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Influence of Personal Financial Management Practices in Personal Financial Satisfaction of Individuals in Kathmandu

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Abstract

Purpose: This study examines the influence of personal financial management (PFM) practices on personal financial satisfaction among individuals in Kathmandu, integrating the Theory of Planned Behavior and Financial Capability Model (FCM) Theory.

Design/Methodology/Approach: A quantitative research design was employed using a structured survey among 410 respondents selected through Non-Probability Convenience Sampling. Partial Least Squares Structural Equation Modeling (PLS-SEM) was applied to assess the predictive power of factors affecting PFM practices and their relationship with financial satisfaction.

Findings: Results reveal that PFM practices significantly influence personal financial satisfaction among individuals in Kathmandu. Investment planning emerged as a key contributor, along with saving, budgeting, debt management, and preparation for unexpected expenses. Key challenges include lack of financial knowledge, low income, impulsive spending habits, and insufficient emergency planning.

Originality/Value: The study underscores that PFM practices—saving, spending, debt management, investing, and managing unexpected expenses—are crucial for improving financial satisfaction. Addressing barriers through school-based education, digital tools, community programs, and supportive policies is essential to strengthen financial behavior and enhance financial well-being in Nepal.

Keywords: personal financial management practices, personal financial satisfaction, savings, expenditures, investment, unexpected expenses, financial literacy

Introduction

Personal financial management is essential for achieving long-term life goals, maintaining financial stability, and developing resilience against economic uncertainty. In an increasingly complex global financial environment, individuals are expected to make informed decisions regarding income, expenditure, savings, investments, and risk management. As financial markets continue to evolve, the adoption of sound personal financial management practices has become more important than ever (Klapper et al., 2015). Effective financial management not only enhances individuals' ability to withstand economic shocks but also reduces financial stress and contributes significantly to overall life satisfaction. Individuals who actively manage their financial resources generally report higher levels of financial well-being and satisfaction than those with poor financial practices (Lusardi & Mitchell, 2014).

Effective personal financial management forms the foundation of long-term financial security and personal well-being (Baryła-Matejczuk et al., 2020). It encompasses budgeting, expenditure control, saving, investment planning, debt management, and preparation for unforeseen financial emergencies. Sound financial management enables individuals to allocate resources efficiently, prioritize essential expenditures, avoid excessive indebtedness, and accumulate wealth over time (Fernandes et al., 2014). Furthermore, structured budgeting practices improve financial discipline and enhance decision-making capabilities. Contemporary studies also highlight that systematic budgeting approaches, including zero-based budgeting principles, strengthen financial planning by ensuring that every expenditure is justified according to financial priorities rather than previous spending patterns. Although originally developed for organizational settings, zero-based budgeting principles encourage efficient allocation of resources and can significantly improve personal financial planning and cost management (Celestin et al., 2025). Consequently, consistent financial management practices reduce uncertainty, strengthen financial confidence, and improve overall financial satisfaction (Lusardi & Mitchell, 2014).

Investment behaviour represents another critical determinant of financial satisfaction. Appropriate investment decisions enable individuals to build wealth, generate passive income, achieve financial independence, and prepare for retirement. Investments in financial instruments such as stocks, mutual funds, fixed deposits, retirement funds, and real estate provide opportunities for long-term financial growth (Orcoyen, 2025). Lusardi and Mitchell (2014) argued that investment planning is fundamental to achieving sustainable financial stability, while Nguyen et al. (2019) demonstrated that diversified investment portfolios minimize financial risk and improve long-term returns. Similarly, Subedi (2023) reported that disciplined investment behaviour enables individuals to accomplish important financial goals such as home ownership, children's education, and retirement security. Recent evidence also suggests that advances in artificial intelligence are transforming financial planning and investment decision-making by supporting more accurate capital budgeting, risk assessment, and resource allocation. AI-driven financial analysis improves the quality of financial decisions by reducing uncertainty and supporting evidence-based investment planning (Celestin et al., 2026).

Emergency preparedness through adequate savings and insurance constitutes another important dimension of financial management. Clark et al. (2014) emphasized that maintaining emergency savings, insurance coverage, or other liquid assets significantly reduces financial anxiety and enhances financial control. During unexpected events such as medical emergencies, accidents, natural disasters, or employment loss, emergency funds provide financial protection and prevent severe economic hardship. Similarly, Gutter and Copur (2011) found that individuals with emergency financial preparedness experience greater confidence in managing financial uncertainty and report higher levels of financial satisfaction. Financial preparedness therefore contributes not only to financial resilience but also to psychological well-being.

Financial decision-making is influenced not only by financial knowledge but also by behavioural and psychological factors. Behavioural accounting perspectives explain that individuals' financial decisions are often affected by cognitive biases, emotions, attitudes, and perceptions rather than purely rational economic considerations. Understanding these behavioural dimensions improves financial planning and supports better financial outcomes by encouraging more disciplined saving, spending, and investment behaviour (Celestin et al., 2026). Therefore, behavioural financial management has become increasingly important in promoting sustainable financial satisfaction.

The relationship between financial management practices and financial satisfaction is particularly significant in developing economies such as Nepal. Rapid urbanization, economic transformation, expanding banking services, and increased financial inclusion have gradually changed the financial behaviour of Nepalese households. As access to formal financial institutions and digital financial services continues to improve, individuals are increasingly adopting structured approaches to budgeting, saving, and investment (Ghimire & Bhattarai, 2019a). Nevertheless, disparities in financial literacy continue to influence the effectiveness of personal financial management.

Financial literacy remains one of the most important determinants of successful financial management. Clark et al. (2014) identified inadequate financial knowledge as a major obstacle to effective financial decision-making. Although awareness of saving and investment opportunities has increased in Nepal, many households still struggle to establish emergency funds, diversify investments, and develop long-term financial plans. Ghimire and Bhattarai (2019b) observed that limited financial literacy among Nepalese households contributes to poor financial management practices, resulting in lower financial satisfaction. Strengthening financial education therefore remains essential for improving financial capability and promoting sustainable financial well-being.

Spending behaviour in Nepal is influenced by both disposable income and strong socio-cultural obligations. Nepalese households allocate a substantial proportion of their income toward essential expenditures, including food, education, healthcare, and housing. Additionally, significant financial resources are devoted to religious ceremonies, festivals, weddings, and other cultural obligations, reflecting the influence of traditional social values on household spending decisions (Shrestha & Subedi, 2020). Government initiatives and financial literacy programs conducted by non-governmental organizations have increasingly encouraged responsible spending, financial planning, and balanced resource allocation.

Investment practices in Nepal have also evolved considerably over recent years. While traditional investments in land, gold, livestock, and fixed deposits remain popular, urban investors are increasingly participating in the Nepal Stock Exchange (NEPSE), mutual funds, and other formal financial instruments. Technological developments, including mobile trading applications and digital banking services, have enhanced public participation in financial markets (Karki & Poudel, 2020). Moreover, microfinance institutions and cooperative organizations continue to facilitate investment opportunities, particularly among rural households and small entrepreneurs, thereby contributing to broader financial inclusion.

Despite these positive developments, many Nepalese households remain inadequately prepared for unexpected financial shocks. Individuals without emergency savings or insurance frequently experience greater financial instability and lower financial satisfaction. Households maintaining structured contingency plans, including emergency savings and insurance protection, demonstrate significantly higher financial confidence and satisfaction. Furthermore, comprehensive financial planning requires continuous assessment and comparison of financial alternatives to ensure efficient resource utilization and sustainable financial outcomes (Mishra, 2022). Such systematic evaluation supports informed financial decision-making and strengthens long-term financial resilience.

Overall, existing literature consistently demonstrates that budgeting, saving, investment planning, emergency preparedness, financial literacy, and behavioural financial decision-making collectively influence personal financial satisfaction. These dimensions provide a comprehensive theoretical foundation for examining the relationship between personal financial management practices and financial satisfaction within the Nepalese context.

Research Objective

To analyze the impact of personal financial management practices on personal financial satisfaction among the individuals of Kathmandu valley.

Literature Review

Financial management practices are the actions and decisions people make with their money to facilitate their financial goals and overall well-being (Xiao and Dew, 2011). Employing careful spending, saving, and investing techniques that complement a person's financial goals is known as personal financial management (Dew & Xiao, 2011). Personal finance management is individual ability to manage and maximize income, expenses, and investments effectively when applying individual financial knowledge and skills to achieve individual financial goals (Xiao, 2008).

As the world increasingly moving toward a global economy, it is essential to manage spending wisely to maintain financial balance. Establishing and following a budget goes hand-in-hand with cutting back on spending and avoiding financial pain, according to (Lusardi and Mitchell, 2014). Budgeting provides individuals with the ability to manage resources, distinguish needs from wants, and monitor spending while it is occurring. The proliferation of mobile payment systems and cashless payments brings both opportunities and challenges to managing spending (Putrevu & Mertzanis, 2024). These payment systems and platforms provide ease of making purchases, accompanied by a detailed spending record; however, they also require us to be cautious of impulsive purchases.

Personal financial management is influenced by resource constrains, poor financial literacy, socioeconomic issues, and a variety of external and environmental influences in developing nations. These influences affect financial services accessibility, economic instability, and cultural practices. Emerging financial technologies, informal lending practices, and traditional savings methods demonstrate how individuals and communities innovate and adapt to these issues (Demirgüç Kunt et al., 2018).

In developing nations, savings practices are often based on informal or unofficial processes such as community fund investments, savings groups, and rotating credit associations (Dupes and Robinson, 2013). Individuals in low-income situations save money for future investments, emergencies, or education, often with limited access to formal banking services. In Kenya, mobile money platforms like M-Pesa have radically changed how individuals save, as people can deposit and safely hold their saved money. Mobile money platforms are also advantageous for individuals living in rural areas with limited access to traditional financial infrastructures.

In developing nations, formal and informal approaches are frequently combined in money management practices. Due to a lack of financial literacy, people tend to rely on their family and community networks for support and guidance. Microfinance organizations have played a significant role in encouraging improved money management techniques by offering small loans and financial education (Karlan & Morduch, 2010). Expense management and cash flow tracking have been made easier by digital wallets and payment systems, especially in cities.

Low disposable incomes and inaccessible financial markets frequently restrict investment practices in developing nations. Nonetheless, community-based investments and micro investment platforms have become attractive alternatives. Many people invest in material assets like small businesses, land, or livestock, which act as safety nets and sources of income (Collins et al., 2009). People are gradually being introduced to formal investment opportunities, such as interest-bearing savings accounts and micro insurance products, thanks to the growth of mobile financial services.

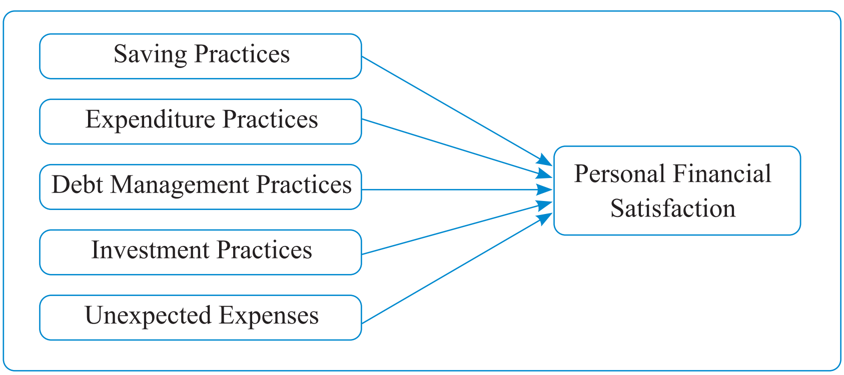
Good money management practices are necessary for achieving financial goals and maintaining financial stability. Good money management practices are also shown by financially literate people who routinely assess their financial situation (Hilgert et.al., 2003), including tracking income and spending, and awareness of credit, interest rates, and working to reduce debt. The research emphasized how education could promote greater financial awareness, stating that financial education programs can help develop people's ability to make informed financial choices. To encourage better money management practices, which ultimately are associated with good financial literacy developments, governments and global financial institutions have been supporting initiatives to teach and enhance financial literacy (Spivak et.al., 2024).

Conceptual Framework

To determine how the personal financial management practices have an influence on the personal financial satisfaction of individuals in the Kathmandu Valley, the study employs TPB. TPB describes behavioral intentions which are necessary for thinking about financial management strategies such as investing, budgeting, and saving. These concepts offer a thorough framework for looking into the development and influences of financial behaviors.

Figure 1

Conceptual Framework



Saving Practices

Saving is one of the critical components of financial management that significantly impacts an individual's financial satisfaction. Regular saving creates a feeling of financial security, which increases financial satisfaction (Shim et al. 2010). Saving practices include setting a portion of income aside for emergencies, retirement, or future uses. According to Lunt and Livingstone' (1991), mentioned people who deliberately save money generally feel more in control of their money, which in turn increases their satisfaction level.

Individuals' saving behaviors are shaped in many ways by their long-term planning, financial goals, and income level.

H1 There is significant positive relationship between saving practices and personal financial satisfaction.

Expenditure Practices

The manner in which individuals control their spending, or their spending practices, is an important aspect of their financial satisfaction. Good budgeting behavior and living within one's means are fundamental elements in attaining financial satisfactions (O'Neill et al., 2005). People who practice responsible spending are generally more likely to attain financial satisfaction and, more importantly, financial stability. Financial outcomes improve and satisfaction generally increases when spending aligns to one's own financial goals; (Klontz et al., 2015).

H2 There is significant positive relationship between expenditure practices and personal financial satisfaction.

Debt Management Practices

Effective debt management can alleviate financial stress, having too much debt can lead to stress, anxiety, dissatisfaction, and financial challenges. Research indicates that individuals who are proactive in managing their levels of debt scored higher on financial satisfaction (Tumin and Zainuddin, 2016). People who are unable to properly manage their debts, on the other hand, might encounter ongoing financial challenges, which would result in decreased levels of satisfaction. Thus, effective debt management techniques are essential to enhancing financial security.

H3 There is significant positive relationship between debt management practices and personal financial satisfaction.

Investment Practices

Investment practices have a substantial impact on individual financial satisfaction. People who make prudent investments are better able to achieve their long-term financial objectives, such as funding their education, buying a home, or retiring (Liao et al., 2005). A sense of financial security and achievement can be fostered by the satisfaction that comes from profitable investments. However, investing riskily without doing adequate research can result in loss, which can lower financial satisfaction. Therefore, promoting financial well-being requires prudent and knowledgeable investment practices.

H4 There is significant positive relationship between investment practices and personal financial satisfaction.

Unexpected Expenses Management Practices

One of the most important aspects of personal financial management that has a direct impact on financial satisfaction is handling unforeseen costs. People who have emergency funds or backup plans for unforeseen costs typically report higher levels of financial well-being Danes and Haberman, 2007). Having an emergency fund, strategically using credit, and obtaining insurance coverage for unforeseen costs are generally necessary for effective management of unforeseen expenses. People are less likely to suffer from unfavorable financial outcomes and can keep control of their finances when they are financially ready for emergencies.

H5 There is significant positive relationship between unexpected expense management practices and personal financial satisfaction.

Methodology

This research examines and understand the effects of personal financial management practices on personal financial satisfaction of individuals living in the Kathmandu Valley. The research design uses the explanatory research design as it involves investigation of the relationship between variables (personal financial management practice and personal financial satisfaction). This research design provide insights on the nature of associations between various forms of financial management practice to differences in financial satisfaction levels amongst individual of Kathmandu valley.. The study employs quantitative methods to collect data and to explore the distribution and frequency of practices like saving, spending, debt and investment, and unexpected expense management practices. A well-conceived theoretical framework enhances clarity of research by prompting recognition of variables and interpretation of results in the research context. The study uses the integration of theory of planned behavior and financial capability model. Structural equation modelling (SEM) is undertaken for the investigation of the relationships between latent and observed variables. This research study area was the Kathmandu Valley. The valley is an economic hub of trade, commerce and tourism for Nepal with businesses from Nepal, surrounding countries and internationally. The valley also has several banks and financial organizations to assist with other economic developments. Non-probability sampling is deemed appropriate for this study. Convenience sampling will be employed to collect data. Toal of 410 data was collected with the use of non-probability sampling. . This study uses a structured questionnaire, data was gathered using the Google Docx. Descriptive and inferential techniques are used to analyze data, while Google Docx and Microsoft Excel were utilized for data entry, Smartpls and Excel were employed for data analysis.

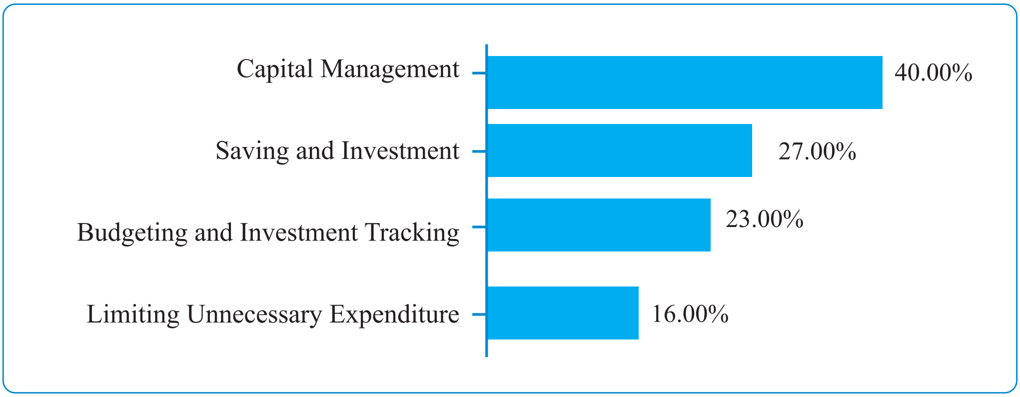
Results and Discussion

Personal Financial Management Practices and Financial satisfaction

The study reveal that majority (88.5%) respondents active in managing their personal finances. Among those who actively manage their finances, there is a clear distribution of priorities. The results shows that investment planning was highlighted as the area with the highest priority 27%, followed by saving behavior (23.4%), expenditure management 22.6% and debt management 15.8% were also high priorities, confirming that individuals can take a balanced approach to managing their credit and spending.

Figure 2

Personal Financial Management Strategies



The respondents revealed that the effective strategies for personal financial management 39.8% mentioned Regular savings and investment, setting financial goals (24.9%) is another strategy. Budgeting and expense tracking (21.2%) and limiting unnecessary expenditures (14.1%) are also important, as they help individuals monitor their spending and avoid financial pitfalls.

Several factors motivate individuals to engage in financial management. Future investment opportunities (32.9%) is the leading motivator, reflecting the desire to grow wealth for the long term. Desire for financial security (23.2%) also plays a significant role, showing that individuals aim to achieve stability and manage risk. Reducing financial stress (20.2%) highlights that personal finance management is often driven by a need to alleviate anxiety about money. Controlling spending (23.7%) is another key motivator, helping individuals avoid debt and ensure they do not overspend.

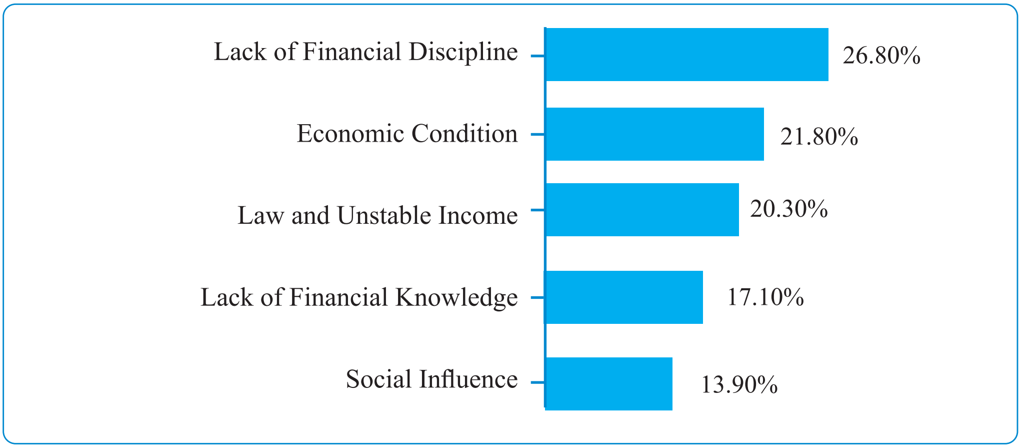
Better financial education and awareness (43.2%) is the most cited reason, suggesting that as people become more informed, they adjust their habits accordingly. Experts or family advice (26.2%) is another significant factor as other people's guidance helps individuals to make more informed financial decisions. Similarly, financial crisis or difficulties (20.1%) encourages to adopt new behaviors to avoid being in the same situation. The use of financial tools/apps (10.5%) is evidence that technological advances can impact on behaviors, but does not play a major role in changing finance habits at this time.

Challenges in adapting Personal Financial Management Practices

A significant majority of respondents (98.5%) acknowledged facing challenges in adopting effective financial management practices. The findings highlights that financial management challenges are influenced by a combination of personal habits and external circumstances. The highest percentage (26.8%) struggling with financial discipline suggests that behavioral factors play a major role. Economic conditions, such as a high cost of living (21.8%) and low or unstable income (20.3%), indicate that structural financial difficulties are significant. A notable 17.1% cite a lack of financial knowledge, emphasizing the need for financial literacy programs. Social influences (13.9%) further illustrate that cultural and societal norms impact financial behaviors.

Figure 3

Challenges in Adapting Personal Financial Management Practices



The most supported strategy for improving personal financial management (PFM) is encouraging disciplined saving and investment habits (43.2%), indicating that individuals recognize the importance of financial discipline in long-term stability. Budgeting and expense-tracking tools (23.8%) also received significant support, suggesting that many people see digital solutions as effective means for financial control. While government policies (12.8%) and professional financial advice (12.0%) are acknowledged, they are not as widely prioritized. Financial literacy education (8.1%) is the least supported strategy, implying that while knowledge is essential, individuals may not view it as a direct solution compared to practical tools and habits.

Inferential Analysis

Inferential statistics includes various tests that allows researchers to make conclusions about a population from sample data. These statistics are important to the process of hypothesis testing and making conclusions that extend beyond the observed data (Field, 2018). This section usually includes examining measurement and structural model in order to confirm the validity and reliability of the study.

Measurement Model Assessment

Measurement Model Assessment involves reviewing the validity and reliability of the model in statistical approaches like structural equation modelling (SEM), and is important in determining if the study represents construct (latent variables) with their indicators (observed variables). The measurement model ensures the measurement items are valid, consistence, and reliable in measuring those constructs. Reliability (i.e. Cronbach's alpha), discriminant validity, convergent validity, and factor loadings are key components of model assessment. According to Hair et al. (2017), a strong measure model impacts the validity and reliability of the relationships examined in the structural model, and therefore is necessary to derive results that are valid and meaningful when using SEM.

Cronbach's Alpha and Composite Reliability (CR) were examined for the internal consistency study. These measures examine the internal consistency among the scale items and represent the shared variation among observable variables that are used as indicators of a latent construct (Hair et al., 2022). Although a criterion of 0.6 or greater is considered acceptable for exploratory research, a CR and Cronbach's alpha of 0.7 or more is commonly deemed acceptable.

Table 1

Measurement Model Assessment

Construct	Items	Loading	AVE	Cronbach's Alpha	Composite Reliability
Debt Management	DM1	0.746	0.788	0.931	0.948
	DM2	0.910			
	DM3	0.923			
	DM4	0.926			
	DM5	0.919			
Expenditure Practices	EP1	0.716	0.539	0.717	0.822
	EP2	0.705			
	EP3	0.621			
	EP5	0.873			
Investment Practices	IP1	0.785	0.715	0.899	0.926
	IP2	0.743			
	IP3	0.882			
	IP4	0.893			
	IP5	0.910			

Construct	Items	Loading	AVE	Cronbach's Alpha	Composite Reliability
Personal Financial Satisfaction	PFS1	0.809	0.711	0.898	0.925
	PFS2	0.827			
	PFS3	0.779			
	PFS4	0.901			
	PFS5	0.892			
Saving Practices	SP1	0.770	0.759	0.894	0.926
	SP2	0.900			
	SP4	0.903			
	SP5	0.905			
Unexpected Expenses Management Practices	UE1	0.822	0.665	0.835	0.888
	UE3	0.789			
	UE4	0.782			
	UE5	0.867			

Convergent validity is necessary to establish construct validity, given that it establishes whether the measurement model measures the intended construct (Fornell & Larcker, 1981). Factor loadings and the Average Variance Extracted (AVE) using predetermined standards to evaluate convergent validity. Adequate convergent validity is indicated by an AVE value of 0.50 or more (Fornell & Larcker, 1981). While a threshold of 0.4 or higher is appropriate for exploratory research, a factor loading of 0.7 or higher is typically chosen (Henseler et al., 2015).

Discriminant Validity

The degree to which a construct is actually different from other constructs in the model is known as discriminant validity. It assesses whether ideas that are meant to be unrelated are actually different from one another. Discriminant validity can be assessed with the Factor Cross Loading, The Fornell and Larcker criterion and Heterotrait-Monotrait (HTMT) correlation ratio of the indicator. Correlations between constructs are usually compared to make sure they are less than the square root of the Average Variance Extracted (AVE) for each construct. Fornell and Larcker (1981) argued that discriminant validity can be established when the square root of the AVE for each construct is greater than the correlations between that construct and the other constructs of the model. This ensures that the constructs are different and do not overlap.

Table 2

Factor Cross Loading

Items	DM	EP	IP	PFS	SP	UE
DM1	0.746	0.413	0.417	0.484	0.283	0.271
DM2	0.91	0.496	0.581	0.631	0.422	0.489
DM3	0.923	0.396	0.472	0.532	0.315	0.409
DM4	0.926	0.408	0.546	0.554	0.366	0.407

Items	DM	EP	IP	PFS	SP	UE
DM5	0.919	0.509	0.52	0.608	0.442	0.52
EP1	0.431	0.716	0.338	0.456	0.301	0.237
EP2	0.308	0.705	0.278	0.375	0.259	0.303
EP3	0.22	0.621	0.143	0.241	0.298	0.449
EP5	0.455	0.873	0.411	0.547	0.538	0.537
IP1	0.51	0.376	0.785	0.557	0.33	0.318
IP2	0.525	0.348	0.743	0.537	0.313	0.315
IP3	0.448	0.312	0.882	0.643	0.34	0.49
IP4	0.47	0.345	0.893	0.671	0.39	0.537
IP5	0.499	0.419	0.91	0.68	0.432	0.504
PFS1	0.579	0.454	0.667	0.809	0.468	0.497
PFS2	0.456	0.431	0.575	0.827	0.439	0.555
PFS3	0.483	0.461	0.542	0.779	0.374	0.402
PFS4	0.579	0.523	0.653	0.901	0.565	0.634
PFS5	0.576	0.564	0.646	0.892	0.577	0.672
SP1	0.266	0.295	0.237	0.372	0.77	0.472
SP2	0.347	0.388	0.314	0.472	0.9	0.506
SP4	0.413	0.498	0.462	0.572	0.903	0.488
SP5	0.402	0.494	0.434	0.572	0.905	0.544
UE1	0.463	0.421	0.454	0.535	0.517	0.822
UE3	0.279	0.337	0.319	0.441	0.341	0.789
UE4	0.219	0.273	0.292	0.41	0.417	0.782
UE5	0.518	0.559	0.556	0.698	0.557	0.867

The criterion proposed by Joe F. Hair et al. (2014) about the loading value of the construct that should be bigger than all the loadings in the other constructs is met in table 8 for evaluating the cross-loading in the study. Therefore, it can be said that cross loading is not an issue in the research.

Table 3

Fornell-Larcker Criterion

Construct	DM	EP	IP	PFS	SP	UE
DM	0.887					
EP	0.504	0.734				

Construct	DM	EP	IP	PFS	SP	UE
IP	0.576	0.425	0.845			
PFS	0.637	0.58	0.734	0.843		
SP	0.418	0.493	0.429	0.582	0.871	
UE	0.48	0.512	0.52	0.663	0.576	0.816

For testing the discriminant validity through Fornell-Larcker criterion, it is checked that whether the latent construct explain the variance of its own indicator rather than the variance of other latent constructs. Table 9 shows that the square root of each construct's AVE have a greater value than the correlations with other latent constructs.

Table 4

Heterotrait-Monotrait (HTMT) Ratio

Construct	DM	EP	IP	PFS	SP	UE
DM						
EP	0.586					
IP	0.634	0.497				
PFS	0.692	0.683	0.814			
SP	0.445	0.58	0.462	0.629		
UE	0.505	0.644	0.563	0.727	0.652	

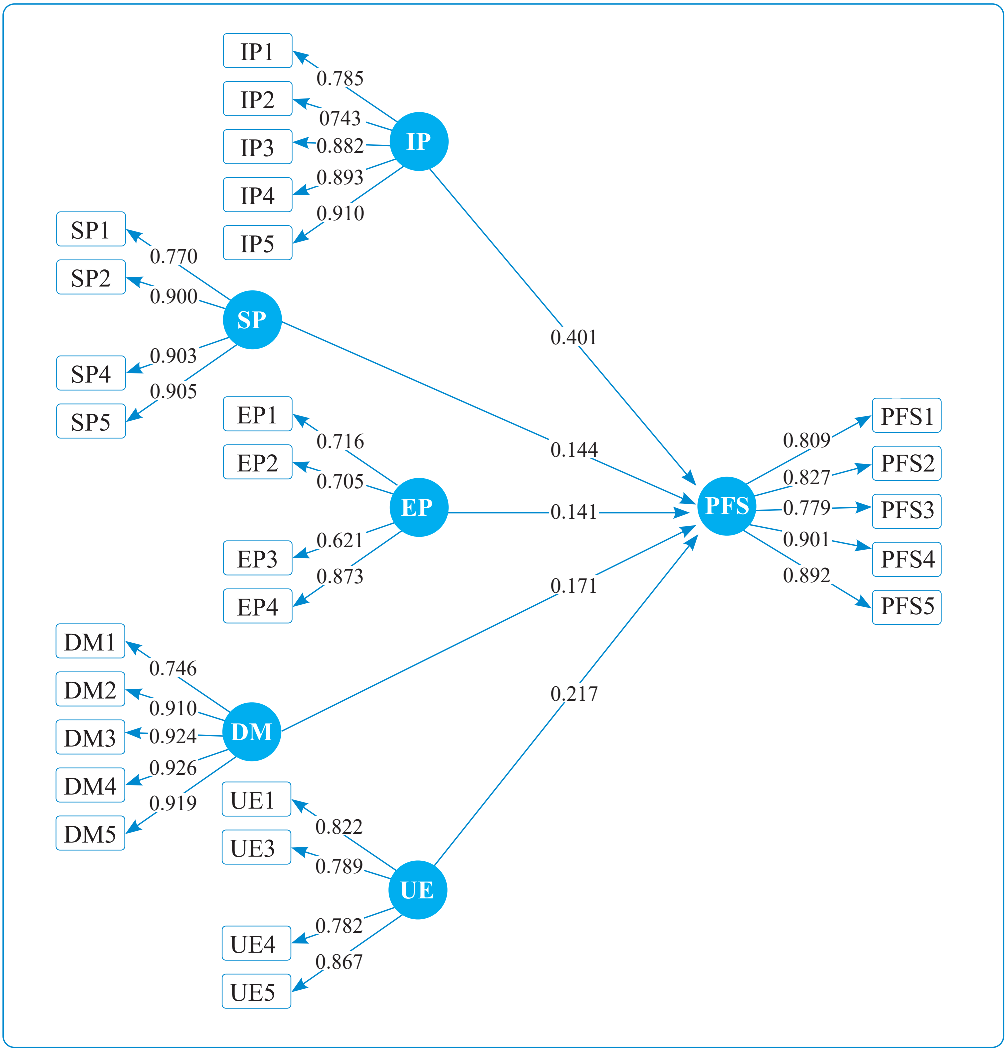
The HTMT values used to assess discriminant validity are shown in Table 10. Every concept had values below 0.9, suggesting that there are no problems with discriminant validity. This outcome is in line with Henseler et al.'s (2015) criterion, which says that HTMT values lower than 0.9 demonstrate contemporaneousness enough differences in the constructs.

Structural Model Assessment

Structural model helps to determine the relationship between the latent variables of the study which is assessed by the means of hypothesis testing considering the significance and relevance of the path coefficient and confidence interval criteria. Six latent variables are shown in this study's graphics; each is connected to a variety of observable factors that offer significant insights into how individuals behave while practicing various personal financial management practices. The diagram clearly shows the relationships between the dependent variable (Personal Financial Satisfaction) and the independent variables (Saving Practices, Expenditure practices, Debt Management Practices, Investment practices, and unexpected expenses management practices). With a computed R2 value of 0.713 for personal financial satisfaction, the combined effects of these five latent variables account for 71.3% of the variation in personal financial satisfaction.

Figure 4

Path Analysis



Hypothesis Test

For hypothesis testing, we first carried out the bootstrapping in Smart PLS 4 where Streukens and Leroi-Werelds (2016) suggest drawing at least 10,000 subsamples. For the evaluation of hypotheses that are stated in this study we check the t-value, p-value, and confidence interval.

Table 5

Hypothesis Testing

H	Relationship	Beta	SD	t-values	P values	CI		Decision
						2.50%	97.50%	
H1	SP → PFS	0.144	0.036	3.996	0.000	0.074	0.214	Significant
H2	EP → PFS	0.141	0.035	3.996	0.000	0.073	0.211	Significant

H	Relationship	Beta	SD	t-values	P values	CI		Decision
						2.50%	97.50%	
H3	DM → PFS	0.171	0.039	4.353	0.000	0.095	0.249	Significant
H4	IP → PFS	0.402	0.044	9.114	0.000	0.317	0.489	Significant
H5	UE → PFS	0.216	0.046	4.771	0.000	0.127	0.307	Significant

It's evident from the table that all of the Hypothesis i.e. H1, H2, H3, H4 and H5 are supported. Since the results fulfill all the statistical requirements: the t-value is more than 1.96, the p-value is less than 0.05, and the confidence interval excludes zero, it can be concluded that there is a significant positive relationship between saving practices, expenditure practices, debt management practices, investment practices, unexpected expenses management practices and personal financial satisfaction.

This study examined the relationship between personal financial management practices (PFMP) and personal financial satisfaction (PFS) by evaluating five dimensions of financial management: expenditure practices, saving practices, debt management, investment practices, and unexpected expense management. In addition, the study assessed the influence of financial management impediments, including lack of financial knowledge, limited access to financial tools, and external economic constraints. The findings indicate that all dimensions of personal financial management positively contribute to financial satisfaction, although the magnitude of their effects differs. Among these factors, investment practices emerged as the strongest predictor of personal financial satisfaction, emphasizing the importance of strategic financial planning and long-term wealth creation.

The findings strongly support Hypothesis 4, which proposed that investment practices positively influence personal financial satisfaction. The standardized coefficient (β = 0.401) indicates that individuals who actively engage in informed investment decisions experience greater financial satisfaction than those who do not. This finding is consistent with Lusardi and Mitchell (2014), who argued that financial literacy and investment planning enable individuals to make informed financial decisions, accumulate wealth, and reduce financial uncertainty. Similarly, Mbonigaba et al. (2026) emphasized that sound investment evaluation and evidence-based financial decision-making improve financial outcomes by promoting rational allocation of financial resources. Celestin et al. (2026) further explained that behavioural accounting significantly influences financial decision-making because individuals' cognitive behaviour, financial awareness, and decision biases directly affect investment choices and long-term financial wellbeing. These findings suggest that investment literacy should be regarded as a fundamental component of personal financial education, enabling individuals to improve financial security and achieve sustainable financial satisfaction.

The results provide only limited support for Hypothesis 1 concerning saving practices. Although saving practices positively influenced personal financial satisfaction (β = 0.144), the relationship was relatively weak. This finding differs from Thaler and Shefrin (1981), who argued that disciplined saving behaviour strengthens long-term financial security and enhances financial wellbeing. One possible explanation is that individuals may prioritize immediate financial obligations over long-term savings, particularly in developing economies characterized by income constraints and inflationary pressures. Consequently, while saving contributes to future financial stability, it may not generate immediate perceptions of financial satisfaction. Celestin et al. (2025) similarly argued that effective financial planning requires balancing short-term financial needs with long-term resource allocation. Therefore, financial literacy initiatives should encourage individuals to perceive saving not merely as income preservation but as a strategic investment in future financial wellbeing.

Hypothesis 2, which proposed a positive relationship between expenditure practices and financial satisfaction, received marginal empirical support ($\beta = 0.141$). The findings are consistent with Damian et al. (2020), who reported that healthy financial behaviour and responsible spending patterns contribute to improved financial outcomes. Effective expenditure management allows individuals to balance consumption with available financial resources, thereby reducing unnecessary financial stress. However, prudent spending alone may not substantially improve financial satisfaction unless accompanied by broader financial planning strategies. Celestin et al. (2025) noted that effective budgeting and resource allocation enable individuals to optimize financial resources while minimizing unnecessary expenditures. Likewise, Mishra (2022) emphasized that comparative financial assessment encourages individuals to evaluate financial alternatives systematically before making expenditure decisions, thereby strengthening financial discipline and improving long-term financial wellbeing.

Debt management also demonstrated a significant positive influence on personal financial satisfaction ($\beta = 0.171$), supporting Hypothesis 3. This finding agrees with Gutter and Copur (2011), who concluded that responsible debt management reduces financial stress and enhances financial stability. Individuals who effectively manage credit obligations, repay loans on time, and maintain sustainable debt levels experience greater financial confidence and lower financial anxiety. Celestin et al. (2026) further explained that behavioural factors significantly influence debt management decisions because financial behaviour, self-control, and decision-making processes determine individuals' ability to maintain financial stability. Similarly, Celestin et al. (2025) highlighted that structured budgeting and financial planning strengthen debt management by improving resource allocation and preventing excessive borrowing. These findings reinforce the importance of incorporating responsible borrowing and debt management into financial education programmes.

The findings also support Hypothesis 5, indicating that unexpected expense management significantly influences personal financial satisfaction ($\beta = 0.217$). Individuals who maintain emergency funds and prepare for unforeseen financial shocks report higher levels of financial satisfaction. This finding supports Archuleta (2013), who observed that households with stronger financial management practices, greater financial autonomy, and shared financial goals experience higher levels of financial satisfaction. Financial preparedness reduces uncertainty, enhances resilience, and enables households to cope effectively with unexpected events. Celestin et al. (2026) similarly emphasized that proactive financial planning and risk assessment improve financial resilience by enabling individuals to anticipate future uncertainties. Therefore, encouraging emergency savings and contingency planning should be an important objective of financial institutions and financial literacy programmes.

Overall, the findings demonstrate that investment practices are the most influential determinant of personal financial satisfaction, followed by unexpected expense management and debt management. Although saving and expenditure practices also contribute positively, their effects are comparatively smaller. These results suggest that financial satisfaction depends not only on routine financial behaviour but also on strategic financial planning and informed decision-making. The findings are consistent with behavioural finance and financial planning theories, which argue that rational financial decisions, financial discipline, and long-term planning collectively improve financial wellbeing (Lusardi & Mitchell, 2014; Celestin et al., 2026). Furthermore, digital financial technologies, data-driven financial analysis, and personalized financial advisory services can further strengthen individuals' financial decision-making capabilities by improving budgeting, investment planning, and financial monitoring (Celestin & Mishra, 2025). Consequently, policymakers, financial institutions, and educational organizations should prioritize comprehensive financial literacy programmes that integrate investment education, budgeting, debt management, emergency preparedness, and digital financial tools to enhance personal financial satisfaction.

Conclusion

This study examined the influence of personal financial management practices on personal financial satisfaction by investigating expenditure practices, saving practices, debt management, investment practices, and unexpected expense management. The findings demonstrate that effective personal financial management contributes significantly to financial satisfaction, with investment practices emerging as the strongest determinant of overall financial wellbeing. Individuals who adopt sound investment strategies, responsibly manage debt, control expenditure, maintain emergency preparedness, and practice regular saving generally report higher levels of financial satisfaction.

The study further reveals that financial knowledge, financial discipline, and strategic financial planning play essential roles in improving financial wellbeing. Although all personal financial management practices positively influence financial satisfaction, investment behaviour and preparedness for unexpected expenses exert relatively stronger effects than saving and expenditure practices alone. These findings indicate that financial satisfaction is influenced not only by the accumulation of financial resources but also by individuals' ability to make informed and rational financial decisions.

The research also identifies several barriers that hinder effective personal financial management, including limited financial knowledge, inadequate access to financial services and technologies, unstable income, inflationary pressures, and broader economic constraints. These challenges restrict individuals' capacity to save, invest, budget, and manage financial risks effectively, thereby reducing overall financial satisfaction. The findings therefore support the argument that strengthening financial capability requires not only individual effort but also institutional support through financial education, accessible financial products, and supportive economic policies.

Furthermore, increasing digitalization in financial services presents new opportunities for individuals to improve financial planning through digital budgeting tools, investment platforms, and financial advisory technologies.

In conclusion, improving personal financial management practices should be considered a shared responsibility among governments, financial institutions, educational institutions, employers, and individuals. Policymakers should strengthen national financial literacy programmes, educational institutions should integrate financial education into academic curricula, and financial institutions should expand accessible advisory services and digital financial management tools. Such collaborative efforts will promote responsible financial behaviour, strengthen financial resilience, and ultimately enhance individuals' long-term personal financial satisfaction and overall quality of life.

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