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Financial Literacy for Financial Well-Being and Economic Security

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ABSTRACT

Financial literacy has become increasingly important as individuals face more complex financial decisions and greater responsibility for managing personal finances. This study examines the role of financial literacy in promoting financial well-being and economic security through a qualitative Systematic Literature Review (SLR) Relevant studies published over the last five years were collected from major academic databases and analyzed using thematic synthesis. The findings indicate that financial literacy improves financial decision-making, supports responsible financial behavior, and enhances financial well-being. The review also reveals that financial literacy strengthens economic security by improving financial resilience, saving behavior, and debt management practices. Furthermore, digital financial literacy has emerged as an important component of financial capability in modern financial environments. Financial knowledge plays a central role in helping individuals understand financial products, manage personal finance, and make informed choices regarding saving, borrowing, investment, and expenditure. Financial education also contributes to the development of financial capability by strengthening individuals' understanding and practical skills in managing financial resources. The study further highlights that improved financial capability can support individuals in responding to financial uncertainty, managing economic risks, and achieving greater financial well-being over the long term.

Keywords: *Financial Capability, Financial Education, Financial Literacy, Financial Well-Being, Personal Finance.*

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1. | INTRODUCTION

Managing personal finances has become increasingly challenging in an environment characterized by complex financial products, expanding credit options, digital financial services, and rapidly changing economic conditions. Individuals are expected to make decisions regarding saving, borrowing, investing, insurance, retirement planning, and everyday financial management, often without formal financial training. As a result, the ability to understand and apply financial knowledge has become an essential life skill that influences both individual welfare and long-term economic stability. In this context, financial literacy has gained growing attention among researchers, policymakers, educators, and financial institutions seeking to improve financial outcomes and promote sustainable financial behavior.

Financial literacy generally refers to the knowledge, skills, and confidence required to make informed financial decisions. Beyond understanding financial concepts, financial literacy enables individuals to evaluate financial alternatives, manage resources effectively, and respond to economic challenges. Lusardi (2019) argues that financial literacy has become increasingly important because individuals face greater responsibility for managing their financial well-being in modern economies. Similarly, Fornero and Prete (2023) emphasize that financial education contributes not only to better personal financial management but also to broader social and economic participation. These perspectives highlight the growing significance of financial literacy as a foundation for effective financial decision-making.

The importance of financial literacy is closely linked to the increasing complexity of financial environments. Consumers today encounter a wide range of financial products and services, including digital payment systems, consumer credit facilities, investment products, insurance plans, and retirement instruments. Making informed choices within such environments requires adequate financial knowledge and decision-making capability. Kaiser et al. (2022) demonstrate that financial education positively affects financial knowledge and subsequently influences financial behavior. Likewise, Ameer and Khan (2020) report that financial literacy contributes to more responsible financial behavior among adults. These findings suggest that financial knowledge plays a critical role in helping individuals navigate increasingly sophisticated financial systems.

Financial literacy also influences how individuals manage day-to-day financial activities. Decisions related to budgeting, spending, saving, borrowing, and financial planning often depend on an individual's understanding of financial principles and personal money management strategies. Siswanti and Halida (2020) demonstrate that financial knowledge and financial attitudes significantly influence financial management behavior. Similarly, Panjaitan et al. (2022) report that financial knowledge contributes positively to financial behavior and financial satisfaction. These findings

indicate that financial literacy extends beyond theoretical understanding and directly affects practical financial decision-making.

In recent years, growing attention has been directed toward the relationship between financial literacy and financial well-being. Financial well-being generally refers to an individual's ability to meet current financial obligations, maintain financial security, and achieve long-term financial goals. Unlike traditional economic measures that focus primarily on income or wealth, financial well-being incorporates perceptions of financial stability, confidence, and satisfaction. Lusardi and Streeter (2023) provide evidence that financial literacy is strongly associated with financial well-being among individuals in the United States. Similarly, Hwang and Park (2023) conclude that financial literacy positively influences both financial behavior and financial well-being across multiple studies. These findings suggest that financial knowledge plays an important role in enhancing overall financial quality of life.

Financial well-being is increasingly recognized as a multidimensional concept influenced by both objective and subjective factors. Individuals with higher levels of financial literacy often demonstrate stronger financial management skills, greater confidence in financial decision-making, and improved ability to cope with financial challenges. Zhang and Chatterjee (2023) identify financial literacy as an important factor influencing financial well-being while reducing financial stress. Likewise, Das and Mahapatra (2023) emphasize that financial literacy contributes significantly to individual financial wellness through improved financial understanding and behavior. These findings indicate that financial literacy can serve as a pathway toward greater financial stability and personal well-being.

Another important dimension of financial literacy relates to economic security. Economic security refers to an individual's capacity to maintain financial stability, withstand unexpected financial shocks, and sustain long-term economic resilience. Financial literacy contributes to economic security by encouraging informed decision-making, prudent financial planning, and responsible financial management practices. Klapper and Lusardi (2020) report that financially literate individuals tend to exhibit higher levels of financial resilience across different countries. Similarly, Lusardi et al. (2021) argue that financial literacy contributes to the development of financial resilience by improving preparedness for economic uncertainty. These findings suggest that financial literacy plays an important role in strengthening long-term economic security.

The relevance of financial literacy became particularly evident during periods of economic disruption and uncertainty. Financial crises, public health emergencies, inflationary pressures, and labor market instability have highlighted the importance of financial preparedness and resilience. Erdem and Rojahn (2022) demonstrate that financial literacy contributed to financial resilience among European households during the COVID-19 crisis. Likewise, Lyons et al. (2020) emphasize the role of financial and digital literacy in supporting resilience within developing regions. These findings

indicate that financial literacy can help individuals adapt to changing economic circumstances and mitigate financial vulnerability.

Recent technological developments have introduced new dimensions to financial literacy. The widespread adoption of digital financial services requires individuals to understand not only traditional financial concepts but also digital financial tools and technologies. Digital financial literacy has therefore emerged as an important extension of conventional financial literacy. Kumar et al. (2023) argue that digital financial literacy influences financial capability and financial decision-making. Similarly, Choung et al. (2023) report that digital financial literacy contributes positively to financial well-being. These developments suggest that financial literacy continues to evolve alongside technological transformation within financial systems.

Although financial literacy has attracted substantial academic attention, existing studies remain dispersed across various themes, including financial education, financial behavior, financial well-being, financial resilience, financial inclusion, and digital finance. Many studies focus on specific populations, financial outcomes, or educational interventions, while fewer studies provide a comprehensive synthesis of how financial literacy contributes simultaneously to financial well-being and economic security. Consequently, there remains a need for an integrated understanding of the broader role of financial literacy within personal finance and economic stability.

In response to this gap, this study examines financial literacy for financial well-being and economic security through a qualitative Systematic Literature Review (SLR). The review synthesizes contemporary literature concerning financial knowledge, financial behavior, financial capability, financial well-being, financial resilience, and digital financial literacy. Snyder (2019) highlights the value of systematic literature reviews in consolidating fragmented research and generating broader theoretical insights. Furthermore, Page et al. (2021) emphasize the importance of transparent review procedures through the PRISMA framework. By integrating existing evidence, this study seeks to provide a comprehensive understanding of how financial literacy contributes to improved financial outcomes, enhanced well-being, and greater economic security.

2. | LITERATURE REVIEW

Financial Literacy and Personal Financial Knowledge

The ability to manage personal finances effectively depends largely on an individual's level of financial knowledge. As financial systems become more complex and individuals assume greater responsibility for financial decision-making, understanding basic financial concepts has become increasingly important. Financial literacy extends beyond familiarity with financial terminology and includes the capacity to apply financial knowledge in practical situations. Consequently, financial literacy is widely regarded as a foundational component of personal financial capability and long-term financial success.

Financial literacy is commonly defined as the knowledge and understanding necessary to make informed financial decisions. Lusardi (2019) argues that financial literacy equips individuals with the skills required to navigate financial markets, evaluate financial products, and make sound financial choices. Similarly, Lusardi and Streeter (2023) demonstrate that higher levels of financial literacy are associated with improved financial outcomes and greater financial well-being. Kaiser et al. 2022) further report that financial education positively influences financial knowledge and subsequent financial behavior. These findings suggest that financial literacy serves as an essential foundation for effective personal financial management.

The literature also highlights the role of financial education in developing financial capability. Financial capability refers to the ability to apply financial knowledge and skills in managing personal financial resources. Fornero and Prete (2023) emphasize that financial education contributes not only to improved financial knowledge but also to greater civic and economic participation. Likewise, Ameer and Khan (2020) report that financial socialization and financial literacy positively influence financial behavior among adults. These findings indicate that financial literacy supports both financial competence and responsible financial decision-making.

Financial Literacy and Financial Decision-Making

Financial decision-making involves a series of choices related to spending, saving, borrowing, investing, and managing financial resources. Effective decision-making requires individuals to evaluate available information, consider potential consequences, and select actions that support financial objectives. Financial literacy plays a critical role in this process by improving the ability to understand financial information and assess financial alternatives.

Siswanti and Halida (2020) demonstrate that financial knowledge and financial attitudes significantly influence financial management behavior. Similarly, Panjaitan et al. (2022) report that financial knowledge contributes positively to financial behavior and financial satisfaction among university students. Kaiser et al. (2022) further show that financial education affects both financial knowledge and downstream financial behaviors. These findings suggest that financially literate individuals are more likely to engage in responsible financial practices and make informed financial decisions.

The reviewed literature also indicates that financial literacy contributes to specific financial behaviors such as saving, budgeting, and financial planning. Widjaja et al. (2020) report that financial literacy positively influences saving behavior by encouraging disciplined financial management. Similarly, Aristei and Gallo (2021) find that financial knowledge supports sustainable financial behavior and increases confidence in financial decision-making. These findings suggest that financial literacy enhances an individual's capacity to manage financial resources effectively and pursue long-term financial goals.

Financial Literacy and Financial Well-Being

Financial well-being has become an increasingly important outcome within financial literacy research. Unlike traditional measures of financial success that focus primarily on income or wealth, financial well-being encompasses an individual's ability to meet financial obligations, maintain financial security, and achieve desired financial goals. It also includes subjective perceptions of financial confidence, stability, and satisfaction.

Lusardi and Streeter (2023) provide evidence that financial literacy contributes significantly to financial well-being among individuals in the United States. Similarly, Hwang and Park (2023), through a meta-analysis of existing studies, conclude that financial literacy positively influences both financial behavior and financial well-being. Zhang and Chatterjee (2023) further report that financial literacy reduces financial stress while improving overall financial wellness. These findings indicate that financial knowledge contributes not only to better financial decisions but also to improved quality of life.

The literature further demonstrates that financial literacy supports financial confidence and long-term financial satisfaction. Das and Mahapatra (2023) identify financial literacy as a major contributor to financial well-being through its influence on financial understanding and behavior. Likewise, Tahir, Ahmed, and Richards (2021) report that financial capability serves as an important mechanism through which financial literacy enhances financial well-being. Philippas and Avdoulas (2021) similarly find that financial literacy positively influences financial well-being among university students. These findings suggest that financial literacy contributes to both objective and subjective dimensions of financial wellness.

Financial Literacy and Economic Security

Economic security refers to an individual's ability to maintain financial stability, withstand economic shocks, and sustain acceptable living standards over time. Financial literacy contributes to economic security by improving financial preparedness, encouraging prudent financial behavior, and strengthening resilience during periods of uncertainty.

Klapper and Lusardi (2020) demonstrate that financial literacy is positively associated with financial resilience across countries and demographic groups. Similarly, Lusardi et al. (2021) argue that financial literacy supports resilience by helping individuals prepare for unexpected financial challenges. Erdem and Rojahn (2022) further report that financially literate individuals exhibited greater resilience during the COVID-19 crisis. These findings indicate that financial literacy plays an important role in strengthening economic security and reducing financial vulnerability.

The reviewed literature also highlights the relationship between financial literacy and responsible debt management. Individuals with stronger financial knowledge are

generally better equipped to evaluate borrowing decisions, manage financial obligations, and avoid excessive debt accumulation. Sondinti and Reddy (2023) demonstrate that financial literacy programs contribute to improved credit card utilization and debt management among younger consumers. Likewise, Morgan and Long (2020) find that financial literacy positively influences savings behavior and financial participation. These findings suggest that financial literacy supports long-term financial stability through more responsible financial management practices.

Future Directions in Financial Literacy

Financial literacy continues to evolve as financial systems become increasingly digital and technology-driven. Traditional financial education focused primarily on budgeting, saving, borrowing, and investing. However, contemporary financial environments require individuals to understand digital financial products, online financial services, and technology-enabled financial decision-making. As a result, digital financial literacy has emerged as an important extension of traditional financial literacy.

Choung et al. (2023) report that digital financial literacy contributes positively to financial well-being by improving individuals' ability to utilize digital financial services effectively. Similarly, Kumar et al. (2023) demonstrate that digital financial literacy enhances financial capability, autonomy, and decision-making quality. These findings suggest that future financial literacy initiatives must incorporate both financial knowledge and technological competencies.

The literature also indicates that financial literacy will increasingly be linked to broader objectives such as financial inclusion, lifelong learning, and economic resilience. Khan et al. (2022) argue that financial literacy plays an important role in supporting financial inclusion by enabling individuals to access and utilize financial services effectively. Likewise, Suri and Jindal (2022) highlight the expanding scope of financial literacy research and the growing emphasis on financial well-being outcomes. These developments suggest that future financial literacy initiatives will require integrated approaches that address both traditional financial knowledge and emerging digital financial challenges.

3. | RESEARCH METHOD

This study employs a qualitative Systematic Literature Review (SLR) to examine the relationship between financial literacy, financial well-being, and economic security. The SLR approach was selected because research on financial literacy spans multiple disciplines, including economics, finance, consumer behavior, education, public policy, and financial counseling. While these studies provide valuable insights, existing findings are often dispersed across different contexts and populations. A systematic review enables the integration of diverse evidence and supports a broader understanding of how financial literacy contributes to individual financial outcomes. Snyder (2019)

argues that systematic literature reviews provide a rigorous framework for synthesizing fragmented research and identifying key themes within an academic field. Similarly, Linnenluecke et al. (2020) emphasize that systematic review methodologies improve transparency, consistency, and analytical rigor in literature synthesis.

Literature was collected from academic database such as google scholar. The search process utilized combinations of keywords such as financial literacy, financial knowledge, financial education, financial capability, financial behavior, financial well-being, economic security, financial resilience, financial inclusion, personal finance, digital financial literacy, and financial decision-making. These keywords were selected to capture studies examining both the theoretical and practical dimensions of financial literacy.

The inclusion criteria focused on peer-reviewed journal articles, scholarly books, conference proceedings, and institutional reports published between 2019 and 2023. Eligible studies were required to discuss financial literacy, financial knowledge, financial capability, financial behavior, financial well-being, economic security, financial resilience, or digital financial literacy. Studies focusing exclusively on macroeconomic issues, corporate finance, or financial markets without addressing individual financial literacy were excluded. Likewise, studies unrelated to financial decision-making, financial education, or personal financial outcomes were omitted. This selection process ensured alignment between the reviewed literature and the objectives of the study.

Following the screening and selection process, the literature was analyzed using thematic synthesis to identify recurring concepts, relationships, and patterns across the selected studies. Thematic synthesis allows evidence from different geographical regions, demographic groups, and research settings to be integrated into a coherent analytical framework. The reviewed studies were organized into five thematic categories: financial literacy and personal financial knowledge, financial literacy and financial decision-making, financial literacy and financial well-being, financial literacy and economic security, and future directions in financial literacy. These themes represent the principal dimensions through which financial literacy influences financial outcomes and long-term economic stability.

The analytical framework adopted in this study views financial literacy as a multidimensional construct encompassing financial knowledge, financial capability, financial behavior, and financial decision-making competence. Particular attention is given to the role of financial literacy in promoting effective financial management, improving financial well-being, strengthening economic security, and supporting resilience against financial shocks. The framework also considers the growing importance of digital financial literacy as financial services become increasingly technology-driven. By integrating these perspectives, the study provides a comprehensive assessment of how financial literacy contributes to personal financial success and long-term economic well-being.

4. | RESULTS

The reviewed literature consistently demonstrates that financial literacy plays a central role in shaping financial behavior, improving financial well-being, and strengthening economic security. Across different countries, demographic groups, and socioeconomic contexts, individuals with higher levels of financial literacy generally exhibit stronger financial management capabilities and more positive financial outcomes. The findings indicate that financial literacy extends beyond knowledge acquisition and functions as a practical resource that influences how individuals make financial decisions, manage risks, and achieve long-term financial objectives.

One of the most prominent findings concerns the relationship between financial literacy and personal financial knowledge. The reviewed studies indicate that financial literacy enhances individuals' understanding of financial concepts, products, and decision-making processes. Financially literate individuals are generally better equipped to evaluate financial information, compare alternatives, and understand the consequences of financial choices. Lusardi (2019) emphasizes that financial literacy has become increasingly important as individuals assume greater responsibility for managing their financial futures. Similarly, Kaiser et al. (2022) demonstrate that financial education significantly improves financial knowledge and contributes to subsequent behavioral improvements. These findings suggest that financial literacy serves as an essential foundation for effective personal financial management.

The literature also reveals a strong relationship between financial literacy and financial decision-making. Individuals with higher levels of financial knowledge tend to demonstrate greater confidence and competence when making financial choices. Financial literacy contributes to more informed decisions regarding budgeting, spending, saving, borrowing, and financial planning. Siswanti and Halida (2020) report that financial knowledge positively influences financial management behavior through improved self-control and financial awareness. Similarly, Panjaitan et al. (2022) find that financial knowledge contributes to both responsible financial behavior and greater financial satisfaction. These findings indicate that financial literacy plays an important role in supporting sound financial decision-making practices.

Another important finding concerns saving behavior and long-term financial planning. The reviewed studies indicate that financially literate individuals are more likely to engage in regular saving activities and establish long-term financial goals. Financial literacy improves awareness of the importance of financial preparedness and encourages disciplined financial habits. Widjaja et al. (2020) report that financial literacy positively affects saving behavior among consumers. Likewise, Aristei and Gallo (2021) demonstrate that financial knowledge supports sustainable financial behavior and strengthens financial confidence. These findings suggest that financial literacy contributes to more effective resource management and long-term financial stability.

The literature further highlights the significant contribution of financial literacy to financial well-being. Financial well-being encompasses an individual's ability to meet financial obligations, maintain financial security, and achieve desired financial goals while experiencing minimal financial stress. Lusardi and Streeter (2023) report that financial literacy is strongly associated with financial well-being among individuals in the United States. Similarly, Hwang and Park (2023), through a meta-analysis of existing studies, conclude that financial literacy positively influences both financial behavior and financial well-being. These findings indicate that financial knowledge contributes to improved financial outcomes and greater overall life satisfaction.

Another major finding concerns the relationship between financial literacy and financial stress reduction. The reviewed studies suggest that individuals with higher levels of financial literacy often experience lower levels of financial anxiety and uncertainty because they possess greater confidence in managing financial challenges. Zhang and Chatterjee (2023) demonstrate that financial literacy improves financial well-being while reducing financial stress. Likewise, Das and Mahapatra (2023) identify financial literacy as a key factor supporting financial wellness through better financial understanding and decision-making. These findings suggest that financial literacy contributes to both objective financial security and subjective financial confidence.

The reviewed literature also demonstrates that financial literacy strengthens economic security through improved financial resilience. Economic security refers to an individual's ability to withstand financial shocks, maintain stability during adverse circumstances, and recover from economic disruptions. Klapper and Lusardi (2020) report that financially literate individuals exhibit higher levels of financial resilience across different countries. Similarly, Lusardi et al. (2021) argue that financial literacy supports preparedness for unexpected economic events and enhances long-term financial security. These findings indicate that financial literacy serves as an important protective factor against financial vulnerability.

Another important finding relates to the role of financial literacy during periods of economic uncertainty. The reviewed studies suggest that financial knowledge becomes particularly valuable during crises because it enables individuals to make informed decisions under challenging conditions. Erdem and Rojahn (2022) demonstrate that financial literacy contributed to household resilience during the COVID-19 pandemic in Europe. Likewise, Lyons et al. (2020) report that financial and digital literacy strengthened resilience among vulnerable populations in developing regions. These findings indicate that financial literacy enhances adaptive capacity and supports financial stability during periods of uncertainty.

The literature further reveals that financial literacy contributes to responsible debt management and borrowing behavior. Individuals with greater financial knowledge are generally better able to assess borrowing costs, manage financial obligations, and avoid excessive debt accumulation. Sondinti and Reddy (2023) report that financial literacy

programs improve credit card utilization and debt management among younger consumers. Similarly, Morgan and Long (2020) ; Katnic et al., (2024), demonstrate that financial literacy positively influences saving behavior and broader financial participation. These findings suggest that financial literacy supports sustainable financial management and reduces exposure to financial risks.

Another significant finding concerns the growing importance of digital financial literacy in the context of rapidly changing financial environments. As financial services increasingly migrate to digital platforms, individuals must develop competencies that combine traditional financial knowledge with technological understanding. Digital financial literacy enables individuals to understand and effectively use digital financial products and services, including mobile banking, digital payment systems, online investment platforms, and other technology-based financial services. Choung et al. (2023) report that digital financial literacy positively influences financial well-being by improving individuals' ability to utilize digital financial services effectively. Likewise, Kumar et al. (2023) demonstrate that digital financial literacy enhances financial capability and decision-making quality. These findings suggest that digital competencies have become an important component of modern financial literacy, particularly as individuals are increasingly required to make financial decisions through digital platforms. Higher levels of digital financial literacy may also help individuals identify appropriate financial products, evaluate risks, and avoid potentially harmful financial practices in increasingly complex digital environments.

The reviewed literature also highlights the connection between financial literacy and broader socioeconomic development. Financial literacy supports participation in financial systems, promotes informed financial behavior, and contributes to financial inclusion initiatives. Individuals with adequate financial knowledge are generally better equipped to understand available financial services, assess their benefits and risks, and make decisions that correspond with their financial needs and circumstances. Khan et al. (2022) argue that financial literacy facilitates access to financial services and enhances the effectiveness of financial inclusion efforts. This relationship is particularly important because access to financial services alone may not be sufficient to improve financial outcomes if individuals lack the knowledge and skills required to use those services effectively. These findings indicate that financial literacy contributes not only to individual financial outcomes but also to broader economic development objectives by supporting more effective participation in formal financial systems and strengthening the capacity of individuals to manage financial resources.

Overall, the evidence reviewed in this study demonstrates a consistent relationship between financial literacy, financial behavior, financial well-being, and economic security. The findings indicate that financial literacy contributes to informed financial decision-making, improved financial management, enhanced resilience, and greater long-term financial stability. Financially literate individuals are more capable of planning their finances, managing expenses, responding to unexpected financial

challenges, and making decisions that support their future economic conditions. Furthermore, the increasing integration of technology into financial activities demonstrates that financial literacy must continue to evolve in response to changing financial systems. As financial environments continue to evolve, the importance of financial literacy is expected to increase further, particularly in relation to digital financial services and emerging financial technologies. Therefore, strengthening both conventional and digital financial literacy should remain an important priority in efforts to improve individual financial well-being, promote responsible financial behavior, strengthen financial inclusion, and support sustainable socioeconomic development.

5. | DISCUSSION

The findings of this review demonstrate that financial literacy plays a fundamental role in shaping financial behavior and supporting positive financial outcomes Unlike factors such as income, employment status, or access to financial services, financial literacy directly influences how individuals understand financial information and apply that knowledge in everyday financial situations. The reviewed studies consistently indicate that financially literate individuals are better prepared to manage financial resources, evaluate financial alternatives, and make decisions that support long-term financial stability (Hwang & Park, 2023; Shi et al., 2025). These findings reinforce the view that financial literacy should be considered a critical component of personal financial development.

One of the most significant insights emerging from the findings is that financial literacy extends beyond knowledge acquisition and functions as a practical capability. Understanding financial concepts alone does not automatically improve financial outcomes unless individuals are able to translate that knowledge into effective financial actions. The reviewed literature suggests that financial literacy supports informed decision-making by improving financial awareness, strengthening financial confidence, and encouraging responsible financial behavior (Hwang & Park, 2023). Consequently, financial literacy contributes not only to what individuals know but also to how they manage their financial lives.

The findings further indicate that financial literacy influences a wide range of financial decisions. Individuals with stronger financial knowledge tend to demonstrate better budgeting practices, more disciplined saving behavior, and greater attention to long-term financial planning (Jumady et al., 2024).These outcomes are particularly important because daily financial decisions accumulate over time and significantly influence financial stability. The evidence suggests that financial literacy helps individuals evaluate financial trade-offs more effectively and make decisions that align with their financial goals.

Another important implication concerns the relationship between financial literacy and financial well-being. The reviewed studies consistently demonstrate that financial literacy contributes to improved financial well-being through better financial behavior

and increased financial confidence (Hwang & Park, 2023). Individuals who understand financial concepts and possess the skills necessary to manage their finances effectively are generally more capable of meeting financial obligations and achieving financial goals.

The discussion also highlights the role of financial literacy in reducing financial stress and uncertainty. Financial stress often arises when individuals face difficulties managing financial obligations, responding to unexpected expenses, or planning for future needs. The reviewed evidence suggests that financial literacy improves preparedness and confidence, enabling individuals to respond more effectively to financial challenges (Mancone et al., (2024).

Another significant finding relates to economic security and financial resilience. The reviewed studies indicate that financially literate individuals are more likely to maintain emergency savings, engage in prudent financial planning, and adopt behaviors that strengthen resilience during periods of uncertainty (Kass-Hanna et al., 2022). These findings suggest that financial literacy functions as a protective resource that supports long-term financial stability and reduces vulnerability to financial shocks.

The findings are particularly relevant in the context of economic disruptions and unexpected crises. Events such as economic recessions, inflationary pressures, employment instability, and public health emergencies can create significant financial challenges for households. The reviewed literature indicates that financial literacy improves preparedness and supports adaptive financial behavior during such periods (Kass-Hanna et al., 2022).

The discussion further reveals that financial literacy contributes to responsible borrowing and debt management. The reviewed evidence suggests that financially literate individuals are more likely to understand borrowing costs, evaluate repayment obligations, and manage debt responsibly (Galariotis & Monne, 2023).

An additional implication concerns the growing importance of digital financial literacy. The reviewed studies suggest that digital financial literacy contributes to financial capability and supports positive financial outcomes in technology-driven financial systems (Kass-Hanna et al., 2022; Yadav & Banerji (2024).

The findings also suggest that financial literacy contributes to broader economic and social objectives. Consequently, financial literacy supports financial inclusion, consumer empowerment, and sustainable financial participation (Hidalgo-Mayorga et al., 2025; Reddy et al., 2025).

From a practical perspective, the findings emphasize the importance of strengthening financial education initiatives across different stages of life. Financial literacy should not be viewed as a one-time educational outcome but rather as a lifelong process. that evolves alongside changing financial environments. Educational institutions, policymakers, financial service providers, and community organizations all play important roles in promoting financial literacy and improving financial capability.

Effective financial education programs can help individuals develop the knowledge and skills required to navigate increasingly complex financial systems.

The evidence reviewed in this study demonstrates that financial literacy serves as a key foundation for financial well-being and economic security. Through its influence on financial knowledge, decision-making, financial behavior, and resilience, financial literacy contributes to improved financial outcomes and greater long-term stability. As financial environments continue to evolve and digital technologies reshape financial activities, financial literacy will remain an essential factor supporting personal financial success and economic security.

6. | CONCLUSION

This study examined the role of financial literacy in promoting financial well-being and economic security through a qualitative Systematic Literature Review (SLR). The findings demonstrate that financial literacy extends beyond the acquisition of financial knowledge and functions as an essential capability that supports informed financial decision-making, effective financial management, and long-term financial stability. As financial environments become increasingly complex, financial literacy has emerged as a critical factor influencing how individuals manage resources, evaluate financial opportunities, and respond to economic challenges.

The review reveals that financial literacy contributes significantly to personal financial knowledge and financial capability. Individuals with stronger financial literacy are generally better equipped to understand financial concepts, evaluate financial information, and make informed financial decisions. These competencies support responsible financial behavior and enable individuals to manage financial resources more effectively. Consequently, financial literacy serves as a foundation for sound financial management and improved financial outcomes.

The findings further indicate that financial literacy positively influences financial decision-making. Financially literate individuals are more likely to engage in budgeting, saving, financial planning, and responsible borrowing practices. These behaviors contribute to improved financial management and support the achievement of long-term financial goals. The reviewed literature suggests that financial literacy encourages greater financial awareness and strengthens the ability to make decisions that promote financial stability.

Another important finding concerns the relationship between financial literacy and financial well-being. The evidence demonstrates that financial literacy contributes to higher levels of financial satisfaction, reduced financial stress, and greater confidence in managing financial obligations. Individuals with stronger financial knowledge are generally more capable of achieving financial goals and maintaining financial security. These findings indicate that financial literacy supports both objective financial outcomes and subjective perceptions of financial wellness.

The study also highlights the role of financial literacy in strengthening economic security. Financial literacy enhances financial resilience by improving preparedness for unexpected financial events and encouraging prudent financial behavior. Individuals with higher levels of financial literacy are generally better positioned to withstand economic disruptions, manage financial risks, and maintain financial stability during periods of uncertainty. As a result, financial literacy functions as an important mechanism for reducing financial vulnerability and supporting long-term economic security.

The findings further reveal that financial literacy contributes to responsible debt management, saving behavior, and financial planning. These outcomes support sustainable financial practices and strengthen household financial stability. Moreover, financial literacy promotes greater participation in financial systems and contributes to broader efforts aimed at improving financial inclusion and consumer empowerment.

An additional finding concerns the growing importance of digital financial literacy. As financial services increasingly rely on digital technologies, individuals require competencies that combine traditional financial knowledge with digital skills. Digital financial literacy supports the effective use of technology-based financial services and enhances the ability to make informed financial decisions within evolving financial environments. This development highlights the expanding scope of financial literacy in modern economies.

From a practical perspective, the findings suggest that policymakers, educational institutions, financial service providers, and community organizations should continue investing in financial education initiatives. Strengthening financial literacy across different demographic groups may contribute to improved financial behavior, greater financial resilience, and enhanced economic security. Financial education programs should also adapt to technological developments by incorporating digital financial literacy components.

Future research may explore the relationship between financial literacy and emerging financial technologies, digital financial ecosystems, and changing patterns of consumer financial behavior. Additional studies may also examine financial literacy across different socioeconomic groups, cultural contexts, and stages of the life cycle. By synthesizing contemporary literature, this study contributes to a broader understanding of how financial literacy supports financial well-being and economic security in an increasingly complex financial landscape.

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Declaration of Conflicting Interests

The authors declare that there is no conflict of interest.

Ethical Approval and Originality Statement

Ethical approval was obtained for this study. The manuscript represents original work and has not been previously published, nor is it under consideration by another journal.

Data Disclosure Statement

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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