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An Empirical Investigation into the Influence of Financial Attitude, Financial Knowledge, and Financial Behaviour on Individuals' Financial Satisfaction

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Abstract: Objectives: This study aims to explore the key determinants of individuals' financial satisfaction within the Albanian context. It focuses on analysing the roles of financial knowledge, financial attitude, and financial behaviour in shaping financial satisfaction. **Prior Work**: Grounded in behavioural finance theory, the study builds upon existing literature examining how financial literacy and behaviour influence financial well-being. However, limited research has addressed these factors collectively within the Albanian or broader transitional economy context. **Approach**: The research adopts an integrated framework using Partial Least Squares Structural Equation Modelling (PLS-SEM) to assess the complex relationships among latent variables. The study utilises a multi-indicator measurement model where financial knowledge, financial attitude, and financial behaviour are conceptualised as exogenous predictors of financial satisfaction. **Results**: Empirical findings reveal that financial attitude and financial behaviour significantly and positively impact financial satisfaction, while financial knowledge does not show a statistically significant direct effect. Implications: The results provide actionable insights for policymakers, educational institutions, and financial stakeholders in Albania. They underscore the need for policies and programmes that not only enhance financial knowledge but also promote positive financial attitudes and responsible behaviour. **Value**: This paper contributes original insights into financial satisfaction in a post-communist transition country, offering practical recommendations for improving financial well-being in emerging economies.

Keywords: financial satisfaction; financial attitude; financial behaviour

JEL Classification: D14; G53; I31

1. Introduction

Financial satisfaction (FS)—often referred to as financial well-being or financial health—reflects an individual's overall contentment with their current financial situation, including their level of debt, financial security, and autonomy in making financial decisions (García-Mata & Zerón-Félix, 2022). It is generally regarded as a subjective evaluation of whether one's financial resources are sufficient to meet both present and future financial needs (Hira & Mugenda, 1998). Financial satisfaction encompasses both material and non-material aspects, integrating objective indicators (such as income,

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assets, and debt) with subjective perceptions (such as financial confidence and peace of mind) (Joo & Grable, 2004a).

Prior studies have examined the impact of income and various other factors on financial satisfaction. For example, Hsieh (2004), using data from the General Social Surveys in the United States, examined the relationship between income and FS among older Americans. The findings revealed that different definitions of income produced varying effects on FS.

Building on this line of inquiry, Joo and Grable (2004) developed and tested a comprehensive framework to understand the determinants of financial satisfaction. Using data from a random sample of white-collar clerical workers, their study identified several factors with either direct or indirect effects on financial satisfaction, including financial behaviours, financial stress levels, financial knowledge, income, the number of financial dependents, risk tolerance, home ownership, and education level. In contrast, factors such as age, gender, ethnicity, and marital status were not found to be statistically significant determinants of consumer FS.

2. Problem Statement

Despite growing interest in financial health, there remains a limited understanding of the key behavioural and cognitive factors that influence individuals' financial satisfaction, particularly in emerging economies such as Albania. While financial literacy initiatives have primarily focused on increasing knowledge, evidence suggests that knowledge alone may not be sufficient to enhance financial outcomes. There is a need for an integrated framework that considers not only financial knowledge but also the roles of financial attitude and behaviour in shaping FS. Moreover, the lack of empirical studies applying robust statistical methods, such as PLS-SEM, within the Albanian context leaves a gap in identifying effective policy and educational interventions aimed at improving personal financial management and satisfaction in post-communist societies.

3. Related Work

In the financial context, attitude refers to "an individual's opinion and mindset regarding how they manage financial matters and make decisions" (Zainul Arifin, 2018). Rai et al. (2019) define financial attitude (FA) as the approach an individual adopts towards financial issues. According to the OECD (2020), it encompasses behaviours such as assertiveness in saving, spending, and planning money. French et al. (2020) highlight that financial attitude (FA) also involves the confidence to make appropriate financial choices. Furthermore, a person's subjective perception of their ability to manage cash flow, credit, income adequacy, shopping habits, and overall financial standing relative to others can significantly influence their financial satisfaction (Joo & Grable, 2004b). Several researchers (Joo & Garman, 1998; Porter, 1990) argue that financial attitudes are key determinants of financial satisfaction. Individuals with a positive financial attitude are more likely to engage in sound financial management practices, which (Ali et al., 2015) ultimately contribute to greater financial well-being and satisfaction over time (Owusu, 2023). Based on the above arguments, the following hypothesis is suggested:

H1: FA has a significant effect on FS.

Financial knowledge (FK) encompasses an individual's understanding of key financial domains, including savings and investments, banking and insurance, taxation, and debt management (Mouna &

Anis, 2015). In addition, knowledge of financial markets and systems is considered a critical element in supporting informed and responsible financial decision-making (Lusardi & Mitchell, 2014). As Huston (2010) notes, financial knowledge represents a foundational grasp of financial concepts that empowers individuals to manage their financial challenges more effectively, fostering financial stability and long-term growth.

According to Ali et al. (2015), individuals with higher levels of financial knowledge are more likely to engage in sound financial practices, such as managing income efficiently, adopting regular saving habits, planning for pensions and investments, and applying structured budgeting. These behaviours are instrumental in enhancing one's overall financial capability. Importantly, such improved financial capability not only contributes to a stronger financial position but also plays a key role in promoting financial satisfaction by increasing individuals' sense of control, confidence, and perceived adequacy in managing their financial lives. Based on the above arguments, the following hypothesis is suggested:

H2: FK has a significant effect on FS.

Financial behaviour (FB) refers to the day-to-day decisions and actions that individuals undertake in managing their personal finances, including budgeting, saving, borrowing, and investing (Xiao, 2008a). In the context of financial well-being, researchers have increasingly recognised that financial behaviour plays a pivotal role in determining one's level of financial satisfaction and long-term financial resilience (Nababan & Sadalia, 2012; Xiao, 2008b; Xiao et al., 2006). According to Nababan and Sadalia (2012), financial behaviour refers to the way individuals manage, utilise, and interact with their money. When a person handles their finances carefully, plans them systematically, and makes prudent spending decisions, these actions contribute positively to their sense of financial well-being, ultimately leading to financial satisfaction. Several scholars have emphasised this relationship, arguing that financial behaviour is a significant determinant of financial satisfaction (Coşkuner, 2016; Joo & Grable, 2004c).

H3: FB has a significant effect on FS.

4. Solution Approach

Data were collected through a web-based survey instrument developed using Google Forms, yielding a total of 146 valid responses. The questionnaire was distributed via email, Facebook, and LinkedIn. PLS-SEM is recognised as a class of statistical techniques used to examine causal relationships among constructs, as specified in a theoretical or conceptual framework. This approach enables the testing of hypotheses that predict associations between variables. A two-step analytical approach was employed, comprising an initial evaluation of the measurement model followed by an assessment of the structural model (Hair et al., 2019).

The measurement model evaluation included statistical assessments of outer loadings, Composite Reliability (CR), and Average Variance Extracted (AVE). To ensure acceptable indicator reliability, outer loadings of the items were expected to exceed the recommended threshold of ≥ 0.70 (Hair et al., 2019). Composite Reliability was used to assess the internal consistency of each construct, with values of 0.70 or above indicating satisfactory reliability. In parallel, AVE was examined to determine convergent validity, where values of 0.50 or higher suggested that a construct explains at least 50% of the variance in its associated indicators (Benitez et al., 2020).

The structural model was then evaluated by estimating the coefficient of determination (R^2), path coefficients (β), and the corresponding p-values, calculated through the bootstrapping procedure to test the significance of the hypothesised relationships (Yadav et al., 2024).

5. Analysis of Results

The demographic data show that 41.5% of the respondents were male, while 58.5% were female. In terms of age distribution, the majority (65.8%) were under the age of 30. With respect to educational attainment, the largest proportion of respondents, 51.4% held a bachelor's degree.

Table 1 shows that all factor loadings exceed the threshold of 0.7, indicating strong item reliability. Furthermore, the composite reliability (CR) values for all constructs are above 0.7, confirming internal consistency. The average variance extracted (AVE) ranges from 0.617 to 0.811, exceeding the recommended minimum value of 0.5, thereby supporting the convergent validity of the measurement model.

Table 1. Evaluation of the reflective measurement model

Variable and indicators	Outer loadings	CR	AVE
Financial knowledge (FK)		0. 864	0.617
FK1	0.802		
FK2	0.786		
FK3	0.811		
FK4	0.745		
Financial behaviour (FB)		0.832	0.625
FB1	0.862		
FB2	0.705		
FB3	0.805		
Financial capability (FA)		0.875	0.632
FA1	0.731		
FA2	0.832		
FA3	0.841		
FA4	0.779		
Financial satisfaction (FS)		0.921	0.811
FS1	0.859		
FS2	0.913		
FS3	0.912		

The proposed framework, which includes the latent constructs of FK, FB, and FA, explains 32% (R^2) of the variance in financial satisfaction.

The tested hypotheses are presented in Table 2. The results indicate that financial behaviour (FB) ($\beta = 0.232$, $p < 0.05$) and financial attitude (FA) ($\beta = 0.221$, $p < 0.05$) are significantly and positively associated with financial satisfaction (FS). In contrast, financial knowledge (FK) ($\beta = 0.101$, $p > 0.05$) does not exhibit a statistically significant relationship with FS. Figure 1 presents the structural path coefficients along with their corresponding p-values.

Table 2. Structural model assessment via path coefficients

Hypothesis	Path coefficients	P-Values
FK → FS	0.101	0.345
FB → FS	0.232	0.033

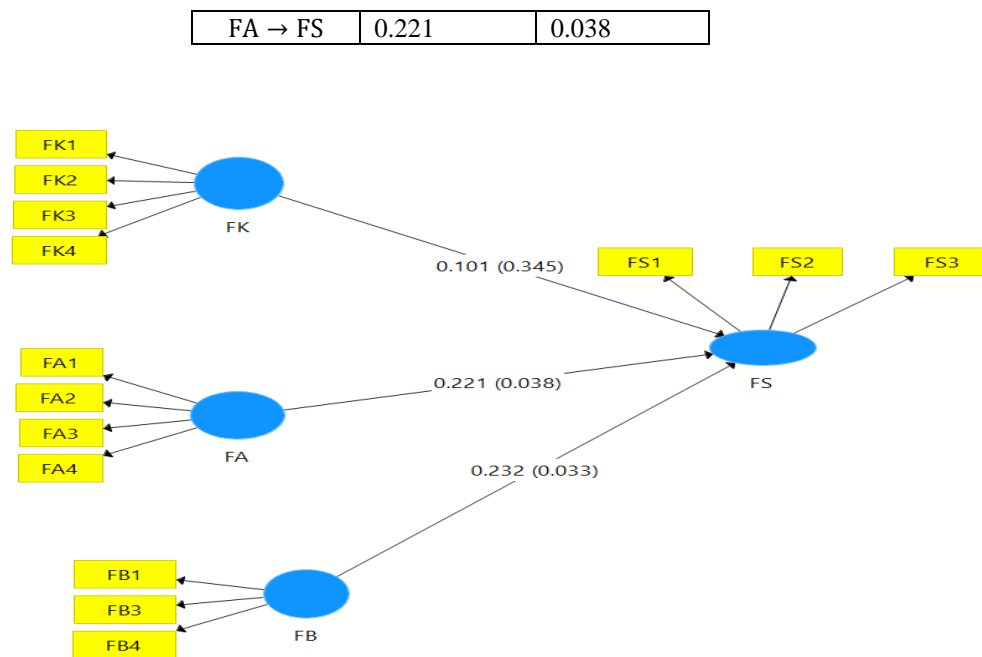| FA → FS	0.221	0.038

Figure 1. Relationships between constructs and their statistical significance

6. Conclusions

This study provides empirical insights into the factors influencing financial satisfaction among individuals in Albania, using an integrated framework grounded in behavioural finance theory. The analysis highlights the pivotal role of financial attitude and financial behaviour in shaping individuals' perceptions of their financial well-being. The findings indicate that individuals who exhibit a positive financial mindset and engage in responsible financial practices are more likely to experience higher levels of financial satisfaction.

Conversely, the lack of a statistically significant relationship between financial knowledge and financial satisfaction suggests that theoretical understanding of financial concepts alone may not translate into improved financial outcomes. This underscores the importance of complementing financial literacy initiatives with behavioural and attitudinal development.

From a practical standpoint, these results offer valuable guidance for policymakers, educators, and financial institutions aiming to enhance financial well-being. Educational programmes should prioritise strategies that promote healthy financial behaviours and foster positive financial attitudes.

7. Future Work

Future research could extend the current model by incorporating additional psychological and contextual variables, such as financial self-efficacy, social influence, and economic stress, to further explore their impact on financial satisfaction. A longitudinal study design may also provide deeper insights into the causal relationships among the constructs over time. Moreover, comparative studies across different regions or countries could help evaluate the generalisability of the findings beyond the Albanian context.

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