Assessing the Relationship between Digital Financial Literacy and Financial Well-being: Exploring the Moderating Effect of Financial Self-Efficacy

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The study explores the effect of Digital Financial Literacy (DFL) on Financial Well-Being (FWB) among young adults. It also investigates the moderating role of financial self-efficacy (FSE) between DFL and FWB. It is a quantitative study based on a questionnaire survey. Data was collected from digitally literate young adults aged 18-26 through an online questionnaire.

The questionnaire has three constructs: DFL, FWB, and FSE. The sample size was determined according to itemized sampling criteria. The data was analyzed and the hypotheses were tested through SPSS and PLS-SEM (Partial Least Squares Structural Equation Modeling). The findings showed that DFL and financial self-efficacy have a significant positive direct effect on financial well-being. The proposed moderating hypothesis was not accepted and indicates financial self-efficacy did not moderate the relationship between DFL and financial well-being. It noted that a greater FSE strengthens the positive relationship between DFL and FWB, on the other hand, a lower FSE may lessen the positive effect. Financial organizations, such as banks and fin-tech organizations, can organize seminars and campaigns to instruct young adults on the proper use of digital financial platforms. Enhancing young adults' DFL and FSE leads to increased financial independence, stability, and well-being to make wise financial decisions while reducing their financial stress. It offers novel insights into the relationship between young adults' financial well-being and their level of financial self-efficacy and DFL.

Keywords: Digital Financial Literacy (DFL), Financial Well-being, Financial Self-efficacy, Young Adults

INTRODUCTION

Digital technology has significantly impacted the financial landscape, presenting opportunities and challenges for young adults. Financial literacy, the ability to make educated decisions, is increasingly important in the digital age. Instilling an economic culture in children from preschool is crucial for societal expectations and personal development (Klim-Klimaszewska, 2014). Purposeful economic learning shapes economic competencies at different educational levels. Gorelova and Khilko (2020) contended that the extent to which young people learn economic culture influences both their future financial condition and the nation's economic health. Digital financial

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tools are transforming financial decision-making, necessitating a shift in skills. To prepare young children for the future digital environment, a fundamental education in Digital Financial Literacy (DFL) is crucial. Legislators and educators recognize its impact on the next generation (Goyal & Kumar, 2021; Morgan, 2021).

UNESCO (2018) defines digital literacy (DL) as "the ability to define, access, manage, integrate, communicate, evaluate, and create information through digital technologies and networked devices safely and appropriately for participation in economic and social life (p10)." This concept stresses the importance of DFL in safeguarding people against online fraud and scams, which are particularly prevalent among young adults (Lieber, 2021). DFL is using digital technology and navigating financial services. Though various studies have been conducted on financial literacy, there has been little research on DFL among young adults. Furthermore, the research on the relationship between DFL and financial well-being is limited (Lone & Bhat, 2024; Mir, 2024; Rahayu et al., 2022).

The term "financial self-efficacy" describes people's confidence in their ability to handle money and their perception of their capacity to manage it (Lapp, 2010). Lee and Mortimer (2009) describe financial self-efficacy as a person's belief in their ability to attain their financial goals. A young adult who is confident that he will meet his financial goals will conduct extensive research and endeavor to be prepared ahead of time and achieving financial independence (Ranta et al., 2019). Lone and Bhat (2024) conducted a study on financial literacy, financial well-being, and financial self-efficacy within the Pakistani context. The findings indicated that financial self-efficacy and financial well-being were found to be considerably enhanced by financial literacy.

The previous studies investigated digital financial literacy, financial literacy, financial behavior, financial well-being, and financial self-efficacy from the perspective of employees, business school faculty, the general public, households, digital customers, and students (Jose & Ghosh, 2024; Lone & Bhat, 2024). However, the author did not find any study investigating the impact of DFL on FWB with the moderating effect of FSE from the perspective of young adults. Therefore, it is necessary to investigate these phenomena in this digital economy, especially from the Pakistani perspective.

Significance of the study

The current study examines the association between young adults' DFL, FWB, and FSE. By understanding these dynamics, this study advances theory and practice by giving information for future research and influencing the development of teaching strategies that improve students' DFL. The results of this study could be used to create educational curricula for educational institutions. These initiatives will support educational institutions in providing students with information and skills related to

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managing their money and savings. The study could be valuable for all young adults to understand the importance of DFL, FSE, and FWB. Moreover, financial organizations, such as banks and fin-tech organizations, can organize seminars and campaigns to instruct young adults on the proper use of digital financial platforms. They will be better equipped to handle their money and make wise financial decisions as a result.

Research Objectives

The focus of this study is to measure the impact of digital financial literacy on the financial well-being of young adults in Pakistani perspective. This study proposed the following research objectives to explore the impact of DFL and financial self-efficacy on financial well-being:

1. To measure the influence of young adults' DFL on financial well-being
2. To evaluate the impact of financial self-efficacy on financial well-being
3. To find the moderating role of financial self-efficacy on the relationship between DFL and FWB

Theoretical Framework

It used the theory of planned behavior (TPB) as a theoretical framework (Ajzen, 1991; 2011) for comprehending DFL, FWB, and FSE, which can be supported by published literature. According to TPB, a person will use his knowledge and consider all the facts while making decisions. This also applies to financial decision-making (sometimes referred to as financial literacy) to make rational choices. Consequently, research established a connection between FWB and DFL (Aulia et al., 2023; Arifin, 2017).

TPB is fundamental in elucidating how attitudes, subjective norms, and perceived behavioral control affect a person's intention to engage in particular activities. TPB has been frequently utilized to predict behavior in various areas, such as the adoption of emerging technologies and financial decision-making. DFL is the ability to use digital financial tools successfully and increase the likelihood that people will use digital financial services.

A person's financial well-being can be improved by making wise financial decisions and avoiding the danger of failure (Rahayu et al., 2022). A person's understanding of digital financial products and capacity to use those abilities to make prudent financial decisions that support their financial well-being is called digital financial literacy (Nurkholik, 2024). Individuals who possess a high level of financial self-efficacy believe that their financial future will be secured by the financial decisions they make based on their financial knowledge (Netemeyer et al., 2018).

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LITERATURE REVIEW

Within the financial industry, digital literacy refers to the abilities needed to use technology to find, evaluate, compile, produce, and share information about financial services that are accessible online. Digital literacy is required as a prerequisite for financial information to use digital financial goods and services. The shift from traditional financial transactions to Internet ones is required because of the COVID-19 pandemic. As a result, the concept of DFL is raised because it is necessary to execute online financial transactions. Three constructs of the current study, DFL, FWB, and FSE among young adults are discussed in the following section.

Digital Financial Literacy of Young Adults

Literature establishes that DFL is a multifaceted concept and Setiawan et al. (2020) defined it as "financial literacy in digital financial technology" (p.3). According to Adnan et al. (2023), practical know-how and self-protection are the capacity to recognize hazards and to be aware of one's defenses against those risks. The absence of DFL makes it difficult to use digital financial services logically and efficiently. When it comes to using digital financial services, even someone with a moderate level of financial literacy is unproductive if they lack digital literacy. Thus, employing digital financial services necessitates both financial and technological skills. To put it another way, access to financial services requires DFL.

The literary works reviewed show that DFL is a relatively new concept that is still under development. The multidimensional entity known as DFL combines DL and FL. Azeez and Akhtar (2021), Bansal (2019), and Rajdev et al. (2020) all used the Morgan et al. (2021) scale. Ravikumar et al. (2022) proposed metrics to measure DFL, including digital literacy, financial literacy, and financial capacity.

Despite some concerns about the accuracy of mobile payments, young adults overwhelmingly believe they are a beneficial concept and prefer digital purchases. (He et al., 2024). They learn digital literacy through exposure to digital services like online shopping and payments. However, new payment systems have altered people's perceptions of payment, leading to overspending among university students who are unaware of their spending habits while making phone purchases (Soman, 2003). Digital transactions are replacing physical currency exchanges, potentially impacting young children's perceptions of payment practices and understanding of guidelines. Although they view internet buying positively, they face risks like fraud and scams. Despite advanced financial knowledge, they lack an understanding of digital finance and its dangers (He et al., 2024; Rahim et al., 2022).

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Financial Well-being of Young Adults

The concept of financial well-being is broad and takes into account both actual and perceived financial circumstances. Research has demonstrated that, compared to objective financial indicators, financial well-being has a stronger predictive ability and is a significant factor in life happiness (Netemeyer et al., 2018). It is emphasized that DFL in financial education is crucial to secure the financial well-being of future generations (Rahim et al., 2022).

H1: Young individuals' financial well-being is impacted by digital financial literacy.

Financial Self-Efficacy

The original theoretical understanding of self-efficacy (Bandura, 1977) forms the foundation of financial self-efficacy. The term "*financial self-efficacy*" describes people's confidence in their ability to handle money and their perception of their capacity to manage it (Lapp, 2010). Furthermore, those who feel more confident about their ability to manage their finances are inclined to view financial issues or a lack of financial literacy as challenges to overcome rather than a danger to be avoided (Bandura, 1993).

According to Faison (2019), there is a significant inverse relationship between financial literacy and financial anxiety among young adults who are suffering high levels of financial hardship and who also have high financial self-efficacy. When working with young adults who are suffering extreme financial difficulty, mental health clinicians may want to take financial self-efficacy into account, according to the research.

The findings of Evelyn (2023) showed that the financial independence of young adults is influenced by demographic factors. Self-efficacy is the belief that one can organize and execute actions to achieve particular goals, including feelings, ways of thinking, and motivations (Farrell et al., 2016). It also seeks to assess the intensity and level in diverse contexts and endeavors. Tsang et al. (2012) define self-efficacy as an individual's evaluation of their ability to perform a task, accomplish goals, and get over challenges. Based on these two interpretations, self-efficacy refers to an individual's confidence in their capability to attain a specific objective.

The concept of financial self-efficacy refers to self-efficacy related to money. It described the association between financial independence and self-assurance. The respondents' self-assurance rapidly changed from that of someone who is financially dependent to that of someone who is financially independent.

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Thus, this investigation leads to the following hypotheses:

H2: Young individuals' financial well-being is impacted by financial self-efficacy.

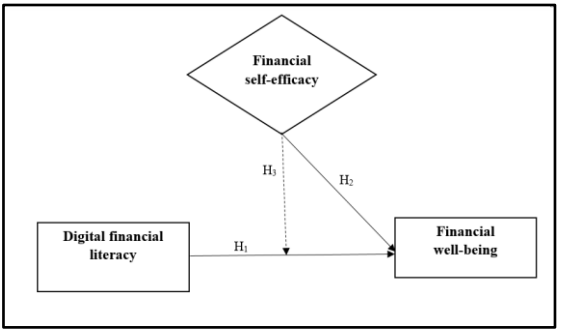
H3: The association between digital financial literacy and financial well-being is moderated by financial self-efficacy.

Proposed Research Model

The previously mentioned literature served as the foundation for the conceptual model's development of DFL, FWB, and FSE. This research has proposed a model that has three constructs in which DFL and FSE are independent variables, while FWB is a dependent variable. FSE epitomizes a moderating variable. Figure 1 highlights the relationship among the constructs.

Figure *1*

Proposed Research Model



RESEARCH DESIGN AND METHODOLOGY

This is a quantitative research study, and a survey questionnaire was used as a data collection tool. The population of the current study comprises young adults who are digitally literate college/university students, age range 18-26 from Pakistan. Students in colleges and universities have frequent exposure to computer science, which helps them become more digitally literate. In order to ensure that students acquire fundamental digital capabilities as part of their curriculum, colleges also frequently offer an introduction course on computer applications or basic IT skills in the first semester. The constructs of DFL, FWB, and FSE (Lone & Bhat, 2022; Ravikumar et al., 2022) were measured through the adopted questionnaire from the literature. The questionnaire is evaluated by experts of the fields to confirm that the statements consists all features of the topic and comprehend the research objectives of the study.

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Every statement is assessed for its applicability, rationality, and capacity to convey the intended idea from a Pakistani perspective, particularly for young adults. An online questionnaire survey was used to collect data from respondents through various digital platforms, including WhatsApp and e-mailing services. Moreover, Ravikumar et al. (2022) and Lone & Bhat (2022) have validated this instrument.

The study used an itemized sampling procedure to determine sample size. As Hinkin (1995) suggested, to avoid sampling error, 5–10 respondents are enough for each item in the questionnaire. The current questionnaire had 14 items/statements (5 items of DFL, four self-efficacy, and five financial well-being), and a sample size of 65-130 was determined. Simple random sampling was used to reach the maximum population, resulting in 324 responses, which constitutes around a 77% response rate according to itemized sampling criteria. The data was analyzed and the hypotheses were tested through SPSS (Statistical Package for the Social Sciences) and PLS-SEM (Partial Least Squares Structural Equation Modeling).

Data Analysis and Findings

This study used IBM SPSS statistic software and Smart PLS 4.0 to analyze the data. Descriptive statistics were utilized to assess the demographic data, and variance-based partial least squares structural equation modeling (PLS-SEM) was employed to assess the relationship among variables. PLS-SEM is recommended since it optimizes the explained variance of the model and does not impose any distribution assumptions (Sharif & Nia, 2018).

A contemporary information analysis method that can deal with sample sizes and the non-normality of data seen in social science and business research is Partial Least Squares (PLS-SEM). Furthermore, it was discovered that PLS-SEM yields superior results for study outcome prediction when compared to covariance-based SEM (Hair et al., 2021). The analysis was done in two stages: the measurement model was looked at first, and then the structural model (Henseler et al., 2015). Figure 2 shows the structural equation modeling of the proposed model.

Demographic Information

The demographics of respondents indicate that the majority, 211 (65%) of the respondents were female students. At the same time, male students were 113 (35%). Analysis shows that 210 (64.8%) respondents belonged to urban areas, and 114 (35%) were from rural areas of Pakistan. Data shows that the majority, 132 (40.7%) of the respondents, were in the age bracket 22 to 24, while 124 (38.3%) were 19 to 21 in age. Only 16 respondents were from the age of up to 16.

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Table 1

Demographic Characteristics

Demographics	Frequency	Percentage
Gender		
Male	113	34.9
Female	211	65.1
Belong to		
Rural	114	35.2
Urban	210	64.8
Age		
Up to 18	16	4.9
19 to 21	124	38.3
22 to 24	132	40.7
More than 25	52	16
Using a smartphone /personal computer or laptop		
One year	25	7.7
Two years	25	7.7
Three years	45	13.9
More than three years	229	70.7
How long have you been using the internet		
One year	15	4.6
Two years	24	7.4
Three years	38	11.7
More than three years	247	76.2

The analysis indicates that 229 (70.7%) of the respondents had been using smartphones/personal computers or laptops for more than 3 years, and 45 (13.9%) had been using them for three years. The demographics show that most respondents, 247 (76.2%), had been using the Internet for more than 3 years, whereas some respondents, 24 (7.4%), had been using the Internet for 2 years. Only 15 (4.6%) respondents were new to internet use and had been using it for one year.

Measurement Model

The measurement model in the Partial Least Squares Structural Equation Modeling (PLS-SEM) focuses on the connections between constructs and the items that correspond to them and specifies how latent variables are assessed using observed indicators. To ensure that indicators appropriately reflect the underlying structures, it evaluates the validity and reliability of these indicators. In a measurement model, factor loadings show the relationship between the latent constructs underlying the observable indicators.

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Table 2

Factor Loading and Construct Reliability and Validity

Construct	Item	Factor Loading	AVE	Cronbach's alpha	Composite reliability rho_c	Composite reliability rho_ A
Digital Financial Literacy	DFL1	0.614	0.545	0.791	0.852	0.824
	DFL 2	0.494				
	DFL3	0.841				
	DFL4	0.873				
	DFL5	0.798				
Financial well-being	FWB1	0.729	0.533	0.706	0.820	0.709
	FWB2	0.754				
	FWB3	0.782				
	FWB5	0.649				
Financial Self-efficacy	FSE1	0.658	0.538	0.714	0.822	0.738
	FSE2	0.823				
	FSE3	0.680				
	FSE4	0.762				

Note: AVE= Average Variance Extracted

Construct Reliability and Validity

The reliability of the construct is increased by high factor loadings, usually above 0.7, which shows that the indicator strongly represents the latent variable. Low factor loadings imply that an indicator might need to be re-evaluated or removed if it does not accurately represent the construct. However, if the constructs' reliability and validity are within accepted values, there is no need to remove the items. Table 2 shows the accepted values of construct reliability and validity. However, the FWB4 was removed because its loading was too low. The reliability and validity metrics for the three constructs, digital financial literacy (DFL), financial self-efficacy (FSE), and financial well-being (FWB), are displayed in Table 2. The values of Cronbach alpha (>0.7) and composite reliability (>=0.7) are accepted (Hair et al., 2021). Moreover, the values of Average Variance Extracted (AVE) met the threshold value >0.5.

Discriminant Validity

The discriminant validity is measured through the HTMT (Heterotrait-Monotrait ratio of correlations).

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Table 3

Discriminate Validity

Constructs	Heterotrait-monotrait ratio (HTMT)
FSE <-> DFL	0.600
FWB <-> DFL	0.438
FWB <-> FSE	0.763

Note: DFL = Digital financial literacy, FSE=Financial Self-efficacy, FWB= Financial Well-being

Table 3 shows that HTMT values (0.600, 0.438, and 0.763) are below the standard criterion of 0.85, indicating that these constructs are distinct from one another (Kline, 2011). Hence, the DFL, FSE, and FWB constructs display appropriate discriminant validity.

Collinearity statistics (VIF)

The variance inflation factor (VIF) scores must be less than 10 (acceptable), preferably less than 5; such outcomes suggest a low level of concern for multi-collinearity (Ringim et al., 2012). Each predictor contributes independently to the model because the VIF values in Table 4 (>5) show that there is no significant multicollinearity among the predictors.

Table 4

Collinearity statistics

Items	VIF
DFL1	1.598
DFL2	1.084
DFL3	2.357
DFL4	2.004
DFL5	1.874
FWB1	1.325
FWB2	1.419
FWB3	1.505
FWB5	1.237
FSE1	1.390
FSE2	1.501
FSE3	1.270
FSE4	1.478

Note: DFE= Digital financial literacy, FSE=Financial Self-efficacy, FWB= Financial Well-being

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Structure Equation Modeling

The PLS-SEM (Partial Least Squares Structural equation modeling) was used to test the influence of the independent variable on the dependent variable. The moderating effect was also evaluated (Figure 2).

Model Fit and Predictive Power

Acceptable Q^2 values generally include 0.02, 0.15, and 0.35, which indicate weak, moderate, and sound effect levels of predictive relevance, respectively (Chin, 2009). When the Q^2 value is positive, the PLS-SEM results' prediction error is less than that of utilizing the mean values alone. The PLS-SEM models perform more predictably in that scenario (Ringle et al., 2024). The Q^2predict value (0.294) is greater than the threshold value of 0, which suggests that the model has excellent predictive relevance for Financial Well-Being (FWB). The model's prediction error is indicated by (the root mean squared error) RMSE (0.847), with smaller values suggesting a better fit (Chai & Draxler, 2014). R2 values ought to be at least 0.10 or higher (Falk & Miller, 1992). The R-Square score of 0.322 suggests that the model of the study has a higher predictive power (Table 5).

Table 5

Model Fit and Predictive Power

Indicator	Q^2predict	RMSE	R- Square
FWB	0.294	0.847	0.322

Note: FWB= Financial Well-being, RMSE= (Root Mean Squared Error)

Hypothesis Results

The result of the path coefficient shows β, t, and p values. β value shows the effect size, t values show a path or link between variables in a model, and p values show whether the impact is significant or insignificant.

Table 6

Path coefficient

Hypothesis	Relationship	Path Coefficient (β)	T statistics	P values	Result
H1	DFL ---> FWB	0.140	2.397	0.017	Accepted
H2	FSE -> FWB	0.491	8.406	0.000	Accepted
H3	FSE x DFL -> FWB	0.015	0.393	0.694	Rejected

Note: DFE= Digital financial literacy, FSE=Financial Self-efficacy, FWB= Financial Well-being

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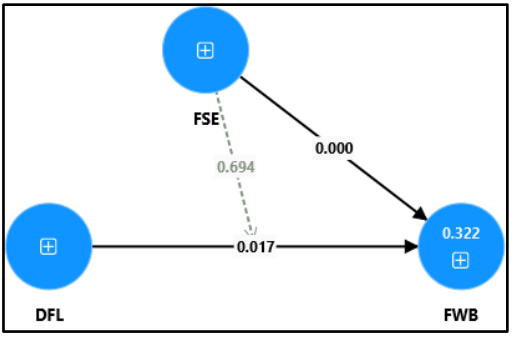
The results show that DFL has a significant positive effect on financial well-being (β = 0.140, *t* = 2.397, *p* = 0.017). Further, financial self-efficacy (FSE) has a positive and significant effect on financial well-being (β = 0.491, *t* = 8.406, *p* = 0.000). This implies that financial well-being is positively impacted by both financial self-efficacy and DFL (H1 and H2).

Further, Table 6 shows the interaction of DFL (digital financial literacy) and FWB (financial well-being and the influence of the FSE (financial self-efficacy). The positive β value (β=0.015) shows that there is a weak impact of FSE on the relationship between the DFL and EWB. It shows that FSE is not moderating the relationship between the DFL and FWB. At low FSE, there will be a stronger relationship between DFL and FWB. The p-value (β = 0.015, *t* = 0.393, *p* = 0.694) is greater than 0.05, indicating that the interaction is insignificant. It is noted that the combined influence of DFL and FSE does not considerably affect FWB in comparison to their respective impacts (H3).

Figure 2

Structural Equation Modeling



DISCUSSION

The current study examined the influence of digital financial literacy (DFL) on financial well-being (FWB) and investigated the moderating role of financial self-efficacy between DFL and FWB among young adults in Pakistan. PLS-SEM has gauged the proposed research framework. The emergence of digital culture has changed the financial landscape and posed challenges. In response, PLS-SEM has created the proposed research framework with the knowledge and skills necessary to make wise financial decisions. The result of the study concluded that DFL and FSE have a positive direct effect on FWB in the Pakistani context. Financial self-efficacy empowers young adults to take control of their financial lives and build confidence. The findings supported the results of the prior research (Chaity et al., 2024; Jumady et al., 2024),

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which indicated that DFL and FSE are positively associated with FWB. Moreover, the rise of fintech demands digital literacy education, empowering individuals to manage their finances effectively (Bushra & Mir, 2024). Similarly, Chaity et al. (2024) indicated that financial self-efficacy mediates the relationship between financial behavior and financial well-being, indicating that confidence in financial skills leads to proactive financial management. High self-efficacy, influenced by financial literacy, motivates individuals to engage in positive financial behavior, further enhancing their financial health (Jumady et al., 2024).

While the positive correlation between these factors and financial well-being is evident, some studies suggest that excessive reliance on mobile fintech may negatively impact desirable financial behavior, indicating a complex relationship that warrants further exploration (Zhang & Fan, 2024). Moreover, Naseer and Miya (2024) found that the lack of financial literacy impacts the employees' financial well-being from the Pakistani perspective. The current study's findings contribute to the knowledge related to the phenomenon from the developing country's perspective.

This study also measures the moderating role of financial self-efficacy between DFL and FWB. FSE can indeed act as a moderator that enhances the positive effects of DFL on financial well-being. Research indicates that both FSE and DFL significantly contribute to financial well-being, with FSE amplifying the benefits derived from DFL. Financial self-efficacy (FSE) has been shown to partially moderate the relationship between financial literacy and financial inclusion, suggesting that higher self-efficacy can lead to better financial decision-making (Bansal, 2024).

While the positive interplay between FSE and DFL is evident, it is noted that not all individuals may experience the same level of benefit from these factors, as personal circumstances and external economic conditions can influence financial outcomes. However, contrary to the previously established phenomenon, the study's findings rejected the hypothesis (H3) that proposed a positive significant moderating role of FSE between DFL and FWB. Data suggest that FSE does not significantly moderate the relationship between DFL and FWB in the Pakistani context. External factors such as peer pressure, college costs, or family support may have a greater impact on their financial decisions than their perceived financial capacity. Their ability to effectively use their financial self-efficacy to influence results may be limited by this developmental stage.

CONCLUSION

It aims to assess DFL among young adults along with the impact of DFL and FSE on FWB. The findings of the study indicated that DFL and financial self-efficacy had a significant positive impact on the financial well-being of young adults. This implies that young adults' overall financial well-being (such as financial stability, satisfaction, and

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ability to fulfill financial goals) improves as they gain more knowledge about digital financial instruments and feel more confident in their financial skills. Young adults who believe they can manage their finances and are more digitally educated in this area typically have higher financial stability and health. Moreover, FSE did not moderate the relationship between DFL and FWB. It indicates that there was no change in the direction or strength of the association between DFL and FWB due to FSE. The influence of DFL on a young adult's financial well-being was independent of their level of financial self-efficacy. Regardless of the participant's confidence in their ability to manage their finances, the impact of knowing about digital financial tools on financial well-being was constant.

THEORETICAL AND PRACTICAL IMPLICATIONS

Educational institutions and legislators should implement financial literacy initiatives to enhance young adults' DFL. Financial self-efficacy training and seminars from financial organizations can improve their FWB. This will equip young adults with the necessary skills to handle money effectively. The study would provide insight to financial app developers by incorporating instructional materials to enhance young adults' DFL, such as gamified learning opportunities and tutorials. These implications not only provide important new information to the theoretical understanding of DFL and financial self-efficacy but also emphasize how crucial it is to help young adults improve their digital financial abilities and confidence to attain better financial results.

The insignificant financial self-efficacy role may have financial behaviors or outcomes of the young adults in the Pakistani perspective that are more influenced by outside variables than by their financial self-efficacy. These variables could include socioeconomic circumstances, familial influences, or a lack of financial independence. Future research should examine other contextual elements, including cultural norms or financial literacy levels that affect young adults' financial decisions. In order to produce significant behavioral changes, practical applications might need to develop interventions that improve financial self-efficacy while also addressing these external constraints.

RESEARCH LIMITATIONS AND FUTURE DIRECTIONS

The study was limited to young adults aged 18 to 26, familiar with digital financial services such as online banking, mobile banking, easyPesa, and JazzCash in the Pakistani context. This study assessed the impact of DFL and FSE on FWB. The study may have overlooked other important variables, such as financial behaviors, personality qualities, income levels, or access to financial resources that may impact financial well-being. The findings support the literature and provide evidence that FWB is influenced by DFL. DFL should be a major determinant of financial outcomes in future studies. Likewise, the study indicates that digital competency is imperative for

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financial stability. The association between financial literacy and digital competencies to influence FWB should be addressed in future studies.

This is a quantitative study, further investigation into the dynamics of DFL, FSE, and FWB is also necessary, utilizing different research methodologies, including mixed-methods approaches. The results may not be as broadly applicable as possible due to the sample's particular demographics, and the factors influencing young adults' financial situation may also differ.

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