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Socioeconomic Sustainability for Low-Income Households: The Mediating Role of Financial Well-Being

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Abstract: Financial literacy contributes to the economic well-being of every country. Specifically, the financial literacy level of low-income households is crucial in the process of developing and building economic potential. Moreover, the knowledge, attitude, and behavior of families are essential to the financial sustainability and money-wise behavior of low-income households. Thus, financial literacy and financial well-being are vital for low-income households to survive in highly competitive marketplaces and sustain their socioeconomic status. This study intends to examine the impact of financial literacy on the socioeconomic status of low-income households. A self-administered survey questionnaire was employed, and the sample consists of 282 randomly selected respondents from low-income households in Malaysia. The data were analyzed using the Structural Equation Modelling procedure in IBM-SPSS-AMOS 26.0 to examine the causal effect. The results showed that financial literacy (consisting of financial knowledge, financial behavior, and financial attitudes) has a positive and significant impact on the socioeconomic status of low-income households. Moreover, financial well-being also mediated the effect of financial literacy on socioeconomic status. The research results provide new ideas and perspectives for improving money-wise mechanisms and the socioeconomic sustainability of low-income households.

Keywords: socioeconomic status; financial literacy; financial well-being; financial sustainability; low-income households; Malaysia B40 households

1. Introduction

Each country in the world sees the financial well-being and socioeconomic status of households as essential elements in national development by the Economic Planning Unit [1]. According to Munisamy et al. [2,3], through financial education, every household can recognize its function as an economic actor, be aware of one's potential, and be able to dominate various things. Through the Financial Education Network (FEN) report, financial education covering financial literacy imparts "money-wise" knowledge to households in order to achieve financial well-being and drive to improve their SES [4]. In Malaysia, the household income level is categorized as B40, M40 and T20. B40 represents the bottom 40%, M40 represents the middle 40%, and T20 represents the top 20% of Malaysian household income shown in Table 1 These categories can also indicate the poverty level of the household.

Financially literate households can make wise financial decisions and save money continuously, shop prudently, and play a role as the basic unit of the economy in increasing national income. This allows households to increase financial sustainability. However, the financial literacy measurement of low-income households in Malaysia lacks attention to sustainability; it is incomplete and does not meet the requirements of healthy development. Therefore, it is necessary to put forward a deeper connotation of financial sustainability and design measurement items for empirical research. The financial attitudes and behavior of B40 households are also crucial for developing their financial well-being and increasing their socioeconomic status. Therefore, it is necessary to explore the in-depth

connotation of the financial knowledge, financial attitudes, and financial behavior of the households, particularly in terms of the relation orientation and its impact mechanism on financial sustainability.

Table 1. Household Income Classification.

Household Income Classification	Explanation	Monthly Household Gross Income
B40	Lower-income group. Represents 40% of Malaysians.	MYR 1–MYR 4850
M40	Middle-income group. Represents 40% of Malaysians.	MYR 4851–MYR 10,970
T20	Upper group. Represents the top 20% of Malaysians.	MYR 10,970 and above

Malaysia's National Literacy Strategy (2019–2023), which was developed by the Financial Education Network and comprises several agencies such as the Ministry of Education Malaysia (MOE), Bank Negara Malaysia (BNM), Securities Commission Malaysia (PIDM), Employees Provident Fund (EPF), Credit Counseling and Management Agency (AKPK), and National Capitalization Limited, has stressed that household financial literacy is important in achieving the aspirations and direction of strong financial well-being and SES for family institutions [5]. If households do not achieve financial well-being, their socioeconomic status (SES) will be affected, Kusairi et al. [6] and Mayan et al. [7]. According to the Bank of Central Malaysia [8], 40% of Malaysian households earn an average monthly income of below MYR 4830, which indicates that their socioeconomic status is still at a low level and that they need to improve their SES through the achievement of financial well-being that is influenced by financial literacy. In addition, the Eleventh Malaysia Plan focuses on the B40 household group to improve their living standards towards a middle-class society where financial well-being is achieved and at the same time increasing the SES of B40 households, Siwar et al. [9].

This is important because the financial well-being and SES of the B40 household group are part of the country's economic growth drivers. According to the Financial Education Network (FEN) portal site, the launch of the Financial Literacy Strategy entails financial education and initiative programs to increase the level of financial literacy of Malaysians at the national level. According to Sawandi et al. [10], a high level of financial literacy among B40 households is important in ensuring family financial management, financial capability, and further achievement of financial well-being that can improve their SES. This is in line with the thrust emphasized by the Malaysian government through the five areas of focus in which the focus is aimed at improving the socioeconomic status (SES) of B40 households toward the middle-class community, M40.

The lack of financial literacy among B40 households causes many financial problems that prevent them from achieving financial well-being and, in turn, affect their SES from B40 to the middle-class level, Zarinah Arshat et al. [11]. The B40 household group tends to run out of money before the next paycheck, has no savings, faces increased expenses, needs financial assistance, faces increased debt burden, and has no plan for retirement. Such conditions and socioeconomic and demographic factors will also make these B40 households burdened and cause them to lose the spirit of financial well-being, besides affecting their SES, [7–12].

There is a lack of research on the financial sustainability of low-income households in Malaysia and its impact on their socioeconomic status. Hence, this paper proposes the financial literacy of B40 households in sustaining money-wise decisions and achieving financial well-being to develop their socioeconomic status. It is reasonable to speculate that household financial literacy plays a role in the process of influencing financial sustainability; however, the mechanism of this function still lacks theoretical deduction and empirical verification. In order to explore the gaps in the above-mentioned research content,

this paper, with the purpose of improving the financial sustainability of B40 households, constructs a structural equation model to study the financial literacy model, especially for the B40 households so as to develop their socioeconomic status.

Based on the financial literacy orientation, this paper entails a new research idea to study the improvement of financial sustainability. This study constitutes some potential theoretical contributions. The first contributions are to combine the reality of B40 households' socioeconomic status in Malaysia, propose the definition and connotation of the B40 household relation orientation and financial sustainability, and then divide the dimensions, design the measurement scales, and conduct empirical research. The second contributions are to analyze the mechanism of the effects of financial literacy of B40 households on their socioeconomic status and discuss the mediating role of financial well-being in this relationship. The research results are expected to provide new research perspectives and ideas for the development of the socioeconomic status of B40 households, which is conducive to the healthy development of financial sustainability.

In this regard, the impact of financial literacy on socioeconomic status, as well as the mediating role of the financial well-being of the low-income household group (B40) in Malaysia, should be investigated. Subsequently, this investigation aims to make theoretical contributions by diminishing the gap in the literature as no such examination has inspected financial literacy in connection to the socioeconomic status of B40 households, with financial well-being as a mediator. Therefore, this paper studies the relationships involving financial literacy, financial well-being, and socioeconomic status among low-income households. The following entails the two main research questions (RQs):

RQ1: Does financial literacy have a significant impact on the socioeconomic status of B40 households?

RQ2: Does financial well-being mediate the relationship between financial literacy and the socioeconomic status of B40 households?

2. Theoretical Analysis and Hypothesis

2.1. Theoretical Analysis and Hypothesis Development

The Influence of Financial Literacy (FL)

The Theory of Planned Behavior (TPB) was developed by Ajzen and Fishbein in 1980, which argues about attitudes toward behavior. This theory is an extension of the Theory of Reasoned Action (TRA) by Fishbein and Ajzen in 1975. This model discusses human attitudes and behavior; it asserts that one's decisions are guided by a rational assessment of the consequences of a particular behavior. In addition to the original TPB variable, Ajzen states that the TPB is open to the inclusion of additional forecasts, but the predictor must meet some additional criteria. More specifically, the predictors should be behavior-specific, conceptualized independently of existing TPB predictors, and it must be understood that such predictors can cause causal factors of behavioral intent to be measured. Furthermore, the addition of any predictions should be empirically supported and should apply to other topics studied by social science researchers. In considering these factors, financial literacy meets all criteria and, hence, was added as a predictor.

Financial literacy measures specialized constructs that extensively involve a wide range of social sciences, including psychology, economics, and sociology. Thus, financial literacy is one of the characteristics of the Theory of Planned Behavior (TPB). According to the OECD [13] and Potrich et al. [14], Financial Literacy (FL) is a dominant that exists as a result of the interaction between the fields of economic education and financial management. Hence, scholars and professionals in these fields are developing dedicated FL to help solve financial problems faced by households that find it difficult to adapt to the financial management theory and practice.

Financial literacy in this paper is defined as a set of financial management strategies for B40 households, which consists of three main subconstructs, namely (1) financial knowledge, (2) financial attitudes, and (3) financial behavior.

Financial knowledge is tailored to the needs of a financially competent individual, which involves questions related to simple concepts such as compounds, benefits, risks and returns, as well as inflation. Financial knowledge is a component of key strategies in the financial literacy model. Financial knowledge in this paper is defined as a kind of capital that should be acquired in the life of B40 households through the ability to learn to manage income, spending, and savings in a safe way.

Financial behavior is the most important element in financial literacy. Financial literacy is driven by behaviors such as planning expenses and building financial safety nets. On the other hand, certain behaviors such as excessive credit can reduce financial well-being, OECD [13]. Therefore, in this paper, we focus on a variety of B40 households' behaviors with an emphasis on behaviors that can impact the socioeconomic status (SES) of B40 households. Financial behavior in this paper is defined as the most important financial literacy element among B40 households. In addition to the findings of a recent study, the dimensions of financial behavior have also been found to determine financial literacy.

Financial attitudes are considered an important element in financial literacy. For example, if people have a relatively negative attitude towards saving for their future, it is said that they tend to engage in such behaviors. Similarly, if they prefer to prioritize short-term wants, then they are less likely to provide emergency savings or make long-term financial plans [13,14]. The financial literacy survey includes three attitude statements to measure respondents' attitudes towards money and future planning. Financial attitudes in this paper are defined as a combination of concepts, information, and emotions about learning, which results in the readiness of B40 households to respond well to financial matters. Based on this discussion, the following hypotheses are proposed:

Hypothesis 1 (H1). *Financial Literacy has positive impact on the Financial Well-Being of B40 Households.*

3. The Role of Financial Well-Being (FWB)

Financial well-being as subjective in nature because it is based on how one sees it rather than how it is objectively symbolized [15]. This suggests that only an individual can assess his or her own well-being and that one cannot assess the financial well-being of others. Household financial well-being is measured based on individual components of the definition to explain how it fits. This means that perceptions are personal, and individuals may experience high or low levels of financial well-being regardless of their objective financial position. For example, individuals at the same income level may have different assessments of financial well-being depending on their personal preferences and values. Their financial well-being is also influenced by numerous factors, for example, personal demographic characteristics such as gender, age, education, marital status, and family structure. In this paper, B40 households' financial well-being refers to living a meaningful, comfortable, and stable life that is free from prolonged financial problems and being able to cope with unexpected financial problems and changing living conditions, as well as facing emergencies without experiencing financial burden.

Differences in financial literacy between ethnicities were not significant among Malay (51.37), Chinese (47.56), and Indian (50.50) students. Due to the gap found in the study, a model of financial literacy is suggested because if the youth have such a level of literacy, then they are able to manage the economic resources of the country well [5,10–14]. Hence, the researcher observed a gap in the study where the measurement of the current financial literacy level in Malaysia includes the five items discussed, First, on the low level of financial knowledge among Malaysians, second, rising cost of living and debt burden, third, lack of spending and savings planning, fourth unwillingness to face unexpected situations, and fifth, ineffectiveness of planning for retirement. Thus, the B40 households are in line with the implications of the study to introduce a specific financial literacy model for B40 households in the National Economic Prosperity Development Plan of Malaysia.

Mokhtar et al. [15] stated that financial problems faced by households are due to the lack of financial literacy; hence, the households need to equip themselves with the knowledge, attitudes, and practices of financial literacy to carry out their heavy duties as family leaders whether in terms of personal financial management, families, and even operational aspects to support their financial well-being and improve their socioeconomic status. In the context of family institutions, the B40 households' financial literacy provides an impression that every household needs to meet the stated requirements. Household financial literacy is a very important aspect that influences the financial well-being of a family institution, thereby increasing its SES in the social class of the community [6–10,12–15]. Thus, financial literacy should be possessed by each household in the family institution, which entails the basic unit of economic actors so that it leads to financial well-being and ensures that the SES of B40 households can be increased as recommended in the Eleventh Malaysian Plan.

There is evidence related to this issue through several studies. For instance, Mahdzan et al. [16] found that the financial literacy factor is closely related to the financial well-being level of B40 households. The authors also stated that the financial literacy factor is the highest factor that causes financial stress among B40 households. Meanwhile, a study by Sabri et al. [17] found differences in the process of implementing youth financial management planning according to the literacy level of youth financial planning. The implication of this study is aimed at introducing a module or a model of financial literacy in the National Economic Prosperity Development Plan. In addition, the vulnerability factor stems from the economic, social, and environmental dimensions. Dependence on one source of income, high cost of living, inability to own a home, high indebtedness, ownership, and access to assets are the economic factors that contribute to the vulnerability of B40 households. Meanwhile, vulnerability from the social aspect includes low levels of education, employment, and skills [1–5,7,10,13–17].

Further evidence was found that low financial literacy levels resulted in financial problems among B40 households [11–17]. Rani et al. [18] also stated that the financial well-being of B40 households in Malaysia is an important issue that causes financial stress. The B40 households face various forms of issues and challenges, causing their financial well-being to be hindered [15–18]. Poor financial management has affected the SES of B40 households [2–10,12–15,17,18]. Moreover, Kulub Abd. Rashid et al. [19] asserted that low financial literacy levels will have an impact on financial well-being and socioeconomic status. Meanwhile, a study conducted by Krishnakumare and Singh [20] in the Tamil Nadu district of India found that factors such as financial well-being and the lack of financial literacy among poor households in family institutions have resulted in serious financial stress, which caused them to be financially unwell and affected the SES of this group. Therefore, the current study proposes the following hypothesis:

Hypothesis 2 (H2). *Financial Well-Being mediates the relationship between Financial Literacy and the Socioeconomic Status of B40 households.*

4. The Effects on Socioeconomic Status (SES)

The four components that contribute to the issues surrounding the low SES of B40 households are poverty, financial planning, financial education, and financial literacy. The first factor, which is the poverty factor, is reinforced by the study by Syukri et al. [21]. They pointed out that poverty is among the closely related factors to financial management and those who fail to manage finances wisely may face financial insecurity, which affects their quality of life. Although the incidence of poverty is low, a high incidence of poverty still exists among certain ethnic groups and areas, especially among B40 households, and it needs to be addressed to raise their socioeconomic status to a higher SES class, i.e., M40.

Next, based on their study, strengthening poverty is a challenge faced by B40 households, especially in urban areas to increase their income like the M40 class. The results of this study prove that poverty is closely related to internal household factors such as

attitudes, financial socialization, and skills as well as external factors such as the inability to own assets, economic and market conditions, and inefficiency of financial management, thus causing financial instability and affecting the SES of this group [7–10,15–17,19–21].

The second factor is financial planning, whereby effective financial planning and management can motivate households to make accurate and wise financial decisions, achieve financial well-being, and improve their SES, Mahdzan et al. [20]. Studies also proven that the level of financial knowledge and spending patterns will influence the financial management practices of Malaysians, especially among students [17,20,21]. Meanwhile, financial stability is recognized to influence the financial well-being of households, where individuals could access financial resources [2,5–8,10–16,20,21]. Therefore, their study explores determinants such as financial stress, financial knowledge and practice of financial management, and financial stability. The studies confirmed that the strongest predictive factor against financial stability is financial management practices, which may improve a household's financial stability [3,4,6,8–10,14,17–19,21]. Next, financial well-being is emphasized as one of the mediating factors, while financial socialization has a significant relationship with the SES of households in Malaysia [6,8–14,16–21]

The fourth factor outlines the financial literacy of B40 households in family institutions, Financial Education Network [4]. Based on the recently, launched Malaysian National Financial Literacy Strategy (2019–2023), the financial literacy level among B40 households is very low and it is the dominant factor that causes financial insecurity in this group, causing no mobility in the social class and no increase in their SES. The Financial Education Network also lists low financial literacy as the B40 households face five key problems that need to be addressed to achieve financial well-being and improve their SES.

The items mentioned in the studies above entail guidelines that need to be highlighted by the B40 households, particularly regarding the levels of financial literacy and financial well-being as well as strong SES achievement. Previous studies have also identified three important aspects of financial literacy toward the achievement of financial well-being and household SES in relation to the matter. Among the important aspects are relevance, financial knowledge, financial attitudes, and financial behavior. Studies have stated the aspects related to household financial attitudes and behaviors [6–10,12–17,20,22] while the aspects of household financial knowledge [20–23]. Studies have also mentioned the level of financial knowledge as a critical aspect of household competencies [7,14–22,24,25] Therefore, Hypothesis 3 is proposed in this paper:

Hypothesis 3 (H3). *Financial Well-Being has a positive impact on the Socioeconomic Status of B40 households.*

Based on all of the above hypotheses, a conceptual model of "financial literacy, financial well-being, and socioeconomic status of B40 households" is proposed in this study as shown in Figure 1.
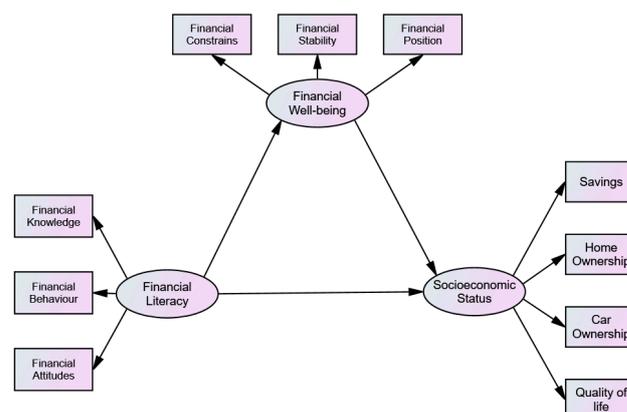

Figure 1. Framework of the study.

5. Methodology

The target population includes B40 households in Malaysia. The sampling frame consists of registered households from the B40 group (see Table 1 for descriptions of B40). This study employed a quantitative approach to estimate the inter-relationship among variables (see Figure 1). Precisely, the method employed Structural Equation Modelling (SEM) in IBM-SPSS-AMOS 26.0.

5.1. Respondents

This study was conducted in compliance with the recommendations of the Survey and Behavioral Research Ethics Committee at the institute where the second author works, as per research ethics review processes. From August to November 2021, low-income householders (B40%) aged between 20 and 60 years with an average monthly income from MYR 1000 to MYR 4380 in the three states of Johor, Selangor, and Perak completed an online and face-to-face questionnaire survey. Finally, we obtained 282 completed surveys that were deemed valid. Evidently, 77.3 percent of the total 282 respondents came from basic families, while 22.7 percent of them came from blended families. Malays constituted 62.8 percent of households, followed by Indians at 29.1 percent and Chinese at 8.2 percent. In terms of household size, 18.1 percent of households consisted of two people, while 25.5 percent of households consisted of three people, 21.3 percent of households consisted of four people, and 35.1 percent of households consisted of five people. Moreover, 4.3 percent of the 282 respondents were jobless, while 42.6 percent of them worked in manual labor, 29.8 percent worked in semi-skilled labor, and 17.7 percent worked in skilled labor. However, a total of 5.3 percent households had no income, followed by one household generating an income recorded at 28.7 percent, two households with 62.4 percent and three people, and over income-generating households recorded at 3.5 percent.

5.2. Sampling and Data Collection

The study selected a random sample of 350 respondents from the sampling frame using Simple Random Sampling. This probability sampling method ensures the randomness of the selection and representativeness of the sample towards the target population, Mujere Never [26]. Thus, the procedure has met the requirement for parametric statistical analysis. The selected respondents were given self-administered questionnaires face-to-face and via Google Forms to be answered at their convenience without fear or pressure. Of the 350 questionnaires distributed to them, 310 were retrieved. After deleting some unqualified questionnaires (including missing information, unified answers, and respondents declaring that they do not know the relevant fields), 282 valid questionnaires were finally obtained with an effective rate of 91.0%, which satisfies the model test conditions.

5.3. Measurement

The financial literacy (FL) construct is a latent construct, which was measured using the items adapted from Magesvari et al. [12] and Potrich et al. [14] comprising a total of 48 items. This EFA procedure confirmed financial literacy into three dimensions: financial knowledge, financial behavior, and financial attitudes with 15, 16, and 17 measurement items, respectively. Research on financial well-being (FWB) is relatively mature. In this paper, FWB is divided into three dimensions: financial constraints, financial stability, and financial position with a total of 12 items. Meanwhile, the measurement for the socioeconomic status construct was adapted from Singh et al. [27]. Socioeconomic status (SES) was measured using four dimensions: savings, home ownership, car ownership, and the quality of life of B40 households with a total of 12 items. The survey items listed in Table 2 were measured using a seven-point interval scale from 1 (Strongly Disagree) to 7 (Strongly Agree). The convergent validity using Average Variance Extracted (AVE) and the Composite Reliability (CR) values for FL, FWB, and SES are shown in Table 3.

Table 2. List of coded survey items.

Variable	Code	Item Scale
FINANCIAL LITERACY		
a. Financial Knowledge	FK1	A budget is part of the financial planning that I need to do.
	FK2	A budget guides me to shop according to my ability.
	FK3	My salary or wages earned is also known as income.
	FK4	The setting of interest rates is determined by the bank.
	FK5	The provision of 10% of income for saving is a good idea.
	FK6	Interest or profit rate is a loan condition when we borrow money from banks.
	FK7	The money I have spent is also known as expenses.
	FK8	The budget should contain both income and expenses.
	FK9	When borrowing money from the bank, I will try to get the lowest interest rate.
	FK10	In my opinion, borrowing money from banks can increase costs refunds compared to using existing funds.
	FK11	A purchase using a credit card is the same as being in debt to the bank.
	FK12	An increase in the price of goods reduces the capacity to buy goods.
	FK13	Buying goods regularly through debt will reduce the ability to buy goods (purchasing power) the next time.
	FK14	My family needs to have at least 3 months of savings.
	FK15	Purchase of credit or debit increases my purchasing power.
b. Financial Behavior	FB1	My purchases are according to life necessities.
	FB2	I compare prices before buying products that involve goods and services.
	FB3	I pay the water and electricity bills before the due date.
	FB4	I compare currency exchange rates before purchasing imported goods such as books and magazines.
	FB5	I plan financially for the long term.
	FB6	I avoid financial help from friends when desperate.
	FB7	I always make a budget or balance sheet before making a purchase.
	FB8	I save a fixed amount of money every month.
	FB9	I get information from experienced people before buying something.
	FB10	I often ask about the advantages and disadvantages of the item I want to buy.
	FB11	I make sure that my financial position allows for the purchase of an item.
	FB12	I care about the warranty period of an item.
	FB13	I save a certain amount of money daily.
	FB14	I will list the items to buy first before shopping.
	FB15	I will spend money according to the list of items to be purchased.
	FB16	I always list the expenses made and check back to improve my financial management level.
c. Financial Attitudes	FA1	I assume that money is to be spent.
	FA2	I am more concerned with the needs of the present and not the future.
	FA3	I am more satisfied when money is spent.
	FA4	I do not like to be in debt.
	FA5	I value frugality when buying things.
	FA6	I am more interested in buying used items than new items because used items are cheaper.
	FA7	I wait for a bargain, sale, or promotion before buying something.
	FA8	I would not expect pocket money from my husband/wife if the husband/wife faces financial constraints.
	FA9	I do not want to burden my husband/wife completely in the future.
	FA10	I think money is very important to fill the needs of daily life.
	FA11	I will defer the purchase if I am unable to save during the month.
	FA12	I am willing to reduce my expenses if my spouse has financial problems.
	FA13	I will talk to my husband/wife when facing financial problems.
	FA14	I will make sure all my expenses are within my budget.
	FA15	I think getting into debt is not a good way to solve problems in finances.
	FA16	I am confident that the way I manage my finances will affect my future.
	FA17	The practice of saving is hard to do in my family.

Table 2. *Cont.*

Variable	Code	Item Scale
FINANCIAL WELL-BEING		
a. Financial Constraints	FC1	I am satisfied with my current financial situation.
	FC2	I am confident that I have enough money to live comfortably in old age.
	FC3	I am confident that I have control over my finances.
	FC4	I am confident that I know how to manage my finances.
b. Financial Stability	FS1	I can easily get MYR 1,000 to cover emergency needs.
	FS2	I am worried about my financial situation today.
	FS3	I am able to plan my financial aspects well.
	FS4	I am satisfied with my personal financial situation.
c. Financial Position	FP1	I am confident that my current financial resource situation is stable.
	FP2	I often have trouble paying monthly bills (electricity, telephone, instalments).
	FP3	I often run out of money before receiving my next paycheck.
	FP4	I am worried about my overall financial position.
SOCIOECONOMIC STATUS		
1. Savings	SV1	My savings are growing now.
	SV2	Savings can alleviate the cost of emergency treatment expenses.
	SV3	Savings can alleviate the cost of children's education expenses.
2. Home Ownership	HO1	I am sure I will have my own house later.
	HO2	I am more confident about having at least an affordable home.
	HO3	I am confident and able to provide a deposit to buy a house.
3. Car Ownership	CO1	I am sure I will have my own car later.
	CO2	I am more confident about having a comfortable car.
	CO3	I am confident and able to provide a deposit to buy a car.
4. Quality of Life	QL1	My life is more comfortable now than before.
	QL2	I was able to meet the daily needs of my family.
	QL3	My family started traveling in the country more than ever before.

Table 3. Confirmatory Factor Analysis (CFA): The Convergent Validity and Composite Reliability Assessment.

Variable	Item	Factor Loading	CR (Above 0.6)	AVE (Above 0.5)
Financial Literacy	Financial Knowledge	0.64	0.816	0.601
	Financial Behavior	0.92		
	Financial Attitudes	0.74		
Financial Knowledge	P6	0.60	0.945	0.635
	P7	0.74		
	P8	0.68		
	P9	0.83		
	P10	0.89		
	P11	0.87		
	P12	0.88		
	P13	0.80		
	P14	0.82		
	P15	0.81		

Table 3. *Cont.*

Variable	Item	Factor Loading	CR (Above 0.6)	AVE (Above 0.5)
Financial Behavior	L1	0.61	0.944	0.631
	L2	0.68		
	L3	0.72		
	L4	0.78		
	L5	0.79		
	L6	0.89		
	L7	0.82		
	L8	0.88		
	L9	0.83		
	L10	0.81		
	L11	0.88		
	L12	0.84		
	L13	0.63		
	L14	0.69		
	L15	0.72		
	L16	0.71		
Financial Attitudes	S5	0.82	0.941	0.617
	S6	0.86		
	S7	0.76		
	S8	0.83		
	S9	0.82		
	S10	0.88		
	S11	0.83		
	S12	0.85		
	S13	0.75		
	S14	0.69		
	S15	0.77		
	S16	0.89		
	S17	0.77		
Financial Well-Being	Financial Constraints	0.63	0.773	0.539
	Financial Position	0.90		
	Financial Stability	0.64		
Financial Constraints	KS1	0.85	0.901	0.694
	KS2	0.88		
	KS3	0.80		
	KS4	0.80		
Financial Position	KD1	0.79	0.865	0.617
	KD2	0.81		
	KD3	0.79		
	KD4	0.75		
Financial Stability	KB1	0.76	0.873	0.633
	KB2	0.83		
	KB3	0.76		
	KB4	0.83		
Socioeconomic Status	Savings	0.63	0.861	0.614
	Car Ownership	0.90		
	Home Ownership	0.91		
	Quality of Life	0.65		

Table 3. *Cont.*

Variable	Item	Factor Loading	CR (Above 0.6)	AVE (Above 0.5)
Savings	SIM1	0.92		
	SIM2	0.80	0.837	0.636
	SIM3	0.65		
Car Ownership	PMK1	0.84		
	PMK2	0.82	0.831	0.623
	PMK3	0.70		
Home Ownership	PMR1	0.81		
	PMR2	0.83	0.875	0.701
	PMR3	0.87		
Quality of Life	KUH1	0.88		
	KUH2	0.88	0.914	0.780
	KUH3	0.89		

5.4. Pilot Study

Since the instruments were adapted from previous researchers and modified to suit the current study, the researchers sent the modified instruments to the respective experts for content validity, face validity, and criterion validity assessments through the EFA procedure (Ananthan et al. [2,3]; Azma Rahlin et al. [28]; Bahkia et al. [29]; Shkeer and Awang [30]). Once the instruments were returned to the researchers, the researchers modified the instruments accordingly based on the comments made by the respective experts. Once completed, the researchers conducted the pilot study where approximately 100 self-administered questionnaires were sent to the selected respondents for data collection. Using the data from the pilot study, the researchers conducted the Exploratory Factor Analysis (EFA) procedure to explore the usefulness of the items measuring their respective constructs (Ananthan et al. [2,3]; Azma Rahlin et al. [28]; Bahkia et al. [29]; Shkeer and Awang [30]) and the modified questionnaires were used for field studies to perform the CFA and SEM procedures.

5.5. Demographic Profiles

Respondents were asked to provide their demographic information such as age, education level, job position, years of experience in financial disclosure, total household monthly income, employment status, descent, number of households, home ownership, livestock ownership, car ownership, financial socialization, and social participation.

6. Results

6.1. Assessment of Measurement Model

Before displaying the structural model and implementing Structural Equation Modelling (SEM), the investigation needs to approve the measurement model of all variables through Confirmatory Factor Analysis (CFA) (Azma Rahlin et al. [28]; Bahkia et al. [29]; Shkeer and Awang [30]).

The CFA construct of financial literacy, the CFA construct of financial well-being, and the CFA construct of socioeconomic status are shown in Figure 2a–c. Pooled CFA for all three constructs is based on the parceling item system presented in Figure 3.
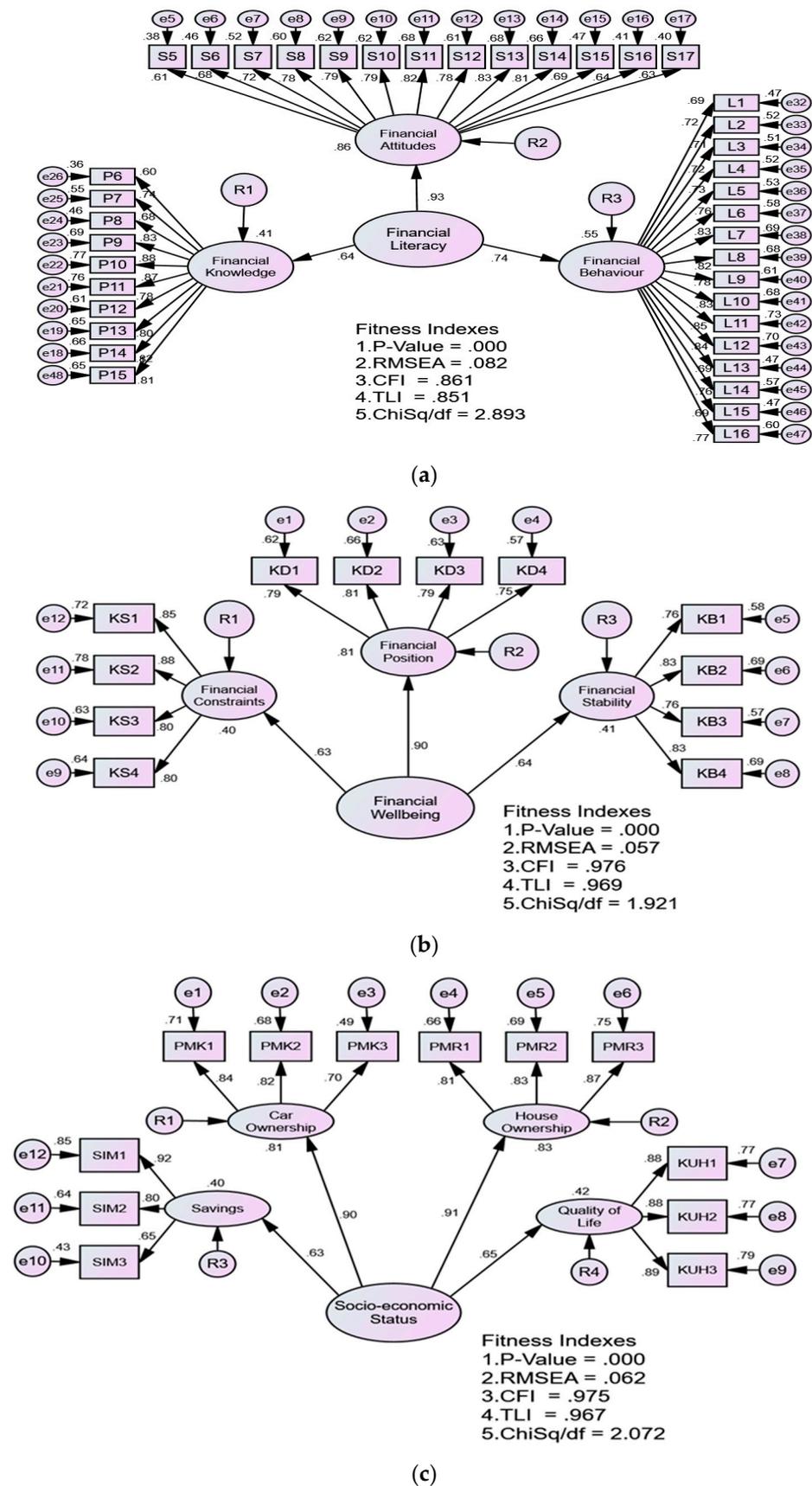
(**a**)

(**b**)

(**c**)

Figure 2. (**a**) CFA for Financial Literacy (FL) Construct; (**b**) CFA for Financial Well-Being (FWB) Construct; (**c**) CFA for Socioeconomic Status (SES) Construct.
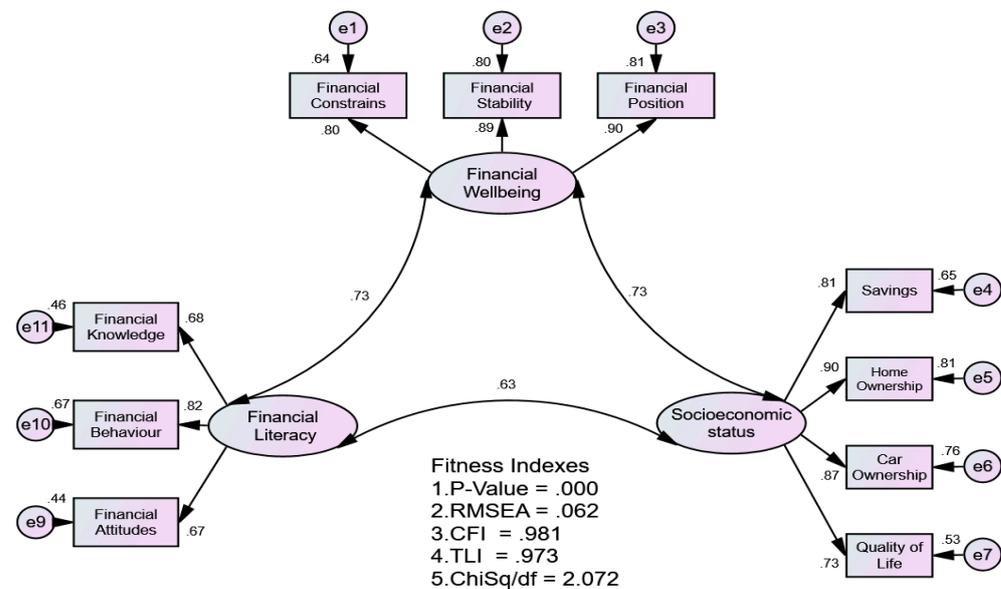
Figure 3. The Pooled CFA.

Based on Figure 2a, the CFA test was performed with the aim of evaluating and validating the literature recommendation stating FL contains three main components as proposed by Potrich et al. [9]. With CFA, the effect of the main construct on its sub-constructs can be tested (Awang et al. and Zainudin Awang [31]). Figure 2a shows FL acts as a main construct containing three components (financial knowledge, financial behavior, and financial attitude) as subconstructs. All index values have met the required matching index criteria (Chisq/df = 2.893, TLI = 0.851, CFI = 0.861, RMSEA = 0.082), hence there is a process of modification and removal of items. For the financial knowledge component, five items, namely P1, P2, P3, P4 and P5, have been dropped because they have a factor load of less than 0.6. For the financial behavior component, all sixteen items were retained, and for the financial attitude component, four items, namely S1, S2, S3 and S4, were dropped because they had a factor load of less than 0.6. All measuring items with a high loading factor were validated in the adapted model.

Figure 2b shows the CFA test of the financial well-being construct. The results of the analysis show that the financial well-being construct measurement model has met the required index fit value. The fit values for the TLI index (0.969) and CFI (0.976) have met the fit value recommended by the literature, which is 0.90 and above. While the index value for RMSEA (0.057) is less than 0.08 and the F2/df index (ChiSq/df) is less than 5.0, it indicates that the match value criterion of each index category has been achieved. The factor loads for all items ranging from 0.75 to 0.88 indicate that the unidimensionality criteria of the financial well-being construct measurement scale have been met. As suggested by Awang et al. and Zainudin Awang [31], the correlation value for each factor or dimension representing the financial well-being construct is less than 0.85, indicating that each factor differs from one another.

Figure 2c shows the CFA test on the B40 household SES construct. The results of the analysis show that the B40 household SES construct measurement model has met the required fit index. The correspondence value for the TLI index (0.967) and CFI (0.975) have met the correspondence value suggested by the literature of 0.90 and above. The index value for RMSEA (0.062) is less than 0.08 and the F2/df index (ChiSq/df) is less than 5.0, indicating that the match value criteria of each index category has been achieved. The factor loads for all items ranging from 0.65 to 0.92 indicate that the unidimensionality criteria of the SES construct measurement scale have been met. As suggested by Awang et al. and Zainudin Awang [31], the correlation value for each factor or dimension representing the financial well-being construct is less than 0.85, indicating that each factor differs from one another.

Based on Figure 3, the Confirmatory Factor Analysis would assess the unidimensionality, validity, and reliability of all constructs. Another assessment includes the normal distribution of a dataset. The three validity requirements are Construct Validity, which is evaluated through Fitness Indexes, followed by Discriminant Validity, which is evaluated through Discriminant Validity Index Summary, and Convergent Validity, which is evaluated through Average Variance Extracted. Construct Reliability (CR) is evaluated by computing the CR value of every construct [31,32]. The Confirmatory Factor Analysis outputs are presented in Figure 3. The CFA results produced the following fitness indexes: Fitness Indexes, indicating Construct Validity with RMSEA = 0.062, CFI = 0.981, and ChiSq/df = 2.072, the results of the goodness index show that the measuring model has met the criteria of the fit index and is eligible to perform further analysis. The value of the ChiSq/df index = 2.072 meets the acceptance criteria of the ChiSq/df index, which must be less than 5.0. The TLI index of 0.973 achieves the concordance index criteria and the TLI index must be equal to or greater than 0.90. The value of the CFI index is 0.981, which meets the acceptance criteria for the value of the correspondence index and that the CFI index must be equal to or greater than 0.90. The RMSEA index of 0.062 is less than 0.08, which meets the acceptable matching index, Rossel [33] and Little, T.D. [34]. The correlation value between the FL, FWB, and SES constructs of B40 households was less than 0.85, indicating that the three constructs were different from each other [31–34]. The AVE values of all constructs are reported in Table 4. All AVE values are higher than 0.5, which confirms the convergent validity of all constructs. The values in Figure 3 show that the factor loading of all items is above 0.60, which shows the unidimensionality of the measures [30–34]. The following stage evaluates the discriminant validity of the latent constructs, which was performed through the discriminant validity index summary as depicted in Table 4. Since all diagonal values are higher than any other values in their rows and column, the discriminant validity of all constructs is accomplished [30–34].

Table 4. Discriminant Validity Index Summary.

Construct	Financial Literacy	Financial Wellbeing	Socioeconomic Status
Financial Literacy	**0.733**		
Financial Wellbeing	0.730	**0.860**	
Socioeconomic Status	0.630	0.730	**0.830**

The discriminant validity was determined by comparing the AVE values and correlation coefficients. As shown in Table 4, the diagonal bold part constitutes the square root of AVE, which is greater than the correlation coefficients of each variable, indicating that the model has high discriminant validity.

In terms of the composite reliability, the CR values of all constructs are higher than 0.6, which implies that the measurement model for all constructs has accomplished the composite reliability requirement [30–33,35]. Additionally, the normal distribution of the dataset was assessed using the value of skewness and kurtosis of every item. The outcome demonstrated that the skewness for all items falls in the range between −1.351 and 0.401, while the estimation for kurtosis falls in the range between −0.245 and 2.623. These two measures also indicated that the data does not depart from the normal distribution and, hence, meets the assumption for employing parametric statistical [30–35].

6.2. Assessment of Structural Model

Once the constructs have accomplished the requirements for unidimensionality, validity, reliability, and normality, the study could develop the structural model and execute the structural equation modeling (SEM) procedure to test the proposed research hypotheses. The results from the SEM procedure in IBM-SPSS-AMOS are presented in Figure 4.
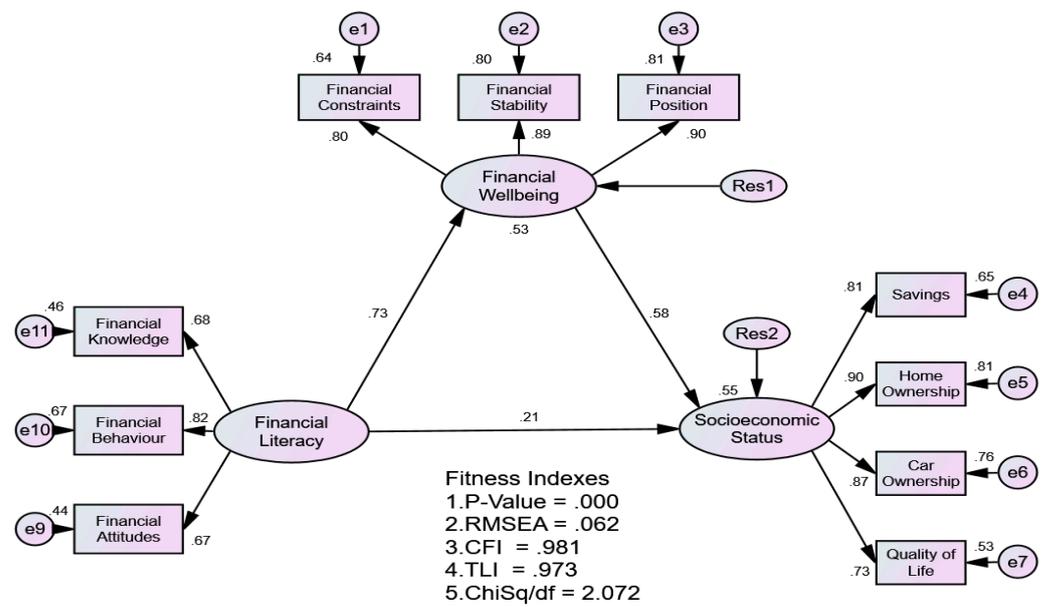
Figure 4. Standardized Coefficients among Constructs in the Model.

Figure 4 shows the result of a pooled CFA test for the final measurement model. The combined CFA is performed to avoid the occurrence of model identification problems (underidentified model) and also to minimize the percentage of modifications in the measurement model, Awang et al. [31]. In Figure 4, the results of the goodness index show that the measuring model has met the criteria of the fit index and is eligible to perform further analysis. The value of the ChiSq/df index = 2.072 meets the acceptance criteria of the ChiSq/df index, which must be less than 5.0. The TLI index of 0.973 achieves the concordance index criteria and the TLI index must be equal to or greater than 0.90. The value of the CFI index is 0.981, which meets the acceptance criteria for the value of the correspondence index and that the CFI index must be equal to or greater than 0.90. The RMSEA index of 0.062 is less than 0.08, which meets the acceptable matching index. The correlation value between the FL, FWB, and SES constructs of B40 households was less than 0.85, indicating that the three constructs were different from each other.

6.3. Hypothesis Testing and Mediation Test

According to the model constructed above, this study used IBM-SPSS-Amos 26.0 software to carry out the path analysis and the results are shown in Table 5. Structural equation modeling was completed with focal points; to begin with, it can assess the associations among latent constructs shown by the indicator variables. Meanwhile, the second point can consider correlations among measurement errors and the third point can quantify the recursive association between constructs.

Table 5. Regression Path Coefficients and Significance.

Construct	Path	Construct	Estimate	S.E.	C.R.	P	Result
Financial Well-being	<—	Financial Literacy	0.771	0.088	8.768	0.001	Significant
Socioeconomic Status	<—	Financial Wellbeing	0.687	0.107	6.398	0.001	Significant
Socioeconomic Status	<—	Financial Literacy	0.264	0.112	2.356	0.018	Significant

6.4. Results of The Direct and Indirect Effects

Table 5 shows the results for the direct effect of each construct. The direct effect of financial literacy on financial well-being was observed to be positive and significant. Therefore, H_1 is supported. Additionally, the direct effect of financial well-being on socioeconomic status was observed to be positive and significant. Along these lines, H_2 is

likewise supported. Furthermore, the direct effect of financial literacy on socioeconomic status was also observed to be positive and significant. Therefore, H_3 is also supported.

1. **The effect of financial literacy on financial well-being**

Hypothesis 1 posits that FL positively affects FWB. The standardized path coefficient of Hypothesis 1 is 0.771 and the *p*-value is significant at the level of 0.001, assuming that Hypothesis 1 is verified and supported.

2. **The effect of financial literacy on the socioeconomic status of B40 households**

Hypothesis 4 posits that FL positively affects SES. The standardized path coefficient of Hypothesis 4 is 0.264 and the *p*-value is significant at the level of 0.0178, assuming that Hypothesis 4 is verified and supported.

3. **The effect of financial well-being on the socioeconomic status of B40 households**

Hypothesis 2 posits that FWB positively affects SES. The standardized path coefficient of Hypothesis 2 is 0.687 and the *p*-value is significant at the level of 0.001, assuming that Hypothesis 2 is verified and supported.

4. **The mediating role of financial well-being**

This study used the bootstrapping maximum likelihood-based SEM method to test the mediating role of FWB with the aid of IBM-SPSS-AMOS statistical software. The test results are shown in Table 6 and illustrated in Figure 5. The results showed that the indirect effect of FL on SES is significant ($p < 0.05$), indicating a mediating effect between them by using a Bootstrap Sample number of 200 and biased-correlated Confidence Interval of 90. Since both indirect effects are significant, the study concludes that the mediation effect in the model takes place. Additionally, the type of mediation entails partial mediation since the direct effect is still significant after a mediator was included in the model [31].

Table 6. Test Results of Mediating Effects.

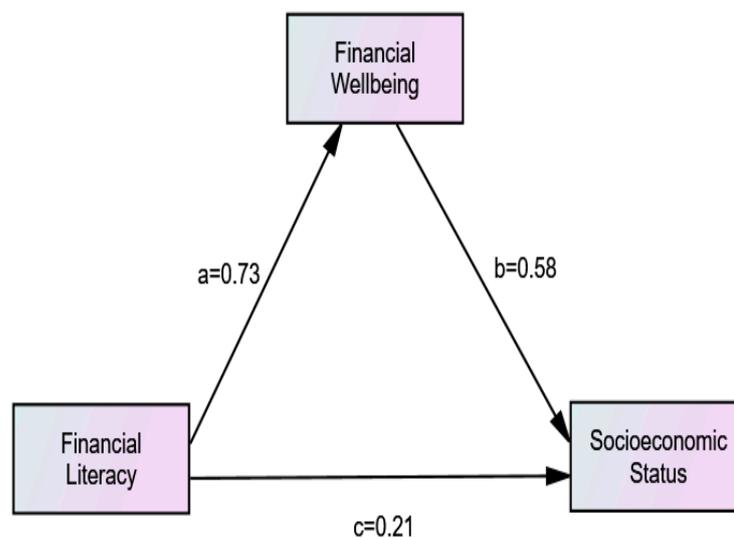|	Indirect effects (a × b)	Direct effects (c)
Estimates from Bootstrap	0.421	0.210
Probability values	0.002	0.023
Test results	Significant	Significant
Mediation effect	The mediating effect exists because the direct effect is significant	
Types of mediation	Partial mediation exists because the direct effect is significant	

Figure 5. Procedure for testing the impression of a mediator in a model.

In testing the role of a mediator variable, the researcher needs to estimate two indirect effects, namely the value of a and b, and one direct effect, namely the value of c, as illustrated in Table 6. The values of a, b, and c are standardized regression weight coefficients estimated through the SEM procedure. These values can be obtained through findings from text-output in IBM SPSS-AMOS.

Table 6 shows the positions of indirect effects a, b, and direct effect c in a mediator model. To prove the existence of the role of mediator b in the relationship between variables a and c, the researcher needs to prove the standard effect of a × b > c. The key word in mediator testing is that the indirect effect must be greater than the direct effect in order for the role of the mediator to be proven. By using IBM-SPSS-Amos Graphics software, the researchers were able to convert the study framework to the Amos Graphic syntax as in Figure 5 to estimate the standard regression coefficients [31].

1. Indirect effects, a × b = 0.73 × 0.58 = 0.423
2. Direct effects, c = 0.21
3. Indirect effects > Direct effects = 0.423 > 0.21
4. Both indirect paths a and b are significant.
5. The type of mediation is partial mediation because the direct effect of c is significant.

7. Discussion

7.1. Discussion on the Direct Role of Financial Literacy

The first hypothesis recommends that financial literacy has a significant and direct impact on financial well-being. The aftereffects of this examination support the hypothesis that financial literacy has a significant and direct impact on financial well-being. More explicitly, Malaysian B40 households who decidedly have no ideal financial literacy knowledge would, in general, display lower socioeconomic status from the household perspective. This output was additionally upheld by past examinations in various settings, which proposed that financial literacy could be one of the variables that can improve the socioeconomic status of B40 households. B40 households tend to have low levels of financial knowledge. While one of three Malaysians would feel to have low financial knowledge, B40 households tend to have low levels of financial knowledge, Financial Education Network [4]. The ratio of B40 household debt to GDP was also 89.1 percent in 2016, Central Bank of Malaysia [8]. Economic factors such as financial well-being are not only significant but also underlie the formation of household attitudes toward debt, Azmi et al. [17]. The high level of indebtedness among B40 households also affects their financial position due to their tendency to take out personal loans to cover daily expenses.

Additionally, according to Malaysia's National Financial Literacy Strategy report (2019–2023), one out of ten Malaysians believe that they are undisciplined in managing their finances. A total of 84 percent of Malaysians claimed that they save on a regular basis only for the near term, i.e., the savings are usually issued at the end of the month to cover daily expenses. A total of 76 percent of Malaysian B40 adults also have a budget to spend, but two out of five found it difficult to follow. While one in five working Malaysian adults did not make savings in the previous six months, three out of ten working Malaysian B40 adults need to borrow money to buy necessities. A total of 52 percent found it difficult to provide MYR 1,000 in the case of an emergency and only 24 percent could afford the living expenses for at least three months or more if losing their main source of income (10 percent can survive for more than six months). Moreover, only 17 percent of Malaysian B40 adults have life insurance and takaful protection, Financial Education Network [10].

Household financial literacy as a very important aspect of the financial well-being of a household, which increases its SES in the social class of the community [10–16] Financial literacy should also be possessed by each household in the family institution, which is the basic unit of economic actors so that it leads to financial well-being and ensures that the SES of B40 households can be increased as recommended in the Eleventh Malaysia Plan [2–10,16–23,27,29–35].

7.2. Discussion on the Direct Role of Financial Well-Being on the Socioeconomic Status of B40 Households

The second hypothesis postulates that financial well-being has a significant and direct impact on socioeconomic status. This result is likewise supported by past examinations in various settings, which hypothesized that financial well-being could be one of the elements that improve socioeconomic status. For instance, the vulnerability factor involving the B40 household income group in the southern region of Kelantan was determined by three factors, namely economic vulnerability, social or physical vulnerability, and environmental vulnerability. This study confirms the weakness of the B40 household income group in the southern region of Kelantan, Siwar et al. [9] and Rani et al. [18].

More explicitly, Malaysian B40 households which decidedly have lower financial well-being would, in general, display a lower socioeconomic status. Aside from demonstrating the connection between financial well-being and socioeconomic status, financial well-being was consolidated in this study since it very well may be utilized as an apparatus to gauge the accomplishment of financial management. In this study, financial literacy combining knowledge, behavior, and attitudes towards representatives was measured with numerous things as this method is progressively steady when estimating household participation, Credit Counseling and Management Agency [36]. In this regard, household financial literacy plays a role in affecting the socioeconomic status of households as the B40 households in this investigation were low-income earners and they need more involvement with money-wise decisions; hence, in this study, financial well-being assumes a role in upgrading their socioeconomic status so as to exhibit confidence in their association. Along these lines, the outcomes have shown that the households in Malaysia were committed to upgrading their socioeconomic status.

7.3. Discussion on the Mediating Role of Financial Well-Being

The last hypothesis considers the indirect relationship between financial literacy and the socioeconomic status of B40 households through the mediating role of financial wellbeing. The findings of this study have shown that financial well-being mediates the relationship between financial literacy and socioeconomic status. Specifically, low-income households in Malaysia with positive recognition and ideal financial well-being have a legitimate or roundabout improvement in their socioeconomic status. More significantly, the findings of this study have also shown that financial well-being went about as a partial mediator between financial literacy and the socioeconomic status of B40 households. This shows that financial literacy is equipped for affecting socioeconomic status directly and indirectly through financial well-being.

8. Conclusions

Financial well-being plays an important mediator role in this study. The present study has researched the connection between financial literacy and the socioeconomic status of B40 households in Malaysia. In general, the results bolstered the hypothesized connection between financial literacy and the socioeconomic status of the households. Moreover, in this study, the researchers have also investigated the mediating role of financial well-being in the effect of financial literacy on the socioeconomic status of B40 households. The investigation distinguishes that financial well-being significantly mediates the relationship between financial literacy and the socioeconomic status of the households from the viewpoint of the B40 category. Overall, the outcomes have a few intriguing theoretical and practical ramifications.

Firstly, financial literacy can develop another obligation that would emphatically influence financial well-being. Financial well-being has been recognized as a perspective that can improve the socioeconomic status of households. Financial literacy also has a significant relationship with financial well-being based on the theory. The existence of financial literacy is a result of the interaction between the two areas of financial literacy and financial well-being [32,33,35,36]. This means that a household's tendency to adapt to

a socioeconomic status would be higher if it adopts the approach of financial well-being in its financial management.

Secondly, the outcome has added to the findings concerning the mediating role of financial well-being. Next, financial literacy is ought to be connected to improving the socioeconomic status of B40 households and their financial well-being. If the association is unable to utilize financial literacy, then its financial well-being cannot be improved. Fourthly, this model was created to demonstrate the relationships involving financial literacy, socioeconomic status, and financial well-being, particularly among B40 households, Chatterjee et al. [37].

Governments or organizations related to the development of socioeconomic status and financial literacy can also benefit from the results of this study as the current economic era requires countries to seriously look at the importance of financial literacy in achieving financial well-being and improving the socioeconomic status of B40 households towards a middle-class society that is M40. Finally, Malaysia's aspiration as a developed country can be achieved in the future.

9. Practical Implications, Limitations, and Future Research

9.1. Practical Implications

- First, the top-level financial literacy should be improved and the socioeconomic status of B40 households should be developed.

Although this assessment gives several practical and theoretical ramifications, there are some limitations that would limit its future contributions to this significant stream of research. Since the study only focuses on B40 households in Malaysia, speculation about the results in various countries is compelled. Thus, future examinations may test the association between financial literacy and the socioeconomic status of households in various countries in a comparable zone. Besides, the cross-sectional structure of the investigation could exhibit another constraint. Thus, additional research using a longitudinal technique for the association between financial literacy and the socioeconomic status of B40 households can be performed through another mediating variable.

- Second, the government should pay attention to the mechanisms of FL and FWB, as well as the SES of B40 households.

The evaluation of a conceptual model with the mediating role of financial well-being in the relationship between financial literacy and socioeconomic status would bolster a better comprehension of directors and pioneers regarding the contribution of financial literacy to financial well-being and further to the socioeconomic status of B40 households. Moreover, the findings of this study gave a pragmatic direction to directors in terms of financial education. Furthermore, the usefulness of the financial literacy and financial well-being association would give an advantage to the government, so far as work execution and advancement are concerned, just as has been pictured by the government.

9.2. Limitations and Future Research Directions

The research report in this paper serves as one of the efforts to test and validate the theory or model of FL. However, the findings are still not sufficient to summarize the results of the study in the reinforcement or validation of the FL theory. As stated by para figures and scholars in this field, empirical studies still need to be multiplied to allow FL to be generally accepted as a dominant socioeconomic status dedicated to B40 households. It is hoped that the results of this study can encourage and increase the interest of researchers and professionals to participate in further empirical studies on financial literacy among households in general and B40 households in particular. As a recommendation for future research, the following items or issues may be considered:

(1) The sample size used in the analysis in this study only entails a total of 282 respondents. According to the literature in the field of SEM, this sample size is sufficient to make an inference to confirm a proposed concept or theory. However, for the purpose of

strengthening and clarifying the FL theory in detail, the researchers suggest that the model proposed in this study is tested again using a larger sample size.

(2) Due to time constraints and expenses, the researchers fully used a quantitative research approach to test the positive effects of FL on the socioeconomic status of B40 households in Malaysia. However, a research approach using a mixed method (quantitative and qualitative methods) is recommended to deeply understand the effect of FL on B40 households through a triangulation of both quantitative and qualitative findings (Tashakkori and Creswell, 2007). Thus, the mixed-method approach helps in improving the operationalization and generalization of the FL theory.

(3) The results of this study have shown that the components of financial literacy, namely financial behavior and financial attitudes, are the most important components in the FL model. The component of financial attitudes requires households to focus on achieving financial well-being and improving their socioeconomic status, supported by an intuitive understanding of wise money management. For a deeper understanding of this, the researchers suggest that further studies focus on how financial behaviors and financial attitudes are implemented among B40 households.

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