.95)
Female	177 (44.92)	Post-Graduation and above	88 (22.34)

B. *Data collection*

A self-administered questionnaire was distributed to 403 individuals residing in the NCR of Iran. Out of this sample, 9 filled questionnaires were excluded due to duplication, outliers, and missing data. Ultimately, 394 responses were considered valid and suitable for further analysis. Respondents were provided with a clear explanation of the survey's purpose and assured that their data would be used solely for educational purposes and treated confidentially. The collected data from the 394 respondents were subsequently subjected to statistical analysis using SPSS and PLS-SEM.

C. *Descriptive statistics*

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V. DATA ANALYSIS AND RESULTS

The model was evaluated and developed using PLS-SEM (v.3.3.9) to investigate the theoretical framework of construction. The reliability of the constructs was assessed using Cronbach's α, with values ranging from 0.72 to 0.88, indicating high reliability. The convergent validity of the constructs, measured by average variance extracted (AVE), ranged from 0.583 to 0.759, surpassing the recommended cutoff value of 0.50. The constructs also demonstrated strong reliability, as evidenced by their composite reliability (CR) values, which ranged from 0.701 to 0.907.

After confirming the reliability and validity of the constructs, the structural model was estimated to test the research hypotheses. The results showed that financial behavior accounts for 56% of the variation in financial behavior, while financial well-being is influenced by financial behavior, financial literacy, financial risk-tolerance, and financial socialization explaining 46% of the variance in financial well-being.

The path coefficient analysis revealed that financial risk-tolerance had the strongest positive influence on financial behavior, followed by financial socialization, financial stress, and financial knowledge. These findings provide support for hypotheses H1a, H1b, H1c, and H1d. Furthermore, financial behavior, financial knowledge, financial risk-tolerance, and financial socialization were found to significantly and positively influence financial well-being, supporting hypotheses H2a, H2b, H2c, H2d, and H3.

Table 2: Results of hypotheses testing

Hypotheses	Hypothesized path	Path coefficient	t-value	Results
H1a	FK → FB	0.159	2.352*	Supported
H1b	FR → FB	0.343	10.700***	Supported
H1c	FSoc → FB	0.222	8.568***	Supported
H1d	FStr → FB	0.179	4.952***	Supported
H2a	FK → FWB	0.123	2.015*	Supported
H2b	FK → FWB	0.239	4.985***	Supported
H2c	FK → FWB	0.195	5.002***	Supported
H2d	FK → FWB	0.104	2.001*	Supported
H3	FB → FWB	0.458	6.986***	Supported

Notes: Significance at: *p < 0.05, **p < 0.01, ***p < 0.001(two-tailed).

FK: financial knowledge; FR: financial risk-tolerance; FSoc: financial socialization; FStr: financial stress; FB: financial behavior; FWB: financial well-being.

VI. DISCUSSION

The present study examined the relationship between financial knowledge and both financial behavior and well-being (H1a and H2a). The findings support the hypothesis that financial knowledge significantly and positively influences both financial behavior and well-being. Firstly, the results indicate that individuals with higher levels of financial knowledge are more likely to exhibit positive financial behaviors. This finding aligns with previous research conducted by Komar et al. [28] and Sigaga et al. [29] which demonstrated a positive relationship between financial knowledge and financial behavior. Individuals who possess a deeper understanding of financial concepts and principles are better equipped to make informed financial decisions, manage their finances effectively, and engage in responsible financial practices. They are more likely to engage in behaviors such as budgeting, saving, and investing, which contribute to their overall financial well-being.

Secondly, the study also revealed a significant positive association between financial knowledge and well-being. Individuals with higher levels of financial knowledge tend to experience higher levels of financial well-being. This finding is consistent with previous research by Komar et al. [28] and Lee et al. [30], who found that individuals with greater financial knowledge reported higher levels of financial satisfaction, reduced financial stress, and improved overall well-being. It can be inferred that having a solid foundation of financial knowledge provides individuals with the confidence and ability to navigate financial challenges, make sound financial decisions, and ultimately enhance their overall well-being.

The positive influence of financial knowledge on both financial behavior and well-being can be attributed to several factors. Firstly, financial knowledge equips individuals with the necessary information and skills to make informed financial choices. It enables individuals to understand financial products, evaluate risks and benefits, and assess the long-term implications of their financial decisions. This enhanced understanding empowers individuals to adopt behaviors that align with their financial goals and priorities, leading to improved financial outcomes and greater financial well-being.

Additionally, financial knowledge serves as a protective factor against financial exploitation and scams. Individuals with higher levels of financial knowledge are better able to detect and avoid fraudulent schemes, make prudent investment decisions, and protect their financial assets. This ability to safeguard their financial interests contributes to a sense of security and peace of mind, which in turn enhances overall well-being.

As for H1b and H2b, the results indicate that individuals with higher levels of financial risk-tolerance are more likely to exhibit positive financial behaviors. This finding is consistent with previous research conducted by Komar et al. [28] and Hwang and Park [31], which demonstrated a positive association between financial risk-tolerance and financial behavior. Individuals who are more tolerant of financial risks are more inclined to engage in investment activities, take calculated financial risks, and explore opportunities for financial growth. They are more likely to make strategic investment decisions, diversify their portfolios, and engage in long-term financial planning, which ultimately contributes to positive financial outcomes.

The study also revealed a significant positive relationship between financial risk-tolerance and well-being. Individuals with higher levels of financial risk-tolerance tend to experience higher levels of well-being. This finding aligns with previous research by Komar et al. [28] and Song et al. [32], which found that individuals with greater risk-tolerance reported higher levels of overall well-being. Individuals who are more comfortable with financial risks are more likely to embrace uncertainty, adapt to changing financial circumstances, and view challenges as opportunities for growth. This resilience and willingness to take calculated risks can lead to greater financial satisfaction, reduced financial stress, and an overall sense of well-being.

The positive influence of financial risk-tolerance on both financial behavior and well-being can be attributed to several factors. Firstly, individuals with higher risk-tolerance are more likely to engage in proactive financial planning and decision-making. They are willing to explore different investment options, consider a range of financial strategies, and adapt their financial behaviors in response to changing market conditions. This flexibility and openness to financial risks enable individuals to seize opportunities and optimize their financial outcomes.

Individuals with higher risk-tolerance tend to have a more positive attitude towards uncertainty and setbacks. They are less likely to be deterred by temporary financial setbacks or market fluctuations, and instead view them as part of the financial journey. This mindset allows them to persevere through challenging financial situations, maintain a long-term perspective, and maintain a higher level of financial well-being.

Also, for H1c and H2c, the results indicate that individuals who have experienced positive financial socialization are more likely to exhibit positive financial behaviors. This finding is consistent with prior research conducted by Komar et al. [28] and Azhar and Siddiqui [33], which demonstrated a positive association between financial socialization and financial behavior. Financial socialization refers to the process through which individuals acquire financial knowledge, attitudes, and behaviors from their social environment, particularly from parents or family members. Individuals who have been exposed to positive financial socialization tend to develop better financial knowledge, skills, and attitudes, which in turn influence their financial behavior. They are more likely to engage in responsible financial practices, such as budgeting, saving, and making informed financial decisions.

The study also revealed a significant positive relationship between financial socialization and well-being. Individuals who have received positive financial socialization experiences tend to experience higher levels of well-being. This finding aligns with previous research by Azhar and Siddiqui [33] and LeBaron-Black et al. [34], which found that individuals who have been socialized in a positive financial environment reported higher levels of overall well-being. Positive financial socialization experiences contribute to individuals' sense of financial competence, confidence, and control, which are important factors in promoting financial well-being. These individuals are more likely to feel financially secure, satisfied with their financial situation, and less stressed about money.

The positive influence of financial socialization on both financial behavior and well-being can be explained by several mechanisms. Firstly, positive financial socialization provides individuals with the necessary knowledge, skills, and attitudes to make informed financial decisions. It

ISSN No:-2456-2165

equips them with the tools to navigate the complex financial landscape, understand the consequences of their financial choices, and engage in responsible financial behaviors. Additionally, positive financial socialization promotes healthy financial attitudes and beliefs, such as the importance of saving, avoiding excessive debt, and setting long-term financial goals. These attitudes shape individuals' financial behaviors and contribute to their financial well-being.

For H1d and H2d, the results indicate that individuals experiencing higher levels of financial stress are more likely to exhibit negative financial behaviors. This finding is consistent with prior research conducted by Zhang and Chatterjee [35], which demonstrated a positive association between financial stress and detrimental financial behavior. Financial stress, characterized by feelings of anxiety, worry, and emotional tension related to financial matters, can lead individuals to engage in impulsive and irrational financial decisions. When individuals are under significant financial stress, they may resort to unhealthy coping mechanisms such as overspending, excessive borrowing, or neglecting financial responsibilities.

The study also revealed a significant positive relationship between financial stress and well-being. Individuals experiencing higher levels of financial stress tend to have lower levels of overall well-being. This finding aligns with previous research by Ravikumar et al. [36], which found that financial stress has a negative impact on various dimensions of well-being, including psychological well-being, physical health, and relationship quality. Financial stress can lead to heightened levels of anxiety, depression, and other mental health issues, which in turn affect overall well-being.

The positive influence of financial stress on both financial behavior and well-being can be explained by several mechanisms. Firstly, individuals experiencing financial stress may engage in avoidant or maladaptive financial behaviors as a means of temporarily relieving stress or seeking immediate gratification. They may prioritize short-term financial relief over long-term financial stability, leading to detrimental financial outcomes. Additionally, financial stress can impair cognitive functioning, decision-making abilities, and self-control, making individuals more susceptible to making poor financial choices.

Furthermore, the impact of financial stress on well-being extends beyond financial aspects. Financial stress can spill over into other areas of individuals' lives, affecting their relationships, job performance, and overall quality of life. The constant worry and strain associated with financial stress can create a sense of overwhelm and hinder individuals' ability to fully engage in activities that contribute to well-being. It can also strain interpersonal relationships and lead to increased conflict and stress within families or social networks.

Finally, for H3, the results of the study demonstrate a positive and significant relationship between financial behavior and well-being. Individuals who exhibit positive financial behaviors tend to have higher levels of well-being compared to those who engage in negative financial behaviors. This finding aligns with prior research conducted by Hwang and Park [31] and Respati et al. [37], which also reported a positive association between financial behavior and well-being.

Positive financial behaviors encompass a range of actions, such as effective budgeting, saving for the future, managing debt responsibly, and making informed financial decisions. Individuals who engage in these behaviors demonstrate financial responsibility, which can lead to a sense of financial security, reduced financial stress, and enhanced overall well-being. Responsible financial behaviors are often associated with better financial outcomes, increased financial satisfaction, and improved psychological well-being.

Conversely, individuals who engage in negative financial behaviors, such as overspending, excessive debt accumulation, or impulsive financial decision-making, are more likely to experience financial stress, anxiety, and diminished well-being. Negative financial behaviors can lead to financial instability, strained relationships, and a decreased sense of control over one's financial situation.

The influence of financial behavior on well-being can be explained by several underlying mechanisms. Firstly, positive financial behaviors contribute to a sense of financial autonomy and control, which are essential for overall well-being. When individuals have a strong sense of control over their financial lives, they experience less financial stress and greater peace of mind, leading to improved well-being.

Secondly, positive financial behaviors are closely linked to financial security and future-oriented planning. By engaging in behaviors such as saving and managing debt, individuals are better equipped to handle unexpected financial challenges and achieve their long-term financial goals. This financial security translates into reduced anxiety and increased well-being.

VII. CONCLUSIONS

This study examined the relationship between financial behavior and well-being among individuals in Ahvaz, Iran. The findings highlight the significant impact of financial behavior on both financial well-being and overall well-being. The results demonstrate that individuals who engage in positive financial behaviors, such as effective budgeting, saving, and responsible debt management, experience higher levels of financial well-being. These individuals are better equipped to handle financial challenges, meet their financial goals, and experience greater financial satisfaction. Furthermore, the study identified several key factors that influence financial behavior and, subsequently, well-being. Financial knowledge emerged as a crucial determinant, with higher levels of financial knowledge associated with more positive financial behaviors and enhanced financial well-being. This underscores the importance of financial education and literacy programs to empower individuals with the necessary skills and knowledge to make informed financial decisions. Financial risk-tolerance was also found to significantly influence financial behavior and well-being. Individuals with higher risk-tolerance were more likely to engage in positive financial behaviors and experience higher levels of financial well-being. This suggests that having a certain level of comfort with financial risks can lead to more proactive financial behaviors and ultimately contribute to improved well-being. Additionally, the study revealed the positive influence of financial socialization on financial behavior and well-being. Family-based financial education and the transmission of financial knowledge and values from parents or family members play a vital role in shaping individuals' financial behaviors and overall well-being. These findings underscore the importance of incorporating financial socialization initiatives within educational and family settings. Overall, this study highlights the significance of promoting positive financial behaviors and enhancing financial knowledge, risk-tolerance, and socialization among individuals in Ahvaz, Iran. By implementing targeted interventions, such as financial education programs and supportive family environments, policymakers and educators can contribute to the well-being of individuals by fostering responsible financial behaviors and enhancing their overall quality of life. It is important to note that this study has its limitations. The sample size was restricted to individuals in Ahvaz, Iran, and may not be representative of the entire population. Future research could include larger and more diverse samples to generalize the findings. Additionally, longitudinal studies could provide insights into the long-term effects of financial behavior on well-being.

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