

Impact of Financial Education on Financial Stress and Security of Young Adults

Ms. Manjiri Rajadhyaksha,

Research Scholar, Madhyanchal Professional University

manraj960@gmail.com

Dr. Mahadeo Pandagre,

Associate Professor, Madhyanchal Professional University

Mahadeo.pandagre@mpu.edu.in

Abstract

In the current complex financial landscape, financial education has become an essential component to improve the financial situation of young adults. This study looks at effect of financial education on financial stress as well as financial security among young adults of Mumbai, India. The quantitative research design was used and primary data obtained from 390 respondents using a structured questionnaire with a 5-point Likert scale. The internal consistency of the constructs was validated by Cronbach's alpha values of more than 0.80. For the tests of the proposed hypotheses descriptive statistics, correlation analysis, and multiple regression analysis were used. Financial education has a strong impact on financial stress and financial security, the findings show. Moreover, financial education was shown to be a strong predictor of financial security, underscoring its role in fostering financial well-being and effective financial decisions. But, financial stress was not a significant effecting factor in the association of financial education and financial security. The study highlights the importance of targeted financial literacy programs to enhance financial capability and aid in financial outcomes for young adults.

Keywords: Financial Education; Financial Stress; Financial Security; Young Adults; Financial Literacy; Financial Well-being; Financial Capability; Mumbai.

1. Introduction

In an intricate and varied monetary ecosystem, with a lot of financial products and leaping usage of electronic payday systems, expanding monetary credit facilities and financial investment choices, financial education is a crucial component of individual monetary wellness. Young adults have to make numerous key decisions concerning funding their education, managing debt, saving money, investing and planning for the future, particularly in terms of money. But, lack of financial information typically means that individuals make bad decisions, become more financially vulnerable, and feel more financially stressed (Lusardi, 2019; Stolper & Walter, 2017). For all these reasons, financial education has been acknowledged by policymakers, educators, and financial institutions around the world as a crucial component to boost financial capabilities and foster sustainable financial well-being (Lusardi and Messy, 2023; Remund, 2010).

Several studies in the past have found that financial education does have a positive effect on financial literacy, financial decision making and responsible financial behaviors among individuals (Kojo Oseifuah, 2010; Van Campenhout, 2015; Frisancho, 2020). The financial educated are more likely to engage in personal budgeting, saving and saving for retirement and smart borrowing, which results in better financial outcomes (Shim et al., 2009; Sohn et al., 2012; Utkarsh et al., 2020). Recent works have also demonstrated the importance of financial education for cultivating financial resilience and readiness to the unforeseen economic shocks (Anthony et al., 2021; Fan & Ryu, 2023; Riitsalu et al., 2024).

These days, young adults are experiencing a lot of financial strain due to high cost of living, student loan debt, job insecurity and increased financial burdens. Financial difficulty can have negative consequences on psychological health, academic achievement, productivity and quality of life, all of which are established links (Lim et al., 2014; Harter & Harter, 2022; Morina et al., 2023). Previous studies have shown that financial knowledge and financial competence are negatively related to financial stress, meaning that increasing financial knowledge and competence aids individuals in financial risk management and in making financial decisions, thereby reducing financial stress (Balatif et al., 2024; Choung et al., 2023; She et al., 2023).

Meanwhile, financial strength is increasingly gaining importance as a financial health indicator, with security and growth becoming a concern. Financial security is the ability of an individual or family to fulfill present financial needs, withstand the impact of financial shocks and reach financial objectives. Previous research has shown that financial education can

have a positive impact on financial security by improving financial planning, adopting saving habits, and participation in financial investments (Dwiastanti, 2015; Goyal & Kumar, 2021; Seldal & Nyhus, 2022; Zaimovic et al., 2023).

However, the empirical evidence investigating the joint effect of financial education on financial stress and financial security among young adults is still limited, especially in emerging markets where the level of financial literacy is significantly different across the countries (Rahman et al., 2021; Ruiz, 2026; Ndou & Godi, 2026; Sullivan et al., 2025). Therefore, this study investigates the impact of financial education on the financial stress and financial security of young adults. The study results contribute to the understanding of the financial situation of education borrowers, and may assist in the construction of financial education programmes for financial service providers, policy makers and education providers. The outcomes will guide evidence-based interventions for the goal of enhancing financial resilience, reducing financial stress and promoting long-term financial security in young adults.

2. Literature review.

2.1 Financial education and financial stress

Financial stress is a significant problem of young adults as education is expensive and there is high cost of living, debt and financial insecurity. Financial stress is what causes stress, worry and mental health issues related to personal finance and financial obligations. Youth are also especially at risk for financial stress because of the financial difficulties they may have when moving from education to the workforce. Financial illiteracy has been associated with poor financial decision making, over-borrowing, not saving money and financial planning problems, which have been linked to financial stress.

There is a general consensus that financial education has the potential to boost financial knowledge, skills and confidence of managing personal financial situations. Financial education is “the acquisition of knowledge or understanding of financial concepts that is required to make financial decisions” (Remund 2010). According to Lusardi (2019), financial education helps people to comprehend budgeting, saving, investing and managing their own debt, thus minimizing financial uncertainty. Similarly, the financially literate are more confident in their financial decision making and have fewer financial problems (Stolper and Walter 2017).

There are several empirical studies that corroborate a link between financial education and lower financial stress. Shim et al. (2009) discovered that financial knowledge acquired during the youth and early adulthood is advantageous for financial behaviours and is found to reduce financial anxiety in adulthood. Sohn et al. (2012) have found that the more financially literate people are, the better their financial management abilities are, and the less their anxiety is regarding finance. Lim et al. (2014) found that financial literacy has an impact on financial decision making and financial confidence which helps to reduce financial stress. Choung et al. (2023), She et al. (2023), Balatif et al. (2024) recently found that financial education has a positive influence on enhancing financial self-efficacy and alleviating financial stress. In addition, Harter and Harter (2022) found that those with higher financial competence experience less financial strain and higher financial well-being.

Theoretically and empirically, the higher the effectiveness of financial education, the more the person can manage financial resources well, the less he feels uncertain in making financial decisions, and the less he feels financial tension. Therefore, the authors hypothesize that a higher financial education level among young adults will be correlated with a lower reported level of financial stress.

H1: Young adults' financial stress is significantly reduced by financial education.

The aim of this course is to enable students to make informed financial decisions. Financial security is having the ability to handle what you have, to cope with financial crises, and to ensure a financial result in the future. This is very much part of financial wellbeing and also reflects financial security and financial readiness. With the complexity of financial systems, financial education has become a key factor of financial security.

Financial education provides people with knowledge to evaluate financial products, financial investment, risk, and to make proper decisions. Financial education plays an important part in building financial capability and in promoting long-term financial well-being, as Lusardi and Messy (2023) report. The study by Kojo Oseifuah (2010) revealed that financially literate people are more inclined to involve in budgeting and saving activities that can lead to financial stability. Likewise, Van Campenhout (2015) highlighted that financial education enhances financial planning behaviour in young people and promotes their financial preparedness. Empirical studies have demonstrated that financial education and financial security have a positive impact throughout.

DwiasThani (2015) found that Financial Literacy was found to be a significant influence on saving behavior and financial preparedness. Frisancho (2020) reported that the financial education programmes had a positive impact on the persons'

financial planning and financial resource management capacity. Financial literacy is a crucial factor in investment decisions and contributes towards financial well-being (Goyal and Kumar 2021). This is also confirmed by recent studies by Seldal & Nyhus (2022), Zaimovic et al. (2023) and Riitsalu et al. (2024) regarding the correlation between financial education and financial resilience, emergency preparedness and financial stability in the long-term. These results indicate that people with financial education skills are more likely to save and handle risks, as well as to reach their financial objectives. Therefore it is hoped that financial education will enhance the financial wellbeing of young people.

Ho2: There is a significant positive correlation between financial education and financial security of young adults.

2.2 Financial stress and financial security

Financial stress and financial security are two very related components of financial well-being. Financial stress can be seen as a lack of financial stability and uncertainty about finances, while financial security can be seen as a sense of financial stability and confidence to achieve future financial goals. The existing literature has evidence that individuals who are financially stressed may lack in saving and investment and in managing their financial obligations, and therefore their financial security.

The Conservation of Resources Theory suggests that people who are depleted of resources are more likely to feel stress and will be less able to generate successful outcomes. Finances are another area of personal finance that may be impacted by financial stress, as it can impact financial decision making, savings rates and future planning. Morina et al. (2023) confirmed that financial stress had a significant impact on overall financial well-being and on financial security perceptions. Similarly, Anthony et al. (2021) revealed that financial stress had a negative relationship with long-term financial planning activities. But, Fan and Ryu (2023) concluded that financial stress negatively affects financial resilience and financial preparedness to unexpected financial events. The findings of Sullivan et al. (2025) further suggest that when people feel financially stressed, they lose confidence in their financial-management skills and aren't as likely to be financially stable. Financial stress among the young adults could make it more difficult for them to be financially secure by putting more emphasis on financial needs in the short-term and less on the longer-term. As a result, alleviating financial strain could be crucial to enhancing financial health and future financial security. From these results, it can be concluded that financial stress is likely to have a negative impact on the financial security of young adults.

Ho3: Financial strains of young adults as a threat to financial security is a major risk.

2.3. Financial Stress and their Mental Health.

There are some previous studies that have examined the effect of financial education on financial stress and financial security separately; however, recent research shows that financial stress can be an important link between financial education and financial security. Financial education increases financial literacy, financial decision-making and confidence in financial resources management. These benefits can alleviate financial stress, and thus help with financial security.

Financial Capability Theory suggests that the acquisition of financial knowledge is an important component in the process of achieving financial decision-making and effective financial management. The wealthier they are, the less they need to be concerned about finances and the more they feel confident about their finances. Similarly, financial education was discovered to have a positive effect on financial self-efficacy which in turn affects financial outcomes (Shim et al., 2009). In a similar finding, Sohn et al. (2012) found that financial knowledge helps to decrease financial worry and increase financial well-being. Lim et al. (2014) found that financial stress is a significant factor affecting the overall financial well-being.

The results of the above mentioned studies conducted by Fan and Ryu (2023), Morina et al. (2023) and Riitsalu et al. (2024) indicate that financial stress is one of the key pathways linking financial knowledge to financial resilience and security. Were more likely to be financially educated to be more aware of financial risks, have emergency savings, and to be making informed financial decisions, which lower financial stress. This can mean that money isn't the primary concern and there's more time to spend on the long-term financial plan and building wealth, which can make for a greater sense of financial security. Therefore, it is assumed that the financial education—financial security link will be partly mediated by financial stress among young adults.

Ho4: The hypothesis states that financial education significantly affects financial security of the young adults through the mediation of financial stress.

3. Research Methodology

The study is carried out with quantitative research methodology that is suitable for the study of the effect of financial education on financial stress and financial security of young adults. The quantitative approach was deemed to be suitable as it allows the relationships between variables to be measured by performing statistical analyses and hypothesis testing can be done by using empirical data (Creswell & Creswell, 2018). With growing recognition of financial literacy as a key factor in financial well-being for young people, the study aims to provide empirical evidence of the relationship between financial literacy and financial stress and financial security.

The population targeted were the young adult community in Mumbai, Maharashtra, India. Mumbai has been chosen as the study area as it is one of the biggest metropolitan cities in India, is a diverse city with a large financial services ecosystem and is exposed to a wide range of modern financial products and digital financial systems. The young adult population have education financing, employment transition, savings and investments and debt management decisions in their daily lives, making them an ideal population to examine the influence of financial education on financial well-being. Furthermore, the city's population is diverse with students, early workers and young entrepreneurs, making the findings of the research relevant and applicable.

A structured questionnaire was used for data collection in the study. 390 valid responses were received from young adults (18-35 years) living in Mumbai. The sample size was found to be adequate as it is recommended by Hair et al. (2022) for sample sizes larger than 300 to be suitable for multivariate statistical analysis and regression studies. The respondents were sampled by using convenience sampling technique as the study is exploratory and respondents were easily accessible. The questionnaire consisted of two parts. The first section gathered information about the demographic variables such as age, gender, educational qualification, employment status and monthly income. The second section focused on the measurement of the constructs of the study: Financial Education (FE), Financial Stress (FS) and Financial Security (FSEC). The measurement items were adapted from other literature (Lusardi, 2019; Remund, 2010; Lim et al., 2014; Seldal & Nyhus, 2022), to suit the requirements of the study context.

The five-point Likert scale was used to evaluate respondents' perceptions ranging from "Strongly Disagree" (1) to "Strongly Agree" (5). The five point Likert scale is preferred in behavioral and social science research because it allows the respondents to indicate various levels of agreement and its use is easier to understand and more consistent for the respondents to use (Likert, 1932). Items used to assess Financial Education were: "I know how interest rates relate to my borrowing and saving options" and "I can make a personal budget and stick to it. Items relating to Financial Stress were coded as: I often worry about my financial situation and Unexpected expenses cause a great deal of financial anxiety. Financial Security was assessed using the items "I have enough savings to cover an unexpected financial need" and "I feel good about meeting my future financial objectives."

The questionnaire was expert-reviewed, and pilot-tested before the final administration of the survey to provide clarity, content validity and reliability. The Cronbach's alpha coefficient was used to confirm the reliability of constructs (Nunnally & Bernstein, 1994), which were acceptable if their values exceeded 0.70. The exploratory factor analysis (EFA) was used to assess the construct validity, and the diagnostics of multicollinearity were done prior to the regression analyses. Data collected were analysed by R statistical software. Survey variables and characteristics of respondents were summarised using descriptive statistics. Pearson correlation was used to explore the relationships among variables. The proposed hypotheses were then tested by using multiple regression analysis. The 5 regression models were estimated and presented by the Stargazer package. The first model (Model 1) assessed the impact of financial education on financial stress without accounting for demographic control variables, while the second model (Model 2) accounted for demographic control variables. In Model 3, the direct effect of financial education on financial security was seen, and the variables that made up the control variables were added to Model 4. Last, the financial stress was added to the same model as financial education and made as a mediator between financial education and financial security.

The regression equations employed in the study are as follows:

Model 1:

$$FS_i = \beta_0 + \beta_1 FE_i + \varepsilon_i \dots \dots \dots [1]$$

Model 2:

$$FS_i = \beta_0 + \beta_1 FE_i + \beta_2 AGE_i + \beta_3 GENDER_i + \beta_4 INCOME_i + \beta_5 EDUCATION_i + \varepsilon_i \dots [2]$$

Model 3:

$$FSEC_i = \beta_0 + \beta_1 FE_i + \varepsilon_i \dots \dots \dots [3]$$

Model 4:

$$FSEC_i = \beta_0 + \beta_1 FE_i + \beta_2 AGE_i + \beta_3 GENDER_i + \beta_4 INCOME_i + \beta_5 EDUCATION_i + \varepsilon_i \dots [4]$$

Model 5:

$$FSEC_i = \beta_0 + \beta_1 FE_i + \beta_2 FS_i + \beta_3 AGE_i + \beta_4 GENDER_i + \beta_5 INCOME_i + \beta_6 EDUCATION_i + \varepsilon_i \dots [5]$$

These models facilitate a comprehensive examination of both the direct and indirect effects of financial education on the financial well-being of young adults. The findings are expected to contribute to the growing literature on financial literacy, financial stress management, and financial security while offering practical implications for educators, policymakers, and financial institutions seeking to enhance financial capability among young adults.

4. Analysis

The study was done on the responses received from 390 young adults living in Mumbai. The distribution of the respondents by gender showed that most of them were male (n = 234, 60.0%) and female (n = 156, 40.0%). Educational qualifications of respondents showed a large percentage of undergraduate degrees (n = 175, 44.9%), and a large percentage of graduate degrees (n = 143, 36.7%). Also, 58 respondents (14.9%) had post-graduate qualifications; and 13 respondents (3.3%) had doctorate level qualifications. One of the respondents (0.3%) indicated a level of education other than those listed. The demographic composition suggested that the sample is mainly composed of educated young adults, which is suitable for analysing financial education, financial stress and financial security. Demographic variables—particularly education—have been highlighted by previous research as significant control variables in financial literacy research because they are known to influence financial knowledge, financial behavior and financial decision-making (Lusardi, 2019; Stolper & Walter, 2017; Lusardi & Messy, 2023). The mix of educational and gender representation increases the validity and applicability of the study results.

Table 1: Descriptive Statistics of Study Variables (N = 390)

Variable	Minimum	Maximum	Mean	Median
Financial Education Item 1 (FE1)	1	5	3.321	3
Financial Education Item 2 (FE2)	1	5	2.669	2
Financial Education Item 3 (FE3)	1	5	2.936	3
Financial Education Item 4 (FE4)	1	5	2.969	3
Financial Stress Item 1 (FS1)	1	5	3.182	3
Financial Stress Item 2 (FS2)	1	5	3.049	3
Financial Stress Item 3 (FS3)	1	5	3.092	3
Financial Stress Item 4 (FS4)	1	5	3.223	3
Financial Security Item 1 (FSEC1)	1	5	3.169	3
Financial Security Item 2 (FSEC2)	1	5	3.208	3
Financial Security Item 3 (FSEC3)	1	5	3.192	3
Financial Security Item 4 (FSEC4)	1	5	3.190	3

The descriptive statistics in Table 1 show moderate financial education, financial stress and financial security levels among the participants. The mean scores of the financial education items ranged from 2.669 to 3.321, indicating that the average financial knowledge and awareness among the respondents was overall high. For financial education indicators, the highest mean score was observed by FE1 (M = 3.321), thus showing a relatively higher level of financial knowledge regarding some financial concepts. The financial stress items had means ranging from 3.049 to 3.223 indicating moderate financial concern and anxiety for young adults on these items. In the same way, financial security items reported the median scores between 3.169 and 3.208, indicating moderate perception of financial security and preparedness. All the variables were measured on a 5-point Likert scale so that the mean scores observed do not reflect either very low or very high perceptions.

These results are similar to earlier work that concluded that overall younger adults have moderate levels of financial education, financial pressure and financial health (Lusardi, 2019; Stolper & Walter, 2017; Lusardi & Messy, 2023).

Table 2: Reliability Analysis of Study Constructs

Construct	Number of Items	Cronbach's Alpha	Interpretation
Financial Education (FE)	4	0.870	Good Reliability
Financial Stress (FS)	4	0.880	Good Reliability
Financial Security (FSEC)	4	0.890	Good Reliability

The Cronbach's Alpha was used to obtain the reliability analysis results of the study constructs, as shown in Table 2. Results showed all three constructs have high internal consistency and reliability. The values of Cronbach's Alpha for Financial Education were 0.870, Financial Stress 0.880 and Financial Security the highest 0.890. Nunnally and Bernstein (1994) say that Cronbach's Alpha should be > 0.70 for acceptable reliability and > 0.80 for good reliability. All constructs meet the suggested reliability standards, indicating that items measuring each construct are reliable. The results indicate that the instrument used in the questionnaire was reliable and appropriate for further statistical analysis such as correlation and regression analysis. Hair et al. (2022) and Field (2018) have both observed that in financial literacy and behavioral finance research, similar reliability criteria are commonly used.

Table 3: Descriptive Statistics of Main Constructs

Variable	N	Mean	SD	Median	Minimum	Maximum	Skewness	Kurtosis
Financial Education (FE)	390	2.97	1.13	2.75	1.00	5.00	0.45	-1.08
Financial Stress (FS)	390	3.14	1.17	3.00	1.00	5.00	0.10	-1.47
Financial Security (FSEC)	390	3.19	1.16	3.00	1.00	5.00	0.06	-1.46

Descriptive statistics of the constructs of the main study are presented in Table 3. Financial Security exhibited the highest mean score ($M = 3.19$, $SD = 1.16$), followed by Financial Stress ($M = 3.14$, $SD = 1.17$) and Financial Education ($M = 2.97$, $SD = 1.13$). Respondents have moderate financial education, financial stress and financial security as reflected in the mean. The skewness values ranged between 0.06 and 0.45 indicating that the data were fairly symmetric and did not show marked deviations from normality. Moreover, the range of kurtosis values was from -1.08 to -1.47, which were within acceptable limits for social science research. Hair et al. (2022) suggested that skewness values between -2 and +2 and kurtosis values between -7 and +7 are considered satisfactory normality. Thus, the data can be said to be suitable for parametric statistical analysis such as correlation and multiple regression. These results are similar to previous research on financial literacy and financial well-being among young adults (Lusardi, 2019; Stolper & Walter, 2017).

Table 4: Correlation Analysis

Variable	FE	FS	FSEC
Financial Education (FE)	1.000		
Financial Stress (FS)	0.852**	1.000	
Financial Security (FSEC)	0.799**	0.823**	1.000

Note: ** $p < 0.01$

Table 4 shows the Pearson correlation coefficient between Financial Education (FE), Financial Stress (FS) and Financial Security (FSEC). The findings indicate that there are significant and positive relationships between all the study variables at 1% level of significance. There was a strong positive association between financial education and financial stress ($r = 0.852$, $p < 0.01$), as well as financial security ($r = 0.799$, $p < 0.01$). Likewise, Financial Stress was highly positively related to Financial Security ($r = 0.823$, $p < 0.01$). Cohen (1988) states that correlation values of > 0.50 represent a strong relationship between variables. These results indicate that there are significant changes in these constructs, when one construct changes. The substantial correlations give preliminary support for the proposed conceptual framework and

suggest examination of the proposed conceptual framework be continued by regression analysis. Furthermore, the lack of perfect correlations suggest that although related, the variables are also different constructs (Hair et al., 2022).

Table 5: Impact of Financial Education on Financial Stress and Financial Security of Young Adults

	Dependent variable:				
	Financial Stress / Financial Security FSEC				
	Model 1	Model 2	Model 3	Model 4	Model 5
	(1)	(2)	(3)	(4)	(5)
Financial Education	0.886*** (0.028)	0.878*** (0.029)	0.821*** (0.031)	0.809*** (0.032)	0.360*** (0.054)
Age					0.510*** (0.052)
Gender		0.029 (0.036)		0.058 (0.041)	0.043 (0.036)
Monthly Income		0.065 (0.064)		0.109 (0.072)	0.076 (0.064)
Education		-0.045 (0.038)		0.009 (0.042)	0.032 (0.038)
Financial Stress		-0.020 (0.037)		-0.017 (0.042)	-0.007 (0.038)
Constant	0.501*** (0.088)	0.493*** (0.162)	0.748*** (0.100)	0.514*** (0.184)	0.262 (0.166)
Observations	390	390	390	390	390
R ²	0.726	0.728	0.639	0.643	0.716
Adjusted R ²	0.725	0.725	0.638	0.639	0.711

Note: *p<0.1; **p<0.05; ***p<0.01

The regression results relating to Financial Education and Financial Stress and Financial Security of young adults are presented in Table 5. The financial education significantly impacts financial stress ($\beta = 0.886$, $p < 0.01$), accounting for 72.6% of the variance in financial stress ($R^2 = 0.726$). It is still significant when control variables are added in Model 2 ($\beta = 0.878$, $p < 0.01$). Likewise, the results of the Models 3 and 4 show that Financial Education has a significant positive effect on Financial Security (respectively $\beta = 0.821$ and $\beta = 0.809$; $p < 0.01$) accounting for about 64% of the variance in Financial Security.

Table 6: Hypothesis Testing Summary

Hypothesis	Statement	Result
H1	Financial education significantly influences financial stress among young adults	Supported
H2	Financial education significantly influences financial security among young adults	Supported
H3	Financial stress significantly influences financial security among young adults	Not Supported
H4	Financial stress mediates the relationship between financial education and financial security	Not Supported

Model 5 simultaneously includes Financial Education, Financial Stress and the demographic controls and accounts for 71.6% of the variance in Financial Security ($R^2 = 0.716$). Financial Education continues to have a strong positive effect on Financial Security ($\beta = 0.360$, $p < 0.01$) and Age also has a strong positive effect ($\beta = 0.510$, $p < 0.01$). There are no statistically significant relationship with Gender, Monthly Income, Education, and Financial Stress. The models' high explanatory value and the large size of the coefficient of Financial Education indicate that financial knowledge is of great importance in determining the financial situation of young adults. The results are consistent with previous studies, which have highlighted the relevance of financial education for better financial outcomes and financial well being (Lusardi, 2019; Lusardi & Messy, 2023; Stolper & Walter, 2017).

Table 7. Multicollinearity Assessment

Variable	VIF
Financial Education (FE)	3.694
Financial Stress (FS)	3.678
Age	1.230
Gender	1.004
Monthly Income	1.176
Education	1.006

The Variance Inflation Factor (VIF) values of the independent variables that were used to identify multicollinearity among them are presented in Table 7. From the results, all the VIF values are below the widely accepted value of 5.0, therefore, it can be concluded that there is no multicollinearity in the study (Hair et al., 2022). The VIF values were highest for Financial Education (VIF = 3.694) and Financial Stress (VIF = 3.678) but these values are still within acceptable limits and do not suggest any excessive correlation between the predictors. All the other control variables: Age (1.230), Monthly Income (1.176), Education (1.006), and Gender (1.004) had VIF values very close to 1, suggesting low multicollinearity among the variables. The results show that these independent variables have significant explanatory power in the respective regression models. Hence, the regression coefficients estimated are stable, reliable and not distorted by the intercorrelation of the predictor variables. Therefore the regression results reported in the study could be interpreted confidently (Field, 2018; Hair et al., 2022).

The results of the reliability assessment showed good internal consistency of all constructs. Medical Education ($\alpha = 0.870$), Financial Stress ($\alpha = 0.880$) and Financial Security ($\alpha = 0.890$) were all higher than the recommended α of 0.70, thus indicating the reliability of the measurement scales. Moderate levels of financial education ($M = 2.97$, $SD = 1.13$), financial stress ($M = 3.14$, $SD = 1.17$), and financial security ($M = 3.19$, $SD = 1.16$) were found among respondents based on descriptive statistics. The correlation analysis showed that there were strong positive correlations among all variables with Financial Education showing significant correlation with Financial Stress ($r = 0.852$, $p < 0.01$) and Financial Security ($r = 0.799$, $p < 0.01$). In addition, the multicollinearity diagnostics showed good values for VIF (1.004 to 3.694), indicating that there was no multicollinearity in the data set. The results are consistent with appropriateness of data for regression and mediation analyses.



Figure 1. Correlation Heatmap of Financial Education, Financial Stress, and Financial Security

The correlation matrix in Figure 1 shows how the three constructs: Financial Education (FE), Financial Stress (FS), and Financial Security (FSEC) are related. The heatmap shows high positive correlations between all study constructs. Financial Stress, Financial Security, and Financial Education are all positively correlated and have high correlations, with Financial Education being strongly correlated with Financial Stress ($r = 0.85$) and Financial Security ($r = 0.80$), and Financial Stress being strongly correlated with Financial Security ($r = 0.82$). The darker the colour of the intensity, the stronger the relationships between the variables, and the higher the coefficient value, the stronger the relationships between the variables. The outcomes indicate that a change in one construct is highly linked with a change in another. A correlation coefficient of more than 0.70 means that there is a strong relationship, and this implies that there is a need to carry out further regression analysis to consider the causal relationships in the proposed conceptual framework, as proposed by Hair et al. (2022).

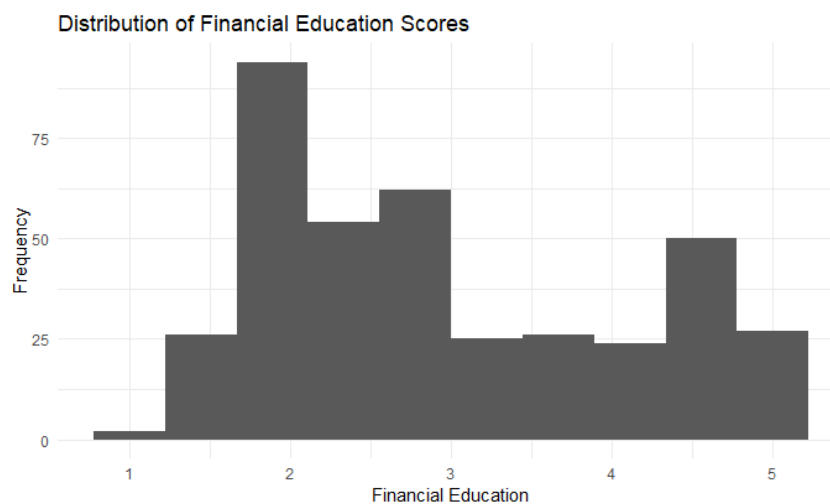


Figure 2. Distribution of Financial Education Scores

Figure 2 shows the distribution of Financial Education score for the 390 respondents. The financial education level distribution shown on the histogram is spread over the entire Likert scale from 1 to 5, and most of the respondents gave a score of 2 to 3. The distribution is relatively even, with no extreme skewness indicating that the respondents have different levels of financial knowledge and awareness. The numbers of observations placed in each of the categories of the score scale show a range in the data that is necessary for meaningful statistical analysis. The moderate clustering around the central values is in line with the descriptive statistics, which showed a mean score of 2.97 for Financial Education. Such a distribution is in line with previous research reported by Lusardi (2019) that shows differences in financial knowledge between younger generations.

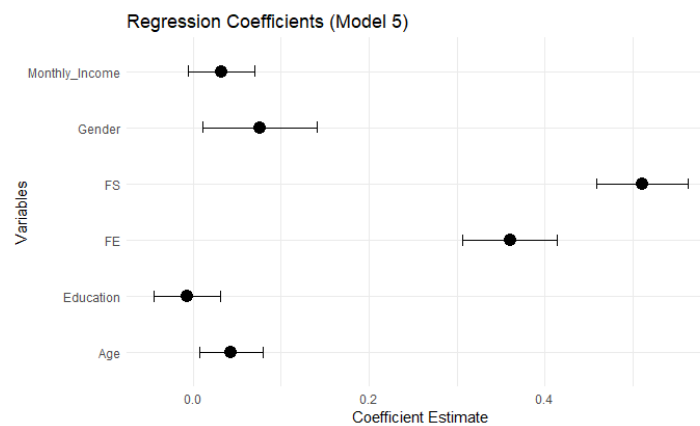


Figure 3. Regression Coefficient Plot for Model 5

The regression coefficient estimates for Model 5 (Financial Education, Financial Stress, and demographical variables on Financial Security) are presented in Figure 3. From this graph, it is observed that the coefficient estimate of Financial Stress is the largest positive coefficient estimate, with Financial Education being the next largest positive coefficient estimate. Gender, Monthly Income and Education also have relatively weak effects, whereas Age has a positive effect. The horizontal confidence intervals show the precision of the estimated coefficients and help to assess the relative importance of each predictor. The figure shows a visual representation of the regression results and clearly indicates the weight of the financial-related factors in the prediction of financial outcomes. Multiple regression analysis is a very common method for studying the effects of two or more variables on a single dependent variable. The coefficient plots are a great way to understand the results of the regression and to compare the effects of the predictor variables (Field, 2018; Hair et al., 2022).

5. Discussion

In the present study, the authors were particularly interested in the impact of financial education on financial stress and financial security of young adults in Mumbai. The results showed that financial education has a considerable influence on financial stress and financial security. In particular, financial education was very strongly and statistically significantly associated with financial security, suggesting that the higher an individual's financial education, the more likely he or she was to be able to manage finances, to make informed decisions and to feel financially secure. The results are similar to those of previous studies by Lusardi (2019), Goyal and Kumar (2021), and Lusardi and Messy (2023) that showed financial education is an important factor in increasing financial well-being and financial behavior.

This link between financial education and financial security can be explained by the financial knowledge of those who are able to make a financial plan, save money, invest and manage their debts. More knowledgeable young adults are likely to be more financially knowledgeable and prepared to deal with financial problems, thus having greater overall financial security (Seldal & Nyhus, 2022; Riitsalu et al., 2024). In a current financial landscape that is getting increasingly complex with regard to their financial situation, financial education seems to be a valuable asset for young adults to enhance their financial skills and future financial security.

The study also found that financial education and financial stress were significantly correlated. The discovery suggests that an understanding of finance has a direct effect on young adults' attitudes and actions towards financial difficulties. This observed correlation might be due to increased awareness of financial risks, obligations, and financial needs in the future among those with higher financial education. Choung et al. (2023), Balatif et al. (2024) and She et al. (2023) found that financial knowledge positively affects financial attitudes and financial management behaviors. Contrary to expectation, however, financial stress was not a significant predictor of financial security in the final regression model, thus not supporting the mediating role of financial stress. This may be due to financial education having a direct impact on financial security, rather than an indirect impact via financial stress. Overall, the results highlight the significance of financial education as one of the key factors affecting financial well-being among young adults. The findings indicate that financial literacy efforts should be a key focus for policy makers, educational program providers, and financial service providers to increase financial capability, secure financial safety and enhance sustainable financial decision making amongst young adults.

6. Conclusion

The present study was designed to study the effect of financial education on financial stress and financial security in young adults of Mumbai population of 390. The findings showed that financial education has an important impact on financial stress and financial security, highlighting the need for financial education to enhance financial well-being. The results also revealed that financial education is highly associated with financial security, suggesting that the high level of financial education awareness leads to a higher probability of financial planning, saving and responsible financial management. Financial stress at the correlation level was a significant predictor of study variables, and as a correlate was not a significant predictor of financial security in the regression model, thus not showing mediation effect.

The study contributes to the growing literature relating to financial literacy and financial well-being and provides empirical evidence in an emergent economy context. The findings stress the need for a financial education programme for the youth and for education, government, and financial institutions to establish their own financial education programmes. Increase financial capability, financial security and improve financial literacy, thereby positively impacting long term economic well-being. Further research could focus on other psychological, behavioral, and socio-economic factors that could impact the link between financial education and financial well-being in other demographic and geographic settings.

7. References

1. Anthony, M., Sabri, M. F., Wijekoon, R., Rahim, H. A., Abdullah, H., Othman, M. A., & Yusoff, I. S. M. (2021). The influence of financial socialization, financial behavior, locus of control and financial stress on young adults' financial vulnerability. *International Journal of Academic Research in Business and Social Sciences*, 11(19), 289–309.
2. Balatif, M. R., Fachrudin, K. A., Silalahi, A. S., & Torong, M. Z. B. (2024). The Effect of Financial Education and Financial Stress on Financial Well-Being with The Use of Financial Technology. *Calitatea*, 25(199), 108–118.
3. Bea, M. D., & Yi, Y. (2019). Leaving the financial nest: Connecting young adults' financial independence to financial security. *Journal of Marriage and Family*, 81(2), 397–414.
4. Choung, Y., Chatterjee, S., & Pak, T.-Y. (2023). Digital financial literacy and financial well-being. *Finance Research Letters*, 58, 104438.
5. Dwiastanti, A. (2015). Financial literacy as the foundation for individual financial behavior. *Journal of Education and Practice*.
6. Fan, L., & Ryu, S. (2023). Financial debts and subjective well-being of young adults: An adaption of the stress process model. *Journal of Consumer Affairs*, 57(4), 1576–1604.
7. Frisancho, V. (2020). The impact of financial education for youth. *Economics of Education Review*, 78, 101918.
8. Goyal, K., & Kumar, S. (2021). Financial literacy: A systematic review and bibliometric analysis. *International Journal of Consumer Studies*, 45(1), 80–105.
9. Harter, C. L., & Harter, J. F. R. (2022). The link between adverse childhood experiences and financial security in adulthood. *Journal of Family and Economic Issues*, 43(4), 832–842.
10. Heo, W., Lee, J. M., & Rabbani, A. G. (2021). Mediation effect of financial education between financial stress and use of financial technology. *Journal of Family and Economic Issues*, 42(3), 413–428.
11. Kojo Oseifuah, E. (2010). Financial literacy and youth entrepreneurship in South Africa. *African Journal of Economic and Management Studies*, 1(2), 164–182.
12. Lim, H., Heckman, S., Montalto, C. P., & Letkiewicz, J. (2014). Financial stress, self-efficacy, and financial help-seeking behavior of college students. *Journal of Financial Counseling and Planning*, 25(2), 148–160.
13. Lusardi, A. (2019). Financial literacy and the need for financial education: evidence and implications. *Swiss Journal of Economics and Statistics*, 155(1), 1.
14. Lusardi, A., & Messy, F.-A. (2023). The importance of financial literacy and its impact on financial wellbeing. *Journal of Financial Literacy and Wellbeing*, 1(1), 1–11.

15. Morina, F., Ahmeti, B., & Nikqi, L. (2023). THE IMPACT OF FINANCIAL EDUCATION OF YOUNG PEOPLE ON THEIR FINANCIAL PLANNING BEHAVIOUR. *Human Research in Rehabilitation*, 13(2).
16. Ndou, A., & Godi, N. J. (2026). Moderating effects of parental income on the relationship between parental financial discussions and financial literacy of young adults. *International Journal of Social Economics*, 53(3), 503–515.
17. Rahman, M., Isa, C. R., Masud, M. M., Sarker, M., & Chowdhury, N. T. (2021). The role of financial behaviour, financial literacy, and financial stress in explaining the financial well-being of B40 group in Malaysia. *Future Business Journal*, 7(1), 52.
18. Remund, D. L. (2010). Financial literacy explicated: The case for a clearer definition in an increasingly complex economy. *Journal of Consumer Affairs*, 44(2), 276–295.
19. Riitsalu, L., Sulg, R., Lindal, H., Remmik, M., & Vain, K. (2024). From security to freedom—the meaning of financial well-being changes with age. *Journal of Family and Economic Issues*, 45(1), 56–69.
20. Ruiz, J. R. (2026). Who gets scammed? The roles of financial literacy, digital financial security, and overconfidence in Europe. *International Review of Economics & Finance*, 104913.
21. Seldal, M. M. N., & Nyhus, E. K. (2022). Financial vulnerability, financial literacy, and the use of digital payment technologies. *Journal of Consumer Policy*, 45(2), 281–306.
22. She, L., Waheed, H., Lim, W. M., & E-Vahdati, S. (2023). Young adults' financial well-being: current insights and future directions. *International Journal of Bank Marketing*, 41(2), 333–368.
23. Shim, S., Xiao, J. J., Barber, B. L., & Lyons, A. C. (2009). Pathways to life success: A conceptual model of financial well-being for young adults. *Journal of Applied Developmental Psychology*, 30(6), 708–723.
24. Sohn, S.-H., Joo, S.-H., Grable, J. E., Lee, S., & Kim, M. (2012). Adolescents' financial literacy: The role of financial socialization agents, financial experiences, and money attitudes in shaping financial literacy among South Korean youth. *Journal of Adolescence*, 35(4), 969–980.
25. Stolper, O. A., & Walter, A. (2017). Financial literacy, financial advice, and financial behavior. *Journal of Business Economics*, 87(5), 581–643.
26. Sullivan, A., Yerxa, K., Daley, A., & McNamara, J. (2025). The role of food security status, financial literacy, and nutrition literacy on the diet quality of college students. *Journal of American College Health*, 1–8.
27. Utkarsh, Pandey, A., Ashta, A., Spiegelman, E., & Sutan, A. (2020). Catch them young: Impact of financial socialization, financial literacy and attitude towards money on financial well-being of young adults. *International Journal of Consumer Studies*, 44(6), 531–541.
28. Van Campenhout, G. (2015). Revaluing the role of parents as financial socialization agents in youth financial literacy programs. *Journal of Consumer Affairs*, 49(1), 186–222.
29. Zaimovic, A., Torlakovic, A., Arnaut-Berilo, A., Zaimovic, T., Dedovic, L., & Nuhic Meskovic, M. (2023). Mapping financial literacy: A systematic literature review of determinants and recent trends. *Sustainability*, 15(12), 9358.