Impact of Financial Literacy and Financial Distress on Financial Wellness among Public University Students in Sri Lanka

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***Abstract** - The term "financial wellness" is increasingly used to assess an individual's financial situation. Amidst a severe economic crisis in 2021 and 2022, Sri Lanka is grappling with significant challenges, including a scarcity of foreign currency, impending debt payments, inflation, and shortages of essential supplies. This crisis has particularly affected the younger generation, impacting both their education and businesses. Public university students in Sri Lanka face rising costs of living, including food, accommodation, transport, and educational materials. The financial crisis has exacerbated these challenges, limiting students' ability to meet their daily expenditures. While state universities offer free education, the quality and accessibility are constrained by severe competition and standardized programs. This study aims to examine the impact of financial literacy and financial distress on the financial wellness of public university students in Sri Lanka. Despite extensive international research on financial literacy, distress, and wellness, there is a notable gap in understanding these dynamics in the Sri Lankan context. Primary data collection involved distributing survey questionnaires to a randomly selected sample of public university students. The questionnaire assessed demographic information, financial literacy, financial distress, and financial wellness, totaling 61 questions. Data analysis was conducted using EVIEWS and Excel. The study found a strong positive relationship between financial literacy and financial wellness, supporting Hypothesis 01. While Hypothesis 02 suggested a negative relationship between financial distress and financial wellness, it was not statistically significant. However, Hypothesis 03 confirmed a significant combined impact of financial literacy and distress on financial wellness. Despite the economic challenges in Sri Lanka, public university students exhibit higher financial literacy and effective financial management. The study underscores the significant impact of financial literacy and distress on financial wellness, providing valuable insights for policymakers and educational institutions.*

***Keywords*:** Financial Distress, Financial Literacy, Financial Wellness and Public Sector University Students.

I. INTRODUCTION

This study aims to investigate the measurement of financial literacy, financial distress, and financial wellness among public university students in Sri Lanka. It focuses on identifying the interactive relationship between financial literacy and financial distress and ultimately understanding the impact of these factors on the financial wellness of public university students in Sri Lanka. The ongoing economic crisis has significantly affected students, leading to issues related to inflation and a lack of funds for their daily expenditures. Consequently, the research holds timely importance in analyzing this challenging period in the Sri Lankan context. Despite extensive research on financial literacy, distress, and wellness in developed and developing countries, there is a notable absence of such research within the Sri Lankan context. This research gap has been identified as a key focus for this study.

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Financial wellness, regarded as a more precisely quantified measure than health, is crucial in assessing an individual's financial situation. Sri Lanka's economic instability has prompted various initiatives to enhance financial literacy and alleviate financial suffering, particularly among higher education students attending public universities. Financial wealth is used as a more precisely quantified measure of financial wellness than health. Financial wellness is one of the key elements of financial health; the term "financial wellness" is now used to characterize a person's financial situation (Delafrooz & Paim, 2011). Due to several factors contributing to the country's economic and financial instability, Sri Lanka is still going through its worst economic crisis. With the country's predicament, there are numerous initiatives to increase financial literacy and reduce financial suffering in Sri Lanka (South Asia Economic Focus and Sri Lankan Development Update, 2022). The financial crisis in Sri Lanka is causing major challenges for higher education students, particularly those attending public universities, according to University World News (University World News, 2022). In developed and developing nations, extensive research has been conducted on the topic in various foreign studies (Ismail & Zaki, 2019; Lusardi & Mitchell, 2014; Muhammad, 2016; Sonobe, 2011). Many studies have specifically concentrated on financial literacy alone (Kelegama & Tilakaratna, 2014; Tennekoon & Liyanage, 2021; Weerasekara et al., 2018).

Numerous investigations have explored the relationship between financial distress, financial literacy, and financial wellness. According to Garman and Forgue (1997), financial literacy involves having "adequate knowledge of facts on personal money and is the basic to personal financial management." Financial distress, encompassing various financial problems at personal, familial, and other levels, is recognized as stress (Joo, 1998). Financial wellness, identified as a key element of financial health (Delafrooz & Paim, 2011), is crucial in determining an individual's overall economic well-being. The literature review and information sources consulted for this research endeavor aimed to obtain a concise methodology, recognizing, clarifying, and explaining the research-related concept.

Financial wellness, as per Delafrooz and Paim (2011), encompasses two elements: economic well-being and financial wellness, differentiating personal financial management. Financial wealth is considered a more accurate quantitative measure of financial wellness than health, as supported by numerous empirical research studies (Delafrooz & Paim, 2011). Previous studies, including those by Vitt et al. (2000) and Ismail and Zaki (2019), have positively linked financial wellness and financial literacy. Dvorak and Hanley's study suggests that individuals with lower levels of financial literacy tend to have lower economic well-being and education levels (Dvorak & Hanley, 2011).

In conclusion, this study holds empirical significance, contributing to the understanding of the relationship between financial literacy, financial distress, and financial wellness. The literature review highlights the extensive research conducted in areas such as financial literacy, financial distress, and the adoption and diffusion of financial wellness, emphasizing the multifaceted impact of financial literacy and distress on the overall financial wellness of individuals (Delafrooz & Paim, 2011; Dvorak & Hanley, 2011; Ismail & Zaki, 2019; Garman & Forgue, 1997; Vitt et al., 2000). The following research question and objectives have been organized henceforth.

A. Research Question

What is the impact of financial literacy and financial distress on financial wellness among Public University students in Sri Lanka?

B. Objectives of the study

This study aims to test the impact of financial literacy and financial distress on financial wellness among public university students in Sri Lanka. Accordingly, the following sub objectives are derived.

1. To examine the relationship between financial literacy and financial wellness among public university students in Sri Lanka.
2. To examine the relationship between financial distress and financial wellness among public university students in Sri Lanka.
3. To investigate the impact of financial literacy and financial distress on financial wellness among public university students in Sri Lanka.

II. LITERATURE REVIEW

Garman and Forgue (1997) define financial literacy as possessing "sufficient knowledge of facts on personal money, serving as the foundation for personal financial management." They acknowledge the challenges associated with acquiring knowledge about personal finance, navigating complex financial problems, and dealing with the stress induced by numerous options when making financial decisions. These difficulties stand as impediments to achieving financial literacy. Moore (2003) and Huston (2010) assert that an individual is considered financially literate when they can apply their knowledge, with Moore highlighting that literacy involves actively integrating knowledge with real-world experience. In essence, individuals become more financially savvy as they enhance their literacy. Despite this, Huston (2010) emphasizes a crucial finding having financial literacy doesn't guarantee expected behavior or improved financial wellness due to external factors like cognitive bias, self-control issues, peer pressure, family dynamics, and institutional factors influencing financial habits and well-being. Both Moore (2003) and Huston (2010) agree that financial literacy lacks a direct measure, and there is no standardized instrument for its assessment.

Financial distress, as defined by Joo (1998), refers to stress induced by financial situations, including personal, familial, and various financial problems. Delafrooz and Paim (2011) extend this concept to encompass challenges, constraints, and stress related to the economy. Circumstances described by Garman et al. (1998) as financial pressures can impact an individual's health, daily functioning, marriage quality, and work capacity (Conger et al., 1990; Garman et al., 1996; Garman et al., 1999; Garman, 1997; Kim & Garman, 2004; Sporawski, 1979).

Assessing an individual's financial wellness serves as an indicator of their financial health. According to Taft et al. (2013), awareness of one's financial wellness is crucial for gauging financial health. Everyday financial wellness habits play a significant role in influencing overall money management decisions (Zaiton, Marlina, & Ing, 2018). For income earners, three critical aspects of financial wellness include spending, handling emergencies, and investing. Joo and Garman (1998) employ the term "financial health" to encompass a broad concept that includes financial contentment, an objective assessment of one's financial situation, financial perception, and immeasurable conduct.

A. Theoretical review

In the theoretical framework of this study, specific theories closely align with the identification of the theoretical behavior of selected variables. Two particularly relevant theories are prospect theory and self-efficacy theory.

Prospect theory, developed by Kahneman and Tversky in the early 1980s, integrates psychology and economics (psychoeconomics) to analyze an individual's decision-making behavior when faced with economic choices (Kahneman & Tversky, 1984). This theory, adopting a descriptive approach, delves into how real decisions are made. Key components, risk aversion and risk-seeking behavior, as identified by Kahneman and Tversky, highlight an irrational tendency among individuals to be more reluctant to risk gains than losses (Kahneman & Tversky, 1979). Prospect theory is in harmony with mental accounting, emphasizing how individuals respond to and evaluate situations with two or more possible outcomes, particularly in combining the possibilities of these results.

Financial self-efficacy, rooted in Bandura's (1977, 1982) initial self-efficacy construct, posits that self-efficacy is a "self-referent" thought situated at the intersection of knowledge and action (Bandura, 1982). Bandura suggests that efficacious assessments of individual circumstances influence behavior positively, leading to greater potential for personal success and overall well-being. If financial self-efficacy is viewed as a product of individual success or belief in one's potential for success, it can be argued that the promise of future earnings through a high-yield income major offers the potential for mitigating financial distress.

B. Empricial review

Measuring financial literacy, financial distress, and financial wellness presents a complex challenge. Researchers have proposed diverse indices and variables to gauge financial literacy and distress, employing various methods to measure financial wellness. According to Lusardi and Mitchell (2014), financial literacy involves utilizing knowledge and understanding of financial concepts to make informed decisions, ultimately enhancing individual and societal financial wellness, and promoting economic participation. This underscores the importance of informed decision-making guided by appropriate financial knowledge and attitudes (Lusardi & Mitchell, 2014).

In the study "Financial Behaviors of Female Teachers in Malaysia, 2013," financial behavior was measured using descriptive questions, and factor analysis identified four dimensions: planning, cash management, saving, and credit card usage (Roshan et al., 2013). This approach aimed to capture diverse aspects of financial behavior.

Financial distress, encompassing financial anxiety, worry, and money concerns, has been shown to significantly impact an individual's quality of life and overall satisfaction. Responses to financial distress can manifest emotionally, relationally, physiologically, or through a combination of these dimensions. The APR financial distress scale (2020) developed a multidimensional measurement framework, considering psychological, social, and physiological perspectives (Heo et al., 2020). This conceptual framework includes affective reactions, relational behavior, and psychological responses in its measurement of financial distress.

The financial well-being index (2019) outlines dimensions for overall financial wellness, including money worries, budgeting and planning, debt management, protection, properties and mortgages, savings and investments, retirement, and tax (Taft et al., 2013). In this research study, financial wellness was measured using dimensions such as budgeting and planning, savings and investments, debt management, protection, and insurance, aligning with the index.

Various research studies have identified financial wellness using different variables. An international journal article titled "Does Financial Literacy and Financial Wellness Affect Financial Wellness" (Ismail et al., 2019) stated in its theoretical framework that financial wellness is measured using financial literacy and financial distress. This demonstrates the interconnectedness of these factors in understanding an individual's financial well-being.

III. METHODOLOGY

Frankline Kibuacha asserts that the term "sample size" in research refers to the number of subjects included in a study to adequately represent a population. The selection of an appropriate sample size is a crucial aspect of statistical analysis. The calculation of the sample size is contingent on the population size, as illustrated in Table 1 below. In the context of this study, which focuses on 35,000 students from Sri Lanka's public universities, the determination of the required sample size is influenced by factors such as the population and the anticipated level of margin of error. It is essential to recognize that the ideal sample size can vary depending on specific circumstances.

Table 1. Sample size determination

	Size of population					
Margin of error	**>5000**	**5000**	**2500**	**1000**	**500**	**200**
10%	96	94	93	88	81	65
7.5%	171	165	160	146	127	92
5%	384	357	333	278	217	132
3%	1067	880	748	516	341	169

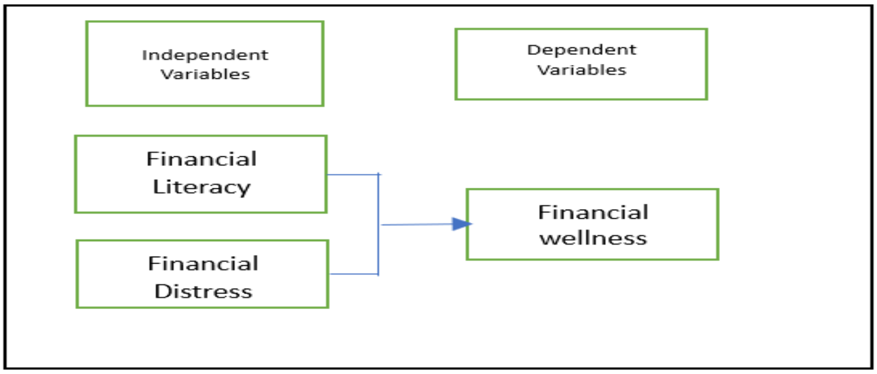
Source: Authors compilation.

There exist various sampling methods categorized into two main types: probability sampling (such as simple random sampling, systematic sampling, stratified sampling, and cluster sampling) and non-probability sampling (including quota sampling, judgment sampling, and snowball sampling). It is essential for a representative sample to employ probability sampling procedures, ensuring every member of the population has an equal chance of selection. Non-probability sampling, on the other hand, lacks the certainty of knowing which individual from the population will be selected (Moser & Co., 1953).

This study focuses on the population of students attending Sri Lankan public universities. With less than 16% of students allowed enrollment in universities, there are seventeen public universities in Sri Lanka, admitting 35,000 students each year. The study's target demographic comprises students enrolled in these public universities, and a questionnaire survey was distributed to select a random sample from this population. The 17 public universities in Sri Lanka include USJP, University of Ruhuna, University of Moratuwa, University of Kelaniya, University of Colombo, Sabaragamuwa University of Sri Lanka, Rajarata University of Sri Lanka, Eastern University, University of Jaffna, University of Peradeniya, Wayamba University of Sri Lanka, University of Vavuniya, SUSL, and KDU. This study collected responses from various faculties in these universities, encompassing fields such as Management, Humanities, Engineering, Medicine, Technology, Agriculture, Allied Health Science, Applied Science, Architecture, Law, Veterinary Medicine, and Animal Science. Clusters were selected to be internally and externally homogeneous.

The study employed a questionnaire survey to gather data, with the chosen participants representing the higher education sector. The financial health and general analysis of these participants are significant and relevant to the industry sector. The study aims to understand how financial wellness among Sri Lankans enrolled in public universities is influenced by their financial knowledge and management abilities. It adopts a positivistic philosophy and utilizes a descriptive research design. The research approach falls within the mixed-method spectrum, combining both qualitative and quantitative elements, as suggested by Saunders (2003). The researcher has developed a conceptual framework by referencing past studies, and based on identified variables, the conceptualization for the study is developed accordingly (Figure 1).

Figure 1. Conceptual framework



Source: Authors compilation.

Table 2. Operationalization definitions of the variables

Variable	Operational definition	Dimensions
Dependent variable		
Financial Wellness (FW)	Financial wellness is measuring the daily practices of financial wellness may affect the entire decision about money management (Falahati & Sabri, 2015).	• Budgeting and Planning • Savings and Investments • Debt management • Protection and Insurance
Independent variables		
Financial literacy (FL)	Financial literacy tests a person's knowledge of fundamental financial concepts as well as his or her capacity and confidence in managing their own resources (Edmund et al, 2010).	• Financial behavior • Financial knowledge • Financial attitudes

Variable	Operational definition	Dimensions
Financial Distress (FD)	Financial distress refers to stress that is caused by a financial situation including personal, family, and other various financial conditions including economic distress, difficulties, constraints, and stress (Delafrooz and Paim, 2011; Joo, 1998).	• Affective reaction (AR) • Relational behavior (RB) • Physiological responses (PR)

Source: Authors compilation.

As indicated in Table 2, the questions of the survey which have been used for collecting responses are given below.

A. Financial Literacy

Financial behaviour:

- I do a monthly personal budget.
- I review and assess expenditures every end of the month.
- I plan my budget to achieve my financial objectives.
- I set aside money for savings.
- I set money for emergency.
- I am not frequently withdrawing cash from my debit card.

Financial knowledge:

- I feel secure in my current financial situation.
- I feel in control of my financial status.
- I feel capable of using my financial status to get to my financial goals.
- Savings and investing are important to me.
- I feel I have a good understanding on all the insurance in all form.

Financial attitudes:

- I am really concerned about whether I have enough money saved.
- I am pretty good at budgeting.
- I am not enjoying from buying expensive products to impress others.
- I wished that I understood financial affairs better than I do.
- I have a real fear of running out of money which urge me to control my personal expenditure.
- I am proud of my ability to save money.

B. Financial Distress

Affective reaction:

- I feel depressed because of my financial situation.
- I feel sad because of my financial situation.
- I am fearful because of my financial situation.
- I feel anxious because of my financial situation.

- I worry a lot because of my financial situation.

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Relational behaviour:

- My financial situation frequently interferes with my relationship with colleagues' relations.
- I often argue with my parents / significant others because of financial matters.
- I find it difficult to talk about my financial confidence with my significant relations due to no satisfaction.
- I frequently avoid attending family events because of my financial situation.
- My financial situation frequently interferes with my family relationship.

Psychological responses:

- I have stomach aches frequently because of my financial situation.
- My heartbeat increases because of my financial situation.
- I feel inactive because of my financial situation.
- I have more tasteless because of my financial situation.
- I have fatigue frequently because of my financial situation.

C. Financial Wellness

Budegeting and planning:

- I keep track of my expenses on a regular basis.
- I am always securing my earning before expenses.
- I am confident that I can control my personal finance.
- I make goals about how to spend money and I discuss them with my family.
- I am concern with my overall financial performance.
- I know that my financial management is in a good condition.

Savings and insurance:

- I put money aside for savings, future purchases, or emergencies.
- I am much more of saver than a spender.
- I am proud of my ability to save money.
- I am feasible to have an emergency savings at least Rs. 10000 if needed.
- I feel investment is an important habit for future.
- I do investment as I have much information and knowledge on different schemes.

Debt management:

- I am not using a credit card when I run out of money.
- I am not withdrawing cash from credit card for my expenses.
- I have not reached the maximum limit on my credit card usage ever.
- I am not getting cash advance from my credit card in frequently.
- I pay bills immediately such as telephone, credit card and insurance payments to avoid interest and penalties.

Protection and insurance:

- I feel I have a good understand on all the insurance in all forms.

- I think life insurance is good for the future.
- I feel I have the capable of handling buying insurance.
- I have a life insurance policy I am well informed on.
- I do not have disability insurance policy.
- I think life insurance provide financial support and financial benefits when it needed most.

The hypotheses developed to analyze the relationship between the identified independent and dependent variables are as follows:

D. Relationship between Financial Literacy and Financial Wellness

Financial literacy assesses an individual's knowledge of fundamental financial principles, as well as their ability and confidence in managing personal finances in various life events and economic scenarios. Socio-demographic factors and family financial status closely influence financial literacy. Therefore, Hypothesis 01 is formulated as follows:

H1: There is a significant relationship between financial literacy and financial wellness.

E. Relationship between Financial Distress and Financial Wellness

Financial distress is characterized as pressure, strain, and economic stress, which can lead to mental and physical reactions, negatively impacting health and well-being. Examples include the development of drinking issues, physical impairments, depression, and declining psychological well-being. Considering these arguments, Hypothesis 02 is formulated as follows:

H2: There is a significant relationship between financial distress and financial wellness.

F. Impact of Financial Literacy and Financial Distress on Financial Wellness

This hypothesis aims to evaluate the combined impact of financial literacy and financial distress on financial wellness. Given the linear correlation between financial wellness, financial literacy, and financial distress, Hypothesis 03 is developed as follows:

H3: There is a significant impact of financial literacy and financial distress on financial wellness.

The study posits that financial wellness is linearly correlated with both financial literacy and financial distress. To explore this relationship further, a multiple linear regression model will be employed, allowing for an in-depth analysis of the interplay among these variables. The resulting model will provide insights into the combined influence of financial literacy and financial distress on financial wellness.

Thus, the regression model for the study can be defined as follows:

$$FW = \beta_0 + \beta_1 * FL + \beta_2 * FD + \mu_i \quad (1)$$

Where, FW = Financial wellness, FL = Financial literacy, FD = Financial distress

IV. FINDINGS

The survey questionnaire employed in this analysis comprises four components: demographic information, financial literacy, financial distress, and financial wellness, totaling 61 questions. Prior to further distribution, a reliability test was conducted after collecting 29 initial responses to ensure the consistency of factors among the questionnaire items. The analysis revealed the validity and reliability of all items for each variable, with Cronbach's alpha testing resulting in 0.911759, 0.933158, and 0.919323 for financial literacy, financial distress, and financial wellness, respectively.

Given the quantitative nature of the study's methodology, a combination of descriptive and inferential statistical techniques was employed to analyze the data. Descriptive statistics, including mean, median, and standard deviation, were utilized to present the data (Table 1). For inferential statistics, the researcher employed correlation and regression analysis to delve into the relationships between variables. The statistical tools EVIEWS and EXCEL were employed in the data analysis process. This comprehensive approach allows for a thorough examination of the data, providing valuable insights into the relationships and patterns within the study's variables.

Table 3. Descriptive statistics of variables

	FL	FD	FW
Mean	61.21311	46.44262	81.99180
Median	64.00000	45.0000	82.50000
Std. Deviation	11.15201	12.98317	12.55763
Min	31.00000	15.00000	43.00000
Max	84.00000	71.00000	106.0000

Source: Authors compilation.

In presenting and analyzing the characteristics of the selected sample, it's important to note that the sample was randomly drawn from various public universities and faculties in Sri Lanka. A total of 122 students provided honest responses, contributing to the overview. The responses were collected from diverse public universities, including USJP, University of Ruhuna, University of Moratuwa, University of Kelaniya, University of Colombo, Sabaragamuwa University of Sri Lanka, Rajarata University of Sri Lanka, Eastern University, University of Jaffna, University of Peradeniya, Wayamba University of Sri Lanka, University of Vavuniya, SUSL, and KDU. The participating students belonged to various faculties such as Management, Humanities, Engineering, Medicine, Technology, Agriculture, Allied Health Science, Applied Science, Architecture, Faculty of Law, Veterinary Medicine, and Animal Science.

In this analysis, financial literacy and financial distress are considered independent variables, while financial wellness is considered the dependent variable. Financial literacy is measured through dimensions of financial behavior, financial knowledge, and financial attitudes. Financial distress is assessed based on dimensions of affective reaction, relational/interpersonal behavior, and psychological responses. Financial wellness is identified by dimensions of planning and budgeting, savings and investments, debt management, protection, and insurance. Table 4 provides an overview of the selected sample's characteristics based on demographic factors.

Table 4. Demographic characteristics of the sample

	No of respondents	%
Gender		
Male	48	39.34
Female	74	60.66
Age		
18 – 20	1	0.82
21 – 23	51	41.80
24 – 26	70	57.38
27 – 29	0	0
Monthly income		
No income	17	13.93
Below 5000	39	31.97
5000 – 20000	55	45.08
20000 – 40000	11	9.02
Above 40000	0	0
Working experience		
No experience	52	42.62
Below 6 months	22	18.03
6 – 12 months	39	31.97
12 – 18 months	3	2.46
18 – 24 months	2	1.64
Over 2 years	4	3.28

Source: Authors compilation.

The demographic distribution of the respondents reveals interesting patterns. A significant portion, 60.66%, of the participants are female undergraduates. Most respondents fall within the age range of 24 to 26, constituting 57.38% of the sample. Regarding monthly income, the highest percentage (45.08%) falls within the range of Rs 5,000 to 20,000. Furthermore, a considerable portion of the respondents, approximately 42.62%, do not have any prior working experience. These demographic characteristics provide valuable insights into the composition of the sample and contribute to a nuanced understanding of the factors influencing financial literacy, distress, and wellness within this group. Regression analysis is a quantitative research technique used for modeling and analyzing relationships among variables. It examines the significance of the relationship between a dependent variable and one or more independent variables. The essential components of linear regression include unknown values (β), independent variables (X), and the dependent variable (Y). In its basic form, a linear regression model illustrates the connection between these unknown parameters (β), independent variables (X), and the dependent variable (Y). This statistical method is fundamental for assessing and understanding the relationships within a dataset, providing valuable insights into the impact of independent variables on the dependent variable.

OLS linear regression model equation for testing hypothesis 01:

$$FW = \beta_0 + \beta_1 * FL + \mu_i \quad (2)$$

Table 5. Statistics for hypothesis 01

	Coefficients	Standard Error	P-value
Intercept	27.312	3.893	0.000
FL	0.893	0.062	0.000

Source: Authors compilation.

Regression equation for hypothesis 01:

$$FW = 27.312 + 0.893 * FL \quad (3)$$

According to the analysis (Table 5), the independent variable, financial literacy (FL), and the constant variable significantly impact financial wellness at both 95% and 90% confidence levels. The initial model's overall significance is supported by a probability value for the F statistic of 0.00000, which is less than 0.05 at both 95% and 90% confidence levels, allowing us to reject the null hypothesis. The multiple R of 79.33% indicates that the dimensions of financial literacy better explain FL. The adjusted R square, at 62.62%, suggests that the overall model is significant for testing the influence of financial literacy on financial wellness.

OLS linear regression equation for hypothesis 02:

$$FW = \beta_0 + \beta_1 * FD + \mu_i \quad (4)$$

Table 6. Statistics for hypothesis 02

	Coefficients	Standard Error	P-value
Intercept	82.580	4.256	0.000
FD	-0.012	0.088	0.886

Source: Authors compilation.

Regression equation for hypothesis 02:

$$FW = 82.580 - 0.012 * FD \quad (5)$$

According to the analysis (Table 6), the independent variable, financial distress (FD), and the constant variable significantly impact financial wellness at both 95% and 90% confidence levels. However, the overall significance of the initial model is not supported, as the probability value for the F statistic is 0.886068567, which is greater than 0.05 at both 95% and 90% confidence levels, leading to the inability to reject the null hypothesis. The multiple R of 0.013 indicates that the dimensions of financial distress are not significantly better in explaining FW. The adjusted R square of -0.008160125 suggests that the overall model is not significant for testing whether financial distress significantly influences financial wellness.

OLS regression equation for hypothesis 03:

$$FW = \beta_0 + \beta_1 * FL + \beta_2 * FD + \mu_i \quad (6)$$

Table 7. Statistics for hypothesis 03

	Coefficients	Standard Error	P-value
Intercept	27.078	4.693	0.000

	Coefficients	Standard Error	P-value
FL	0.893	0.062	0.000
FD	0.004	0.053	0.928

Source: Authors compilation.

Multiple linear regression equation for hypothesis 03:

$$FW = 27.078 + 0.893*FL + 0.004*FD + \mu_i \quad (7)$$

According to the analysis (Table 7), both independent variables, financial literacy (FL), and financial distress, along with constant variables, significantly impact financial wellness at both 95% and 90% confidence levels. The overall significance of the initial model is supported, as the probability value for the F statistic is 0.00000, which is less than 0.05 at both 95% and 90% confidence levels, allowing the rejection of the null hypothesis. The multiple R of 79.3292indicates that the dimensions of financial literacy and financial distress are better at explaining FW. The adjusted R square of 62.30% suggests that the overall model is significant for testing whether financial literacy and financial distress significantly influence financial wellness

V. DISCUSSION

The research, titled "Impact of Financial Literacy and Financial Distress on Financial Wellness among Public University Students in Sri Lanka," utilized primary data collected through a questionnaire survey distributed among Public University Students in Sri Lanka, resulting in approximately 122 responses in a random sample from the selected population. The study focused on financial wellness as the dependent variable, with financial literacy and financial distress as independent variables, each measured through specific dimensions.

The analysis employed ordinary linear regression and multiple linear regression methods using EVIEWS and EXCEL for data interpretation. The research aimed to examine the impact of financial literacy and financial distress on financial wellness, testing the hypotheses generated.

For Hypothesis 01, which tested the relationship between financial literacy and financial wellness, the descriptive statistics revealed a higher mean value and lower standard deviation. The results indicated a positive linear relationship between financial literacy and financial wellness, measured through dimensions such as financial behavior, financial knowledge, and financial attitudes. The dimensions were found to be free from multicollinearity issues, and tests, including the VIF test, were conducted. The model demonstrated normal distribution and was free from omitted variable bias. Although heteroskedasticity issues were observed, the regression analysis with ANOVA showed an overall p-value of 0.0000, which is less than 0.05, signifying a significant and strong positive relationship between financial literacy and financial wellness.

In the literature review, a positive correlation between financial literacy and financial wellness was evident, supported by various researchers' findings, including a study among government employees revealing a substantial correlation. The analysis, using Pearson's correlation, indicated a highly significant and positive link, with a correlation coefficient of 0.872 (Ismail et al., 2019). The immediate and beneficial outcomes on monetary health associated with financial knowledge were emphasized by Sabri and Falahati (2013). Azwadi et al. (2013) further supported this by explaining that individuals with high financial literacy tend to manage their spending and finances effectively. The overall results suggested that respondents with low to medium income levels still exhibited a moderate level of financial wellness, even with good financial literacy. The researcher's conclusion affirmed a positive and significant relationship between financial literacy and financial wellness in this study.

Hypothesis 02 aimed to explore the significant relationship between financial distress and financial wellness. The analysis revealed a higher mean value and lower standard deviation for financial distress, measured through dimensions like affective reaction, relational behavior, and psychological responses. These dimensions were found to be free from multicollinearity issues, as verified by the VIF test. However, the model exhibited heteroskedasticity issues and was not normally distributed, while also being free from omitted variable bias. The overall model's p-value was 0.886068567, exceeding 0.05, leading to the conclusion that there is no significant relationship between financial distress and financial wellness among public university students. The study suggested that public university students, being dependents and not primary earners, may have higher financial knowledge, effective personal wealth management, and positive financial attitudes. Additionally, the negative correlation between financial distress and financial wellness, although not statistically significant, hinted at a potential negative relationship that warrants further exploration.

The findings of previous research indicate that low to medium-income earners tend to have a moderate level of financial wellness, even with good financial literacy. This discrepancy may be attributed to the prevalence of high financial distress among this group. While possessing good financial literacy is beneficial, the study suggests that its impact on financial management may be limited without the practical application of precise financial strategies. Many respondents in the study reported low salaries, which could contribute to depression and deteriorating psychological well-being, in line with the findings of Kim and Garman (2003). The financial distress faced by low to medium-income earners may stem from insufficient funds for household repairs or personal vehicle maintenance, borrowing money for necessities, and improper budget planning for essential requirements. Consequently, the study establishes a significant relationship between financial distress and financial wellness.

The research diverges from a previous study among government employees (Ismail et al., 2019), which found a significant and strong positive correlation (0.852) between financial distress and financial wellness. However, in the current study among public university students, a negative relationship between financial distress and financial wellness was observed, although it was not statistically significant. This discrepancy may be attributed to the higher financial knowledge, effective personal wealth management, and positive financial attitudes among university students.

The multiple linear regression models were employed to assess the combined impact of financial literacy and financial distress on financial wellness. The high multiple R2 value of 79.3292% indicates a strong positive correlation between dependent and independent variables. The adjusted R2 of 62.3082% signifies that 62.3082% of the variation in financial wellness is explained by changes in financial literacy and financial distress, leaving only 37.0688% unexplained. The ANOVA model determined the overall significance of the model, with a p-value of 0.0000, supporting the conclusion that there is a significant relationship between the variables.

In hypothesis 03, the combined impact of financial literacy and financial distress on financial wellness was explored using a multiple linear regression model. The coefficients indicate that a one-unit increase in financial literacy results in a 0.893391283 increase in financial wellness, and a one-unit increase in financial distress results in a 0.004866281 increase in financial wellness. These results align with previous literature findings, particularly those of Ismail et al. (2019), who also reported a positive impact of financial literacy and financial distress, with coefficients of 0.872 and 0.852, respectively.

VI. CONCLUSION & RECOMMENDATIONS

In conclusion, financial wellness has emerged as a crucial and extensively discussed aspect of financial management within the community. The findings emphasize the necessity for organizations to offer training in financial wellness, especially given that students may experience financial distress despite possessing knowledge in financial management. This financial distress contributes to lower financial wellness, impacting not just wealth but also the overall health of public university students. Financial literacy and understanding the concept of financial wellness are vital for students to navigate and avoid financial depression.

Future research avenues could explore additional variables like financial self-efficacy and financial help-seeking behavior to further understand and enhance the financial wellness of low to medium-income earners. The study suggests implementing educational policies, introducing relevant courses, and incorporating practical knowledge related to accounting and finance into university curriculums. Financial literacy education should not only focus on knowledge acquisition but also on practical application.

However, the study has some limitations, including a small sample size, time constraints, and potential biases in respondents' financial information. The research is specific to public university students in Sri Lanka and may not be generalizable to all university students. Additionally, the lack of knowledge about various financial products among respondents and the possibility of unexplored variables present further limitations. Despite these constraints, the study provides valuable insights into the complex relationship between financial literacy, financial distress, and financial wellness among public university students in Sri Lanka.

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