**Impact of Personal Loans on the Well-being of Officers in the Sri Lanka Air Force**

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**Abstract**

Personal loans are a well-known borrowing option for people's short-term or emergency financial requirements. This research addresses a significant research gap by examining the impact of personal loans on military personnel's well-being with particular reference to Sri Lanka Air Force (SLAF) officers. Further, the study has explored the moderator impact of perceived financial knowledge and the spouse's employment on the relationship between independent and dependent variables. This study was conducted as a cross-sectional, quantitative field study. The primary data was collected from 317 sample officers using a standard questionnaire via online and printed forms, and the stratified random sampling technique was used for selection. Findings revealed a positive impact of personal loans on officers' well-being. Further, perceived financial knowledge did not significantly moderate the impact of personal loans on well-being, but spouses' employment significantly moderated. These findings highlight the significance of personal loans on officers' well-being, the degree of intervention of perceived financial knowledge, and the employment of spouses as moderators. Hence, findings will help SLAF Management to continue positive things, mitigate drawbacks in existing personal loan management and introduce new implications for further benefits for their officers and organization.

***Keywords:*** *personal loans, well-being, perceived financial knowledge, spouses' employment*

**Introduction**

In general, debts can be identified as the amount of money obtained by people or organizations from other sources to cater to their current or future financial requirements with an agreement to pay in the future. Usually, personal loans are categorized under unsecured credit facility because financial institutions or lenders offer to an individual borrower based on employment, repayment capacity, income level, and history with other loans without mortgaging assets. The purpose of obtaining personal loans depends on the requirement of the respective borrower (Haughn, 2022). Kallomo (2012) has discovered personal loans have both positive and negative effects on economic well-being. Further, personal loans not only deal with economic well-being but also impact human psychology because loan-related issues such as over-indebtedness and other socioeconomic issues also affect the person's mental health.

The Sri Lank Air Force (SLAF) officers obtain personal loans from available loan facilities at SLAF and outside various finance institutes. SLAF facilitates internal loans for their members from non-public funds and public funds. The loans granted by the Air Force are less expensive (lower interest and no processing fee) than loans granted by outside banks and finance institutions. However, the maximum amount of the SLAF loans is less when compared to external loans, and there are numerous conditions to be met for SLAF loans. Therefore, SLAF officers obtain loans from banks and other financial institutions without considering interest.

Approximately 1,800 commissioned officers serve in the SLAF (Sri Lanka Air Force- Regular & Volunteer Force List 2022). When considering officers, they all get considerable salaries and benefits packages to obtain about two to three million rupees in personal loans. Banks and other financial institutes face less risk when lending to officers because their bank accounts are credited each month by their government salaries, from which the bank can easily deduct loan installments.  Furthermore, personal loans are more popular than other loans because banks require minimal documentation and release loans within one to two weeks based on two guarantors and SLAF's involvement as the employer. According to Table 1 bellow, approximately 80% of officers have obtained personal loans in the last five years, whether internally, externally, or from both sources, and the percentage of personnel debt has recorded a high rate.

Table:  01 A breakdown of the number of officers who have taken out personal loans in the last five years.

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Total Strength** | **Number of Debtors** | **Percentage (%)** |
| **2018** | 1702 | 1304 | 77 |
| **2019** | 1671 | 1328 | 79 |
| **2020** | 1676 | 1381 | 82 |
| **2021** | 1684 | 1358 | 80 |
| **2022** | 1821 | 1471 | 80 |

***Source:*** *Pay and Record Branch SLAF 2022*

It is generally accepted that the money obtained through personnel loans should be handled responsibly. In many cases, people have been unable to properly manage the money they received from loans by using it for productive means (Campbell, 2006). Their disposable income will be reduced when loan payments are deducted from their salaries. Their insufficient disposable income will limit a person's standard of living (Keith, 2008). The negative aspects of personal loans, such as over-indebtedness and other negative consequences of poor loan management, have an economic as well as a psychological impact  (Fitch et al., 2014; Meltzer et al., 2012; Shen et al., 2014; Sweet et al., 2013).

Personal loans may impact one's well-being positively and negatively, affecting financial and emotional well-being. However, poor personal loan management negatively effects to economically and psychologically, as per the findings of previous studies. Following that, it was discovered that many issues and difficulties had been faced by service personnel as well as the administration of the SLAF pertaining to the study area. According to Pay and Record section at SLAF Headquarters, many complaints about nonpayment of loan installments are received monthly from banks and financial institutions.

The breakdown of written complaints received from the bank and other financial institutes during the last three months about loan defaults by officers and airmen, according to records of SLAF Pay and Record, is as follows:

**Table 02:** A breakdown of the number of loan defaults by SLAF personnel according to complaints from banks and financial institutes.

|  |  |
| --- | --- |
| **Month** | **Loan default** |
| **October-2022** | 781 |
| **November-2022** | 862 |
| **December-2022** | 1214 |

***Source:***Pay and Record Branch SLAF 2022

In addition to the issues pertaining to external loans, officer loan defaults have been reported from internal loan sources. During the last six months, 16 officers have defaulted without paying their monthly instalments for Command Benevolent Fund's non-distress loan.

Many studies have discovered the psychologically related dark side of over-indebtedness, repayment issues, and current and future disposable income limitations. These studies highlighted that debt could cause mental depression, anxiety, and other human psychology-related issues (Britt et al., 2017; Fitch et al., 2014; Gathergood, 2012; Hal, 2015; Leandro & Botelho, 2022; Meltzer et al., 2012; Sweet et al., 2013; Turunen & Hiilamo, 2014).

Based on the literature findings, it was concerned whether SLAF officers' personal loans had impacted their psychological well-being. Hence, an interview was conducted with a SLAF psychiatrist on December 27, 2023. According to the psychiatrist, personal loans were a significant cause of common psychological problems such as depression, anxiety, and adjustment observed during regular clinics and other medical screenings for specific requirements.

The present interest rate of personal loans is around 30 percent per annum outside financial institutes, and some banks have increased interest rates up to 15 percent for the remaining balance of previous loans. Following Figure 01 depicts Sri Lanka's drastically increased personal lending interest rate over a recent one-year period.

**Figure: 01** Bank lending rates from the year 2022 to year 2023-Sri Lanka

A graph of a growing graph

Description automatically generated with medium confidence

***Source:*** *Trading Economics (tradingeconomics.com)*

As a result, repaying these personal loans monthly without an increment in salary or allowance during the ongoing economic crisis will reduce the disposable income of SLAF officers. On the other hand, complaints from the financial institutes have been gradually increasing during recent months, as per the obsessions of the Pay and Record section of SLAF. Further, SLAF has identified a significant increase in psychological issues pertaining to individuals' loan management. Considering the above-highlighted facts, it can be seen that a problematic situation exists on the surface concerning the personal loans of SLAF personnel.

According to the literature, it was confirmed that personal loans may negatively or positively impact personnel's well-being. Further, the studies that have examined personal loans' impact on military personnel's lives are limited. Since the recently experienced pandemic and current economic crisis, micro- and macro-environmental elements relevant to personal loans have changed significantly. A further investigation will be beneficial to identify the extent of the issues already encountered by SLAF management regarding personal loans of officers and to prevent possible future problems that could be harmful to both the officers and the SLAF. However, a formal study has not been conducted by the SLAF or any independent body to identify whether personal loans impact SLAF officers' well-being. Hence, this study attempted to broadly identify the "**Impact of personal loans on the well-being of officers in the Sri Lankan Air Force."** Further, randomly selected 317 officers who are currently serving  were selected amoung aproximatly 1800 SLAF officers as the sample for this study.

**Research Objectives**

The main objective of this study is to examine the impact of personal loans on the well-being of Officers in the Sri Lanka Air Force. Further specific objectives of this study are as follows.

1. To examine the impact of personal loans on the economic well-being of the Officers in SLAF.
2. To examine the impact of personal loans on the psychological well-being of the Officers in SLAF.
3. To analyze the impact of perceived financial knowledge on personal loans and the well-being of the Officer in SLAF.
4. To analyze the impact of the spouse's employment on the personal loans and the well-being of the Officers in SLAF.

**Significance of the Study**

Because of the importance of personal debt management for people's well-being, many scholars, experts, and institutes have studied this area for a long period. Sufficient awareness of the impact of personal loans on military personnel in Sri Lanka during the ongoing economic crisis will be more beneficial for respective individuals, policymakers, and financial institutes. This study helps to eliminate the possible negative consequences of personal loans. It creates an informed client who practices proper debt management while balancing lifestyles as a Sri Lankan Air Force officer. Further, the study aims to help policymakers and other decision-makers accountable for providing financial support and advice for SLAF officers to make better decisions on managing personal loans. The findings of this study will help SLAF's Welfare Funds and outside financial institutes identify areas and conditions pertaining to personal loans that need to be changed to minimize present difficulties and improve the efficiency of their loan schemes. In addition, this study's findings would benefit anyone interested in connecting this field of study to expand their awareness by collecting essential information from this study.

**Literature Review**

**Human well-being**

Human well-being includes economic, ecological, and psychological needs (Summers et al., 2012). Human well-being results from fulfilling human needs, allowing individuals and communities to pursue their objectives and have a satisfactory quality of life in harmony with others and the environment. (Breslow et al., 2016). Well-being includes three main parts: physical, social, and psychological well-being (Li & Chen, 2021).

**Economic/Financial Well-being of Personnel**

Economic well-being is vital for personal well-being, as it refers to an individual's financial capacity and access to resources for fulfilling their current and future needs. It is sometimes called "financial well-being," which means the same thing. Economic well-being defines economic resources that individuals, families, or households have at their disposal to support their material living situations and control over these resources and conditions. (Gurría, 2013). The person's economic status depends on factors such as income, debt, net worth, and family wealth (Joo, 2008). Economic well-being is a measure of financial security, stability, and prosperity (Sumner, 2004). According to a study by Mokhtar et al. (2015), employees' financial well-being is an important aspect of their lives; therefore, employers should be concerned about it and research it thoroughly. Further, according to Finkelstein et al. (2022), low-income people have poor physical and mental health and are more vulnerable to disease.

**Psychological well-being**

Psychological well-being encompasses mental and emotional health and all aspects of human functioning (Morin, 2022).  Daniels and Harris (2000) define psychological well-being as a person's overall mental health and the degree to which they experience positive emotions, a sense of purpose and meaning, and personal fulfillment. Psychological well-being has been defined at a basic level, similar to a positive mental condition like happiness or satisfaction, and there is no need or benefit to worrying about finding distinctions between those terms in a common situation. If anyone states that they are happy or satisfied with their life, they can be assured that their psychological well-being is pretty high (Robertson & Cooper, 2011).

**Personal Debts and Personal Loans**

According to the Economic Times, a loan is anything lent to another person in exchange for future settlements of the loan value plus interest and other financing charges, whether it be property, cash, or other tangible items. (The Economic Times, 2022). A personal loan is an amount of money borrowed for personal purposes from a bank, financial institution, or any other lender (Ismail et al., 2013). Further, a personal loan is an unsecured loan provided by a financial institute (Karolyi, 2018). Porter (2022) has defined a personal loan as a sum of money borrowed for various purposes from a lender by a borrower. The overall cost of a personal loan includes interest, bank charges, taxes, and fees paid to third parties like insurance, etc. (Barrutia & Echebarria, 2016). According to  Barceló et al. (2021), an interest rate is the charge of borrowing money or the return on lending money.  Personal loans are well-regarded in the Sri Lankan finance market, available to individuals from banks, finance companies, and other sources. Even members of the Sri Lanka Air Force (SLAF) can obtain personal loans, either through internal channels within SLAF or from external financial institutes.

**Impact of personal loans on well-being**

Personal loans play a vital role in meeting the financial requirements of people. But, the impact of personal loans may be positive or negative, according to findings of previous studies. According to Treece & Tarver (2021), when looking for a lender and determining whether to apply for financing, it's crucial to comprehend the benefits and drawbacks of personal loans. Pham et al. (2013) discovered that even when personal loans are obtained at a low-interest rate, they positively impact borrowers' well-being compared to those who do not have access to personal loans.  However, a research study by American Public Health Association (APHA) found reducing or canceling unsecured debt can enhance one's health and well-being (APHA, 2021). According to Kallomo (2012), personal loans positively and negatively impact personnel's well-being, and management of the personnel loan determines whether the impact is positive or negative. Bett & Kirui (2018) found unsecured personal loans and household financial health have a substantial, statistically significant relationship. Another research discovered an association between better financial health and less borrowing (Tahir & Ahmed, 2021). Further, Tay et al. (2016) found that debt negatively correlated with subjective well-being and positively correlated with distress. According to  Cecchetti et al. (2011), debt can be seen as having two edges of a sword. Debt can improve a person's life status or welfare. But if it is used imprudently and excessively, the results can be disastrous. Hence, previous studies have evidence that the impact of personal loans on borrowers' well-being may be positive or negative.

**Impact of Personal Loans on economic well-being**

According to a study by Kallomo (2012), using personal loans as a tool for economic well-being intervention has positive and negative effects on reducing poverty. Further, in Starostina's findings, personal loans improve living standards by increasing access to significant economic goods, increasing the market supply, and promoting effective demand for durable goods and services (Starostina, 2016).  In a study by Thornley (2008), global research has examined many reasons for the rise in non-mortgage family debt, including how those with lower earnings have developed a propensity to use credit to supplement their sometimes insufficient incomes.

As per CEIC (2022) data, the rage percentage of personnel debt based on the nominal GDP of Sri Lanka was 10% in 2021, and the same was only 6.3% in 2014. Further, as a country, Sri Lanka has been experiencing an economic crisis, and one of the main reasons for the crisis was over-indebtedness and poor debt management. The central government debt was LKR 28,756 billion (USD 79.9 billion) as of June 2022 (Ministry of Finance & CBSL, 2022), and the country's debt concerning GDP was recorded at 131% (CBSL, 2022). The most likely cause of low personal debt levels in developing countries is a lack of appropriate income and securities. On the other hand, personnel in underdeveloped nations face greater challenges in obtaining loans from formal financial institutions since they lack sufficient securities or income sources to meet the qualifying standards yet have greater needs and wants (Kallomo, 2012).

Personal loans can have both positive and negative effects on an individual's well-being, impacting their standard of living. In Sri Lanka, a developing country, loans have demonstrated more negative aspects than positive ones. The country faces significant national indebtedness, with debt surpassing the GDP.

**Impact of Personal Loans on the psychological well-being of personnel**

Numerous research has examined the relationship between debt and psychological well-being. Shen et al. (2014) found the impact of credit card debt on stress levels over time. Further, they found that short-term debtors experience debt stress more than twice as frequently as long-term debtors. Financial difficulties and indebtedness have resulted in mental health issues for personnel and lower recovery rates for those who already suffer from mental health conditions, making treatment less effective (Turunen & Hiilamo, 2014). Further, The U.S. National Financial Capacity Study's findings have revealed a positive correlation between personal mortgage and a negative correlation between financial capability and stress. Consumers with many loan defaults were in the worst circumstances; in these cases, financial competence may have a net beneficial impact on financial stress (Jian et al., 2022). The Meta-analysis of Tay et al. (2016) has found that debt had a negative correlation with subjective well-being and a positive correlation with distress. In Taiwan, Tsai et al. (2016) have done a study on "The Impact of Debt on Wellbeing," which found that while debt has a clear adverse impact on one's happiness and health, it has little effect on social interactions and self-esteem. Britt et al. (2017) discovered that students who had loans were more likely to be distressed than those who did not. Numerous studies across a range of disciplines have discovered relationships between social and economic variables and different indicators of psychological well-being (Bove et al., 2022; Godinić & Obrenovic, 2020; Hal, 2015). Macfadyen et al. (1996) state that economic distress and lower capabilities have been associated with higher psychological suffering. According to a study on the relationship between personal debt and common mental disorders by Meltzer et al., debt is one of the main risk factors for common mental diseases (Meltzer et al., 2012). According to Mutandwa et al.'s study findings, the majority of the employees in the study's sample were dissatisfied with their jobs. The causes of the dissatisfaction included workload, a salary that was not enough, allowance-related issues, and inadequate or no loan facilities for their financial requirements (Mutandwa et al., 2007). .

The above studies have established a connection between debt and psychological well-being, showing that loans affect not only the economic but also the psychological aspects of individuals. While most research focuses on the negative impact of loans on psychological well-being, few examine both positive and negative effects. In the current economic and financial crisis in Sri Lanka, there is a strong likelihood that personal loans may adversely affect the economic and psychological well-being of SLAF officers simultaneously.

**Financial indebtedness and negative consequences of improper management of personal debts**

Indebtedness does not always harm a person's standard of living; it can have a positive impact through effective debt management. However, excessive debt has resulted in economic poverty. As a result, debt management is critical before entering into over-indebtedness situations without accumulating excessive debt (D'Alessio & Iezzi, 2013). Financial crises become more likely and more severe when debt ratios rise beyond a certain level (Reinhart & Rogoff, 2013).  Another research study on "Risk of Over-Indebtedness and Behavioral Factors" revealed that the demand for household debt appears less rational and more motivated by emotions. Such behavioral reasons may persuade people to borrow money in irrational manners, which might cause them to accumulate unmanageable debt in light of their income. The result of this might be over-indebtedness (Anderloni & Vandone, 2011). According to Massengo's (2013) study, personal loans are used for non-investment purposes rather than capital or investment. As a result, the loan repayment will have a negative impact on a person's future well-being. Considering the findings of previous studies, loans should be managed without exceeding the borrower's repayment ability, as many prior studies have discovered the consequences and dangers of over-indebtedness. With the current economic crisis, the disposable income of SLAF officers might be reduced due to the abnormal price hikes of commodities under higher inflation, no salary increments, and other limitations on income. As a result,  officers who have obtained personal loans may already be over-indebted or have the potential to become so soon, affecting their economic and psychological well-being.

**Impact of perceived financial knowledge on personal loan management of individual**

Finance knowledge is a significant element of productive personal finance because it is strongly related to a person's ability to manage their finances. A study by Gathergood (2012)  has found a positive relationship between poor financial knowledge and self-reported extreme financial pressures of debt and non-payment of consumer credit. Furthermore, numerous studies have demonstrated the importance of financial literacy and knowledge of financial management to achieve positive results from personal debt. In addition to that, previous research findings have proven poor debt management in people with less financial knowledge as well as effective loan and other finance-related management in people with advanced financial knowledge (Ibrahim et al., 2009; Kezar & Yang, 2010; Kotzè & Smit, 2008). A study by Grable and Rabbani  (2023) found that people's subjective and objective finance knowledge positively correlated with each other and had an impact on positively managing risk in personal finance. According to the study carried out by Lasantha and Pathirawasam on "Financial Literacy and Credit Choice of Consumer Credit Users in Sri Lanka," it was found that people have demonstrated a moderate level of financial literacy. Despite their level of financial knowledge, most people have chosen expensive credit choices over affordable bank borrowing (Lasantha & Pathirawasam, 2015). According to the study by Boon et al. (2011), people with high financial literacy and personal financial planning thinking should select and plan their approaches to achieving economic well-being.Further, a study by Bell et al. (2014) found that having better perceived financial knowledge and being financially prepared for an emergency positively impacted subjective well-being. A study by Gunawan et al. (2021) also found that perceived financial knowledge had a significant impact on the behavior of personnel in financial management. Kotzè and Smit (2008) have found that poor personal finances and a lack of financial literacy correlated positively. A study of Potrich et al. (2015) findings has shown that personal financial literacy has gradually increased with the individuals' level of education. Furthermore, the study found a strong relationship between education and financial literacy. Thaler (2013) also proposed that higher education might be one of the main variables highly correlated with financial literacy, among other factors affecting a person's financial literacy. A research study on personal debt in the United States found that household debt is inversely correlated with education levels (Turinetti & Zhuang, 2011). Huston (2010) has discovered a connection between financial literacy, education, behavior, and well-being (Huston, 2010). Further, Boon et al. (2011) also found that the individual's degree of education provides a solid foundation for a person's financial knowledge and literacy.  Previous studies have explored the impact and importance of financial knowledge and literacy for personal debt management.

**Impact of the employment status of spouses on personal loan management of respective personnel**

According to White and Rogers (2000), husband-and-wife-earning families are more satisfied with their marriage and experience more well-being than families with only one partner doing work. Ismail et al. (2019) also found that the wives who have employed sharing of income for family expenses show more financial stability. According to a study by Rogers and DeBoer  (2001), married women's marital satisfaction and well-being were considerably boosted by increases in both their absolute and relative income. A research study by Trewick and Muller (2014) found that spouses of military personnel without jobs had lower access to latent and evident benefits, higher levels of distress, and a lower quality of life than spouses with jobs. According to a case study by Wanyoike (2011), to avoid loan default, the lending institution should consider other income sources, such as the spouse's earnings. In a study on "Determinants of Loan Repayment" by Edet (2014), women who were married to higher-earning husbands would always be able to pay off their loans due to their spouses having an income to assist with loan repayment. Macfadyen et al. (1996) also found that the distribution of economic risks differed between people who received financial assistance from a spouse or ex-spouse and those who did not. Previous research has found that households where both husband and wife work have higher levels of economic well-being.

Based on the information and evidence in the literature, the following hypotheses were tested, with empirical data collected from Sri Lanka Air Force.

**H1:** There is an impact of personal loans on the well-being of the officers in SLAF.

**H1a:** There is an impact of personal loans on the economic well-being of the officers in SLAF.

**H1b:** There is an impact of personal loans on the psychological well-being of the officers in SLAF.

**H2:** Perceived financial knowledge significantly moderates the impact of personal loans on the well-being of the officer in the SLAF.

**H3:** Employment of the spouse significantly moderates the impact of personal loans on the well-being of the officer in the SLAF.

The above relationships are shown in the following figure 02,  in which the personal loans are considered as the independent (predictor)  variable, and the well-being of officers is regarded as the dependent (outcome) variable. Further, economic and psychological well-being are two sub-dependent variables under the dependent variable (well-being). In addition, perceived financial knowledge and employment of spouses of SLAF officers are considered moderating variables.

Figure 02:Conceptual Framework of the Study

**Moderate Variables**

**Independent**                                                                                                    **Dependent Variables**

**Variable**

***Source:*** *Author 2023*

**Research Methods**

The research philosophy of this study is positivism, as it aims to obtain scientific results and test phenomena. A deductive approach was employed, starting with a specific hypothesis based on a literature review and gradually testing it, specifically focusing on the impact of personal loans on the well-being of officers in the SLAF. The chosen methodology was a mono-method quantitative approach, relying on a questionnaire to collect data from 317 SLAF officers selected as a sample using stratified random sampling, considering the officers' ranks. The unit of analysis was the individual officers. The research was conducted as a cross-sectional study, and the primary data was collected through an anonymous questionnaire.

The primary data for this study were collected using a structured questionnaire, which was within the accepted standards regarding validity and reliability. The survey questionnaire consists of the following two main parts, and the questionnaire structure is designed to focus on obtaining the data required to conduct meaningful and accurate research.

Section A**-** This section is developed to obtain demographic information from the research respondent. It contains ten questions, including gender, marital status, service experience, spouse's occupation, income, and their currant personal loans, that have been gathered to describe the questions designed to better understand the research respondent.

Section B**-** This section is developed to examine the dependent, independent, and moderator variables of the study and 24 questions have been divided into three sections as follows:

Section B-I consists of ten questions developed to examine the research's dependent (well-being) variable. Further, the section is divided nother two sub-categories: economic and psychological well-being. The six questions of economic well-being were adopted based on the measurement scale in the previous study by Mokhtar et al. (2015). The study of Mokhtar et al. (2015) included twelve questions but only selected six, exclusively concerning financial well-being. Four questions dedicated to psychological well-being wich were obtained from a study by Bell et al. (2014)

Section B-II - This section consists of four questions developed to examine the research's independent variable (personal loans), and the adopted source was a study by Bell et al. (2014).

Section B-III - This section consists of ten questions developed to examine the two moderate variables of the research. Further, the section is divided nother two subcategories five questions for Perceived financial Knowledge adopted based on the scale in the study of Bell et al. (2014) and the next five questions for employment status of spouse adopted from the study of Ismail et al. (2019).

All answers to the questions in section B were measured via a five-point Likert scale. The Likert scheme allocates points from 1 to five to select a particular answer.

**Findings and  Discussion**

The collected data were analyzed mainly using IBM Statistical Package for Social Sciences (SPSS) data analysis package. Frequency analysis, preliminary analysis (normality, linearity, validity, and reliability testing), correlation test, and regression analysis were conducted to analyze data, test the advanced hypotheses, and make conclusions.

The final sample of the current study was 317 responses. Information relevant to the ten (10) demographic details is majority was age 30-39 (40%), 81% male and 19% female, 81 married and 19 single, sposes 64% was employed among married personnel, over 75% having a degree or above qualifications, 65% had over 15 years service in SLAF, 38% of the sample officers were Squadron Leader Rank, 79% officers were obtained loan from outside financial institutes, 38% personnel monthly income was over hundred thousand and 37% personnel had over two million personal loans.

Table 03: Descriptive Statistics

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Variable** | **N** | **Mean** | **Std. Deviation** | **Skewness** | **Kurtosis** |
| Well-being of officers | 317 | 2.95 | 0.63 | -0.17 | -0.58 |
| Economic Well-being of Officers | 317 | 2.90 | 0.67 | -0.33 | -0.54 |
| Psychological Well-being of Officers | 317 | 3.02 | 0.71 | 0.03 | -0.56 |
| Personal Loans | 317 | 3.09 | 0.71 | -0.16 | -0.61 |
| Perceived Finance Knowledge | 317 | 3.24 | 0.56 | 0.13 | -0.11 |
| Spouse's Employment | 256 | 3.84 | 0.60 | -0.17 | -0.09 |

***Source:*** *Analyzed Data 2023*

As depicted in the above table No.03, the mean values for all variables were around three (3.00) except for Spouse's employment because it was 3.84. The calculated Standard Deviation values indicate the degree of variability within each variable, suggesting relatively moderate variability in the responses of this study because values show between 0.55 and 0.71 for all variables. Finally, the Mean, Standard Deviation, Skewness, and Kurtosis values all fall within the accepted range, providing a comprehensive understanding of the variables' central tendency, variability, and distributional characteristics under consideration. These descriptive statistics results confirm that the data complies with the required standards and enhance the reliability of subsequent data analysis.

**Correlation Test**

Table 04 presents the correlation analysis results, showing a significant positive correlation (r = 0.783\*\*, p < 0.01) between the independent variable (Personal Loans) and the dependent variable (Well-being of officers). The dependent variable was further categorized into Economic Well-being (r = 0.723\*\*, p < 0.01) and Psychological Well-being (r = 0.718\*\*, p < 0.01), both demonstrating significant positive relationships with Personal Loans. Overall, the study found strong and statistically significant positive correlations between the independent and dependent variables, indicating a notable impact of Personal Loans on the well-being of SLAF officers.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 04: Correlation Analysis | | | | | |
|  | | **Personal Loans IV** | **Well-being (DV)** | **Economic Well-being (DVI)** | **Psychological Well-being (DVII)** |
| **Personal Loans IV** | Pearson Correlation | 1 | .783\*\* | .723\*\* | .718\*\* |
| Sig. (2-tailed) |  | .000 | .000 | .000 |
| N | 317 | 317 | 317 | 317 |
| **Well-being (DV)** | Pearson Correlation | .783\*\* | 1 | .946\*\* | .887\*\* |
| Sig. (2-tailed) | .000 |  | .000 | .000 |
| N | 317 | 317 | 317 | 317 |
| **Economic Well-being (DVI)** | Pearson Correlation | .723\*\* | .946\*\* | 1 | .689\*\* |
| Sig. (2-tailed) | .000 | .000 |  | .000 |
| N | 317 | 317 | 317 | 317 |
| **Psychological Well-being (DVII)** | Pearson Correlation | .718\*\* | .887\*\* | .689\*\* | 1 |
| Sig. (2-tailed) | .000 | .000 | .000 |  |
| N | 317 | 317 | 317 | 317 |
| \*\*. Correlation is significant at the 0.01 level (2-tailed).  ***Source:*** *Analyzed Data 2023* | | | | | |

**Hypotheses Testing**

The study employed simple linear regression to test hypotheses about the impact of the independent variable on the dependent variable. Furthermore, multiple linear regression was used to assess how two continuous moderator variables might moderate the relationship between the dependent and independent variables, acknowledging their potential to influence this relationship.

***H1: There is an impact of personal loans on the well-being of the officers in SLAF***

Regression analysis results

Table 05: Model summary

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Model** | **R** | **R Square** | **Adjusted R Square** | **Change Statistics** | |
|  | **F Change** | **Sig. F Change** |
|  | 1 | .783a | .613 | .611 | 498.373 | .000 |
| a. Predictors: (Constant), Personal Loans | | | | | | |
| b. Dependent Variable: Well-being of Officers | | | | | | |

***Source:*** *Analyzed Data 2023*

Table 06: ANOVA table

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Model** | | **Sum of Squares** | **df** | **Mean Square** | **F** | **Sig.** |
| 1 | Regression | 76.965 | 1 | 76.965 | 498.373 | .000b |
| a. Dependent Variable: Well-being of Officers | | | | | | |
| b. Predictors: (Constant), Personal Loans  ***Source:*** *Analyzed Data 2023* | | | | | | |

Table 7: Coefficients Table

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Model** | | **Unstandardized Coefficients** | | **Standardized Coefficients** | **t** | **Sig.** |
| **B** | **Std. Error** | **Beta** |
| 1 | (Constant) | 0.811 | 0.116 |  | 6.949 | 0 |
| Personal Loans | 0.692 | 0.031 | 0.783 | 22.324 | 0 |
| Dependent Variable: Well-being of Officers  *Source: Analyzed Data 2023* | | | | | | |

According to the result of the Model Summary in the table 05 above, the R square value is .613. Hence, personal loans have 61.3%  impact on officers' well-being. The p-value should be less than 0.05 in the above  Table 06, it is .000. Therefore, the result is significant. These results estimate that as the p-value of the ANOVA table is below the tolerable significance level, thus there is a possibility of accepting the hypothesis of the impact of personal loans on well-being. According to the coefficient of linear regression in Table 07, a significant change in officers' well-being was due to the personal loans because the Sig value is 0.000, which is less than the acceptable value of 0.05. With a 1% increase in personal loans, the well-being of officers will increase by 0.692% (B value). In Hypothesis 1 (H1), the researcher proposed a significant positive impact of personal loans on well-being. According to the data in Table 4.17, the regression equation can be developed as follows:

*Officers Well-being = 0.692 (Personal Loans) + 0.811*

Therefore, H1: There is an impact of personal loans on the well-being of the officers in SLAF is accepted.

***Hypothesis 01 (H1a) and (H1b)***

Regression analysis results

H1a: There is an impact of personal loans on the economic well-being of the officers in SLAF

Table 08: Model Summary

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Model** | **R** | **R Square** | **Adjusted R Square** | **Change Statistics** | |
|  | **F Change** | **Sig. F Change** |
|  | 1 | .723a | .523 | .522 | 345.76 | .000 |
| a. Predictors: (Constant), Personal Loans | | | | | | |
| 1. Dependent Variable: Economic Well-being of Officers   ***Source:*** *Analyzed Data 2023* | | | | | | |

Table 09: ANOVA Table

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Model | | Sum of Squares | df | Mean Square | F | Sig. |
|  | 1 | Regression | 74.113 | 1 | 74.113 | 345.726 | .000b |
| a. Dependent Variable: Economic Well-being of Officers | | | | | | |  |
| b. Predictors: (Constant), Personal Loans  *Source: Analyzed Data 2023* | | | | | | |  |

**Table 10** Regression analysis results - coefficients table

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Model** | | **Unstandardized Coefficients** | | **Standardized Coefficients** | **t** | **Sig.** |
| B | Std. Error | Beta |
| 1 | (Constant) | .805 | .116 |  | 6.949 | .000 |
| Personal Loans | .679 | .037 | .723 | 18.594 | .000 |

a. Dependent Variable: Economic Well-being of Officers

*Source: Analyzed Data 2023*

According to the results in Table 08, R square value is .523. Hence, the personal loan impacted 52.53% on economic well-being in this case. Further, the impact is significant as per the ANOVA in Table 09 above. The coefficient of linear regression in Table 10 shows that the significant contribution of personal loans (.679) in determining economic well-being is considered statistically significant (.000) in the regression equation. In hypothesis H1a, the researcher proposed a significant impact of personal loans on economic well-being. Supported by H1a, the results show a significant positive impact of personal loans on economic well-being (𝛽= .723, t = 18.594, Sig. =.000). According to the data in Table 4.20, the regression equation can be developed as follows:

*Economic Well-being = 0.679 (Personal Loans) + .805*

Therefore, H1a: There is an impact of the personal loans on the economic well-being of the officers in SLAF is accepted.

**H1b:** There is an impact of personal loans on the psychological well-being of the officers in SLAF.

Table 11: Model Summary

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Model** | **R** | **R Square** | **Adjusted R Square** | **Std. Error of the Estimate** |
|  |
| 1 | .718a | .516 | .514 | .49219 |  |

*Source: Analyzed Data 2023*

Table 12: ANOVA Table

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Model** | | **Sum of Squares** | **df** | **Mean Square** | **F** | **Sig.** |
| 1 | Regression | 81.344 | 1 | 81.344 | 335.781 | .000b |
| a. Dependent Variable: Psychological Well-being of Officers | | | | | | |
| b. Predictors: (Constant), Personal Loans | | | | | | |

***Source:*** *Analyzed Data 2023*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Table 13: Coefficients Table | | | | | | |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | .819 | .123 |  | 6.656 | .000 |
| Personal Loans | .712 | .039 | .718 | 18.324 | .000 |

a. Dependent Variable: Psychological Well-being of Officers

*Source: Analyzed Data 2023*

According to the results in Table 11, The R square value indicates.516. hence, personal loans have an impact of 51.6% on the psychological well-being of officers. Table 12 is the ANOVA table; the impact is significant as the  Sig value was less than 0.05.

The coefficient of linear regression in Table 13 shows that the significant contribution of personal loans (.712) in determining psychological well-being is considered statistically significant (.000) in the regression equation. In hypothesis H1a, the researcher proposed a significant impact of personal loans on psychological well-being. Supported by H1b, the results show a significant positive impact of personal loans on psychological well-being (𝛽= .718, t = 18.324, Sig. =.000). According to the data in Table 13, the regression equation can be developed as follows:

*Psychological Well-being = 0.712 (Personal Loans) + .819*

Therefore, H1b: There is an impact of personal loans on the psychological well-being of the officers in SLAF is accepted.

***Hypothesis Test for moderator variables***

Regression Analysis Results

H2: Perceived financial knowledge significantly moderates the impact of personal loans on the officer's well-being in the SLAF.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Table 14: Model Summary | | | | | | |
| **Model** | **R** | **R Square** | **Adjusted R Square** | **Std. Error of the Estimate** | **Change Statistics** | |
| **R Square Change** | **Sig. F Change** |
| 1 | .783a | .613 | .610 | .393 | .613 | .000 |
| 2 | .783b | .613 | .609 | .394 | .000 | 0.770 |

*Source: Analyzed Data 2023*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Table 15: ANOVA Table | | | | | | |
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 76.992 | 2 | 38.496 | 248.613 | .000b |
| Residual | 48.620 | 314 | .155 |  |  |
| Total | 125.612 | 316 |  |  |  |
| 2 | Regression | 77.005 | 3 | 25.668 | 165.288 | .000c |
| Residual | 48.607 | 313 | .155 |  |  |
| Total | 125.612 | 316 |  |  |  |

*Source: Analyzed Data 2023*

Table 16: Coefficients Table

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Model** | | **Unstandardized Coefficients** | | **Standardized Coefficients** | **t** | **Sig.** |
| **B** | **Std. Error** | **Beta** |
| 1 | (Constant) | .854 | .144 |  | 5.918 | .000 |
| Composite IV Personal L | .696 | .032 | .787 | 21.517 | .000 |
| Composite MV1 Perceived F knowledge | -.017 | .041 | -.015 | -.411 | .681 |
| 2 | (Constant) | .854 | .145 |  | 5.912 | .000 |
| Composite IV Personal L | .695 | .033 | .786 | 21.350 | .000 |
| Composite MV1 Perceived F knowledge | -.017 | .041 | -.015 | -.404 | .687 |
| Interaction value IVMV | .006 | .020 | .010 | .292 | .770 |

*Source: Analyzed Data 2023*

The results presented in Table 14 show that the sample correlation (R-value) between the variables is 0.718, indicating a positive and significant correlation. However, when considering model 2, there was no change compared to model 1, and the R-square value remained unchanged at 61.3%, which is relatively high. Additionally, the Sig. F Change value was above 0.05 (p < 0.05) in model 2. Consequently, the Model Summary suggests that there was no moderator impact from Perceived Finance Knowledge (moderator variable) on the relationship between personal loans (independent variable) and well-being (dependent variable). Table 15 is the ANOVA table, the results of the analysis show, the sig value is.000, which is less than 0.05 for models 1 and 2. The coefficient of linear regression in Table 16, As per the result in model 2, a significant coefficient value (B value of.695) is shown for the independent variable (personal loans), and the Sig value is also not greater than 0.05. However, the coefficient value of the moderator variable (perceived finance knowledge) shows -0.017 and is not significant because the Sig value shows.687. Finally, the interaction value of independent and dependent variables also did not show an acceptable coefficient value (B value of 0.006) or had no significant impact because the Sig value was.770.

The statistical test results confirmed that perceived financial knowledge had not impacted the relationship between independent and dependent variables in this study as a moderator. Hence, Hypothesis 2 (H:2), Perceived financial knowledge significantly moderates the impact of personal loans on the officer's well-being in the SLAF," was rejected.

H3: Employment of the spouse significantly moderates the impact of personal loans on the well-being of the officer in the SLAF.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Table 17: Model Summary | | | | | | |
| **Model** | **R** | **R Square** | **Adjusted R Square** | **Std. Error of the Estimate** | **Change Statistics** | |
| **R Square Change** | **Sig. F Change** |
| 1 | .330a | .109 | .102 | .563 | .109 | .000 |
| 2 | .358b | .128 | .118 | .558 | .019 | .020 |

*Source: Analyzed Data 2023*

Table 18: ANOVA Table

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Model** | | **Sum of Squares** | **df** | **Mean Square** | **F** | **Sig.** |
| 1 | Regression | 9.820 | 2 | 4.910 | 15.492 | .000b |
| Residual | 80.186 | 253 | .317 |  |  |
| Total | 90.006 | 255 |  |  |  |
| 2 | Regression | 11.536 | 3 | 3.845 | 12.350 | .000c |
| Residual | 78.469 | 252 | .311 |  |  |
| Total | 90.006 | 255 |  |  |  |

*Source: Analyzed Data 2023*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Table 19: Coefficients Table | | | | | | |
| **Model** | | **Unstandardized Coefficients** | | **Standardized Coefficients** | **t** | **Sig.** |
| **B** | **Std. Error** | **Beta** |  |  |
| 1 | (Constant) | 1.998 | .282 |  | 7.085 | .000 |
| Composite Variable-Personal Loan | .314 | .056 | .330 | 5.562 | .000 |
| Composite Variable-Spouse's Employment | -.005 | .059 | -.005 | -.089 | .929 |
| 2 | (Constant) | 1.953 | .280 |  | 6.969 | .000 |
| Composite Variable-Personal Loan | .319 | .056 | .336 | 5.704 | .000 |
| Composite Variable-Spouse's Employment | .003 | .059 | .003 | .051 | .959 |
| Interaction value IVMV | .080 | .034 | .138 | 2.348 | .020 |

*Source: Analyzed Data 2023*

According to the results in model summary Table 17, Model 2, the R-value has increased by 0.028 compared to Model 1. The R square value increased from model 1 (.102) to model 2 (.118), the Sig. F Change value also shows less than 0.05 (p < 0.05) in model 2. Hence, according to the model summary, there was a moderator impact from the employment of a spouse. According to ANOVA result in Table 18 is the ANOVA table, the results of the analysis show, the sig value is.000, which is less than 0.05 (p < 0.05) in model 1 and model 2.The coefficient of linear regression in Table19, the model 2, a significant coefficient value (B value of.319) is shown for the independent variable (personal loans), and the Sig value is also not greater than 0.05. The coefficient value of the moderator variable (employment of spouse) shows.003 and is not significant because the significant value shows.959 (Sig). Finally, the interaction value of independent and dependent variables has shown a.080 coefficient, and the sig value is significant because the sig value reported is less than 0.05. Hence, it was clearly evident that the interaction of independent and moderator variables significantly moderated the relationship between independent and dependent variables.

The above statistical test results confirmed that the spouse's employment had been impacted as a moderator on the relationship between independent and dependent variables. Hence, Hypothesis 3 (H3), Employment of spouse significantly moderates the impact of personal loans on the officer's well-being in the SLAF," was accepted.

**Discussion of Findings**

According to the correlation analysis between independent and dependent variables, Pearson's correlation analysis found a strong positive relation between personal loans and the well-being of the officers. In addition, it was confirmed that there is a positive, strong relationship between personal loans separately with economic and psychological well-being. According to the regression analysis test result a significant positive impact of the personal loan was found on SLAF officers' well-being. Starostina (2016) found that personal loans improve living standards by increasing access to significant economic goods and services. A study by Pham et al. (2013) discovered that even when personal loans are obtained at a higher interest rate, they have a positive impact on borrowers' well-being when compared to those who do not have access to personal loans. According to Kallomo (2012), the borrower's management of the personnel loan determined whether the impact was positive or negative. Cecchetti et al. (2011) also stated that personal debt could positively impact a person's life status or welfare if the respective individuals properly manage it. In addition to testing the first hypothesis, two sub-hypotheses (H1a and H1b) were tested in order to identify the separate impact of personal loans on economic and psychological well-being.  the regression analysis result indicated a strong positive impact of personal loans on officers' economic and psychological well-being without a significant difference between the two sub-dependent variables. Bell et al. (2014) also found that personal loans impact economic well-being and psychological well-being. Britt et al. (2017) also found that personal debts, on the surface, deal with a person's economic well-being but directly relate to a person's psychology. Further scholars of previous studies have found the positive or negative impact of personal debt on economic and psychological well-being directly rather than its impact on other elements of the overall well-being of humans (Campbell, 2006; D'Alessio & Iezzi, 2013; Joo, 2008; Kaynak & Harcar, 2001; Nash et al., 2005; Rus & Sandu, 2013).

The analysis result statistically confirmed that only the spouse's employment positively moderated the impact of personal loans on well-being, but perceived financial knowledge did not impact the relationship between personal loans and well-being.

**Conclusions and Recommendations**

**Conclusion**

Previous studies have found negative or positive impacts of personal loans on borrowers' well-being. However, this study can conclude that personal loans positively impact the well-being of SLAF officers. Further, it was found that personal loans have significantly affected respondents economically and psychologically without significant differences between the two variables. According to previous researchers,  a person's financial literacy positively impacts their loan management. Further, literature proves that the spouse's employment positively impacts personal loan management and well-being. In particular to this study, the perceived financial knowledge of respondents has not significantly moderated the impact of personal loans on their well-being, but a positive moderate impact was found of the spouse's employment on relationship personal loans and well-being.

**Recommendations**

The current study's findings emphasize the positive impact of personal loans on the well-being of SLAF officers, which has significant implications for SLAF policymakers and external financial institutes. Policymakers need to address the limitations in the current personal loans administration and consider the employment or earnings of officers' spouses in loan administration. External financial institutions should tailor their policies to military organizations, reducing the risk of loan defaults. The study highlights the importance of the psychological aspect of personal loans, urging SLAF policymakers to consider this when making decisions. Implementing awareness programs and enhancing financial literacy, especially among young officers, can promote effective personal loan management. Despite officers' higher education, the study found a lack of financial literacy in loan management. The SLAF management should study and improve the existing personal loan scheme to mitigate high loan interest costs. By doing so, the organization can enhance the well-being of its personnel through more advanced and beneficial personal loan schemes.

The study underscores the significance of responsible management by lenders and borrowers in determining the impact of personal loans on well-being. It considers personal loans as a valuable option for meeting temporary financial needs if handled responsibly. Policymakers and lenders are advised against discouraging personal loans through excessive interest rates or limitations to protect overall well-being.

Furthermore, the study highlights the need to enhance financial literacy beyond education. Organizations and national policymakers should prioritize developing financial literacy to ensure effective loan management and improved well-being. The psychological impact of personal debts is also emphasized, urging authorities to consider both economic and psychological aspects in society. In conclusion, the study advocates responsible loan management and stresses the importance of addressing both economic and psychological impacts. Policymakers, lenders, and organizations should collaborate to promote financial literacy and ensure that personal loans positively contribute to the well-being of individuals and society as a whol.

**Directions for Future Research**

The study's findings and limitations open up numerous possibilities for future research in the same area. A longitudinal study is recommended to obtain accurate and reliable findings, considering the rapidly changing macro and micro environments and avoiding errors and biases. This would provide comprehensive insights over time. Future mixed-method studies could analyze variables like psychological well-being, perceived financial knowledge, and the impact of spouse employment more effectively, offering deeper conclusions. Expanding the study's scope to include all SLAF personnel, not just officers, would be meaningful for decision-makers. Moreover, exploring other debt products and various elements of personal well-being beyond economic and psychological impacts would enrich the research. Additionally, investigating additional moderator variables would provide a more complete understanding of the relationships between independent and dependent variables. In conclusion, future research opportunities lie in longitudinal studies, mixed-method approaches, broadening the scope, considering other aspects of well-being, and exploring more potential moderator variables, leading to insightful conclusions for all stakeholders involved.

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