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The Interplay of Mental Budgeting, Self-Control, and Financial Behavior: Implications for Individual Financial Well-Being

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ABSTRACT

According to behavioral finance, people are not always rational in managing their finances. The financial stability of a person is directly linked with the spending style and pattern of the individual. This research investigates how mental budgeting influences financial behaviors and altogether financial stability, with a focus on the moderating effect of self-control. To explore this, we studied 294 people to see how mental budgeting affects their financial management and well-being, and how self-control plays a role in this process. A self-administered questionnaire was adapted to gather responses of the employees working in various organizations in Lahore. Smart PLS and SPSS were utilized to analyze and measure the responses collected from respondents. This study found that people are able to better manage their finances when they use mental budgeting. Similarly, there is clear evidence that mental budgeting has an association with financial well-being and financial behavior. The path coefficient uncovers the moderating impact of self-control on financial management behavior and financial wellness. These findings suggest that teaching people about mental budgeting and self-control in financial education programs might help them make better financial decisions. This study adds to our understanding by showing how these factors work together to influence financial behavior, highlighting the need for more tailored financial advice that considers both mental budgeting and self-control. This research helps clarify how people can better manage their finances through both mental strategies and behavioral control, contributing valuable insights into effective financial management practices.

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1. Introduction

Behavioral finance is a novel construct of capital markets that evolved in response to issues with traditional financial models. Starting from the 1990s till the present, the matter of financial learning has grown on the schemas of communities, educators, businesses, government agencies, and policy-makers (Hilgert, Hogarth, & Beverly, 2003). Most studies in this field have focused on discovered escalation behavior, in which people frequently spend good money after spending poor money (Fennema & Perkins, 2008). Contrarily,Heath and Soll (1996) found that individuals are occasionally inclined to back off their commitment by stopping their investment, even though future advantages outweigh future expenses. Mental budgeting creates separate categories of economic activities which may lead to under-consumption or overconsumption of payment. It indicates a consumer behavior sets a budget in very low and high categories in terms of under-consumption and overconsumption spending on their desired goods and services. Mental budgeting gives improvement in household finance and financial management activities in consumer life (Antonides, De Groot, & Van Raaij, 2011). Elgeka and Ma (2020) states that mental budgeting helps people to understand the budget of

their cash flow activities and provides awareness in understanding the spending of their daily life income and expenses. They can easily make a difference between high and low spending decisions on their desired goods and services in routine life. Financial & economic growth is crucial for any country to be successful. Economies like Pakistan facing economic instabilities and financial distress Awais, Laber, Rasheed, and Khursheed (2016); Farooq and Nazir (2012) need individuals to critically examine the factors playing a part in attenuating the harmful effects of financial strains. One purpose of the current Hilgert, Hogarth, and Beverly (2003) study is to scrutinize how the mental budgeting of individuals with different exercises and capabilities affects people's financial education activities and monetary well-being. Another purpose is to examine the external factors that may impact an individual's use of mental budgeting and whether it can improve or deteriorate the outcomes (Majeed, Aslam, Murtaza, Attila, & Molnár, 2022). Previous studies focused more on the cognitive factors compared to the non-cognitive factors influencing financial behaviors (Lusardi & Mitchell, 2007). The study responds to the previous researcher's appeal to use cognitive and noncognitive talents that impact a person's behavior and well-being (Strömbäck, Lind, Skagerlund, Västfjäll, & Tinghög, 2017). The problem in budgeting making is depending on individuals' more realistic nature for their future savings and spending priorities. Individuals create their budgets for their use, however, it is unavoidable that these budgets are ultimately decided by trial and error (Elgeka, Ma, Secapramana, & Yudiarso, 2018). Focusing on the behavioral life cycle (BLC) paradigm, research on mental accounting and budgeting is consistent (Henderson & Peterson, 1992; Thaler, 1985; Tversky & Kahneman, 1989). Because such budgets are pre-set of consumption opportunities they may underestimate or overestimate the amount of money for a particular account (Homburg, Koschate, & Totzek, 2010). Financial well-being means the individual can fulfill their entire obligations in the present and future. Some factors like a retirement plan, financial management, financial behavior, and debt obligation dealing ability have affected the financial well-being of a person (Wahla, Nazim, Rasheed, Chaudhry, & Nadeem, 2020). Mental budgeting relates to self-control issues (Shefrin & Thaler, 1988). Self-control is demonstrated through breaking undesirable habits, fighting urges, and refusing temptations (Fujita, Trope, Liberman, & Levin-Sagi, 2006; Shefrin & Thaler, 1988). Lack of self-control causes inappropriate conduct (Fünfgeld & Wang, 2009). Such behavior can alter financial behaviors (mental budgeting, financial management behavior). According to the CFP Bureau (2017) if the individual's financial situation is secure, then they make easy choices to enjoy their future lifestyle decision (Mata et al., 2021). Wahla et al. (2020) state that financial behavior practices make individual plans, budgets, savings, and obtaining credit through risky credit card loans have a considerable influence on the wellbeing of an individual's financial situation. Self-control plays vital role in decision making process of financial planning and mental budgeting. Most of the time people felt regret for spending their money on unnecessary items and needs especially when this budget is decided for some other need (Elgeka & Ma, 2020).

Everyone manages his or her finances in some fashion. Such management causes people to save a lot of money or gather information before making a choice, whilst others follow their instincts (Fünfgeld & Wang, 2009). Individuals make economically unreasonable actions, according to studies (Fennema & Perkins, 2008). Existing work neglected the self-control's moderating effect on variables. To widen the concern about how users make financial choices, it is vital to look into the effects of psychological prejudices that may impact people's financial decisions (Dantas et al., 2022). The study examines how mental budgeting affects people's financial habits and financial well-being. The study also investigates how self-control affects mental budgeting, financial behaviour, and financial well-being. Through the proposal of self-control as a moderator function in individual financial literacy and financial well-being, this study makes a contribution to the field. As a consequence, it contributes to existing research by introducing self-control as a moderator of individual financial behaviour. This study expanded understanding of how mental budgeting impact financial well-being and how people manage their finances. The findings will help people make financial judgments. Additionally, it will provide a platform for researchers in the future to study how self-control influences emerging areas of behavioral finance. Mental budgeting and self-control are known to play a significant role in making sound financial decisions, but little is known about how they influence actual financial management practices and outcomes. Furthermore, the association of mental budgeting with financial outcomes has not been thoroughly investigated in terms of the moderating influence of self-control. This gap in knowledge hinders the development of effective financial education programs. Addressing these issues is crucial for enhancing financial stability and improving financial outcomes across diverse populations. The significance of this

study lies in its examination of the critical roles that mental budgeting and self-control play in managing finance and overall well-being. By demonstrating that these factors significantly influence financial behaviors and overall financial health, the research provides essential insights for financial education and policy-making. It suggests that interventions aimed at enhancing mental budgeting skills and self-control could significantly improve individuals' financial stability and satisfaction. The following is a list of the research questions (RQ) and research objectives (RO) that the study aims to investigate:

RQ1: How does mental budgeting influence an individual's financial management behavior?
RO1: To investigate the impact of mental budgeting on financial management behavior.
RQ2: What impact does mental budgeting have on an individual's financial well-being?
RO2: To assess the effect of mental budgeting on financial well-being.
RQ3: In what ways does self-control moderate the relationship between mental budgeting and financial management behavior?
RO3: To explore how self-control moderates the relationship between mental budgeting and financial management behavior.
RQ4: How does self-control affect the relationship between mental budgeting and financial well-being?
RO4: To examine the role of self-control in moderating the relationship between mental budgeting and financial well-being.

2. Literature Review

Mental accounting being one of the key concepts in behavioral finance includes human behavior effects on accounting model construction and vice versa (Hoque, 2017). Mental budgeting is congruent with mental accountancy, which asserts that people use funds and resources uniquely relying on the way they are categorized (Elgeka & Ma, 2020). Two important problems in mental accounting study were highlighted: first, how do individuals organize and name their resources, and second, what influence does this grouping have on satisfaction? (Thaler, 1985). The second topic drew extensive empirical and theoretical examination, whereas labeling has received less systematic attention. People create two sorts of labels: those that tie money to a certain class of things and those that relate goods to a specific pool of money. These procedures have been dubbed budgeting and cost-tracking procedures (Heath & Soll, 1996). Individuals create budgets, spend money, allocate costs to the appropriate accounts, and periodically calculate the amount of money remaining (Thaler, 1985). When a given budget is depleted, these people resist spending more money on products in that area. As a result, the two key components of mental budgeting are creating a budget and tracking current expenses concerning that budget (Heath & Soll, 1996). According to the researcher, mental budgeting is a strategy of responsible financial conduct that may be utilized to acquire an overview of expenditures as well as regulate such expenditures. This prudent capital management practice helps society because people who practice it are considerably less inclined to have problems with their money such as burdensome loan and a greater possibility of suffering from disorders like anxiety, depression, and stress (Gathergood, 2012).

Over time, several interpretations of mental accounting have been examined. The first interpretation is based on Shefrin and Thaler (1988) behavioral-life cycle theory, which claims that individuals cognitively split their wealth into three categories: that of their existing income, that of their current assets, and that of their future earnings (Martins et al., 2021). It also sums up the reality that when the amount classified as future earnings is regarded more conservatively, a person's tendency to consume is the largest. Although laboratory research has been conducted on mental accounting, very little is known about whether someone uses it, what they're for, and how it relates to money planning. Trying to make expenses meet and regular monitoring of expenditures fall under the category of money management, which is a key aspect of financial aptitude (Atkinson, Crawford, & Ward, 2006). When money is tight, mental budgeting can help you manage your finances. As a result, it is expected that mental budgeting will decline as more money becomes available. Furthermore, certain associations suggested that mental budgeting increases with debt amount and decreases with life experience and age (Gärling & Ranyard, 2020). We plan to expand on the research by linking a real self-budgeting scale that represents the psychological budgeting approach to financial management behaviour.

Personal money management failure can have fairly long socioeconomic effects. Financial management behaviour is a significant notion in the financial discipline that has gained prominence in recent years. Financial management, according to Van Horne and Wachowicz (2005), is "the persistence, acquisition, apportionment, and consumption of financial resources," whereas Weston (1981) defined financial controlling behavior as "the composite of financial decision making, coordination of individual motives, and enterprise goals.". Various academics have concentrated on various aspects of money management behavior. This study looks at the factors that influence general financial management behaviour, including saving, investing, credit, and spending. Researchers expanded the scope of mental budgeting in behavioral finance and attempted to determine the association between individual mental budgeting and financial management behaviour (Odean, 1998; Shefrin & Thaler, 1988). The present study models the relationship between psychological budgeting and costs managerial staff behavior, emphasizing that mental budgeting is positively associated with consumers when it comes. As a result, the following hypothesis is proposed:

H1: Mental budgeting has a significant impact on financial management behavior.

Satisfaction with diverse aspects of life is a critical component of total psychological well-being (Campbell, Converse, & Rodgers, 1976; Diener & Diener, 1995; Olson, 2004). One of these domains is a person's financial position. According to the researchers, subjective indicators can be used to anticipate individuals' financial judgments. Aside from different techniques, one source of misunderstanding is when the terms wellness and wellbeing are used interchangeably, despite literature making a clear distinction between the two. Wellness denotes the quality/state of being physically and mentally healthy as a consequence of conscientious work (Judge, Ilies, & Dimotakis, 2010). Instead, well-being refers to a happy and satisfying way of life (Guo, Arnould, Gruen, & Tang, 2013). Studies on wellness have mostly focused on individuals' well-being founded in psychology, whereas the primary focus on well-being conceptualization is based on financial well-being. Diverse education domains, such as economics, financial counseling and planning, development psychology, consumer decision-making, and service marketing, have investigated financial well-being in various circumstances. Methodological differences exist among the most up-to-date approaches to defining and measuring financial well-being; for example, some focus on subjective or objective elements alone Porter and Garman (1992), while others attempt to incorporate both objective and subjective features (Xiao, Tang, & Shim, 2009). Subjective aspect of financial well-being that was assessed was the participants' perceptions of their own ability to pay bills, their tendency toward debt anxiety, and their level of satisfaction with their savings and investments (Kim, Garman, & Sorhaindo, 2003). Financial well-being may also be defined as the "feeling of being capable to maintain ideal living standards in the now and the future, as well as the feeling of being financially independent. " (Brüggen, Hogreve, Holmlund, Kabadayi, & Löfgren, 2017).

Individuals and groups in the same financial circumstances may have varied measures of their financial well-being (Garman, Sorhaindo, Bailey, Kim, & Xiao, 2004). From one period of life to the next, these individuals may view their financial stability differently Malone, Stewart, Wilson, and Korsching (2010) or their risk tolerance (Kim, Garman, & Sorhaindo, 2003). Anxiety over financial conditions is one area that has been understudied in past studies (Strömbäck et al., 2017). Anxiety about money is defined as a mental illness characterized by a negative and dysfunctional attitude toward handling and saving money (Shapiro & Burchell, 2012). This research aims to investigate the relationship between financial well-being and financial anxiety, perception of present finances, and perspective of financial future. Several studies have indicated that ineffective management of finances is closely linked to a decline in overall financial well-being (Kim, Garman, & Sorhaindo, 2003). Based on these findings, we argue that correct mental budgeting can lead to an individual's financial well-being. This brings us to the study's second hypothesis:

H2: Mental budgeting has a significant impact on financial well-being.

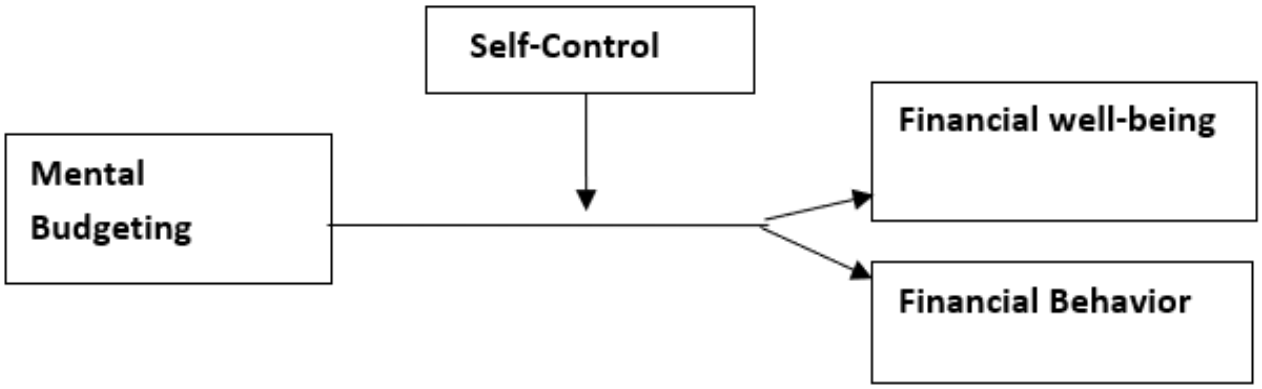
People demonstrate a strong capacity to self-regulate, and manage urges and cravings that tempt them to spend money beyond their means (Steel, 2007; Tice & Bratslavsky, 2000). Individuals with this ability to exercise conscious control over impulses and resist fulfilling immediate wants and desires can participate in goal-directed conduct and achieve long-term beneficial consequences (Hagger, Wood, Stiff, & Chatzisarantis, 2010). Self-control involves

individuals taking ownership of their actions and directing their efforts towards adapting their responses to external events, rather than trying to alter the objective reality (Rosenbaum, 1993). The effectiveness of self-control relies on three main factors: the criteria, the method of evaluation, and the ability to modify one's behavior. Failure to do any of these can undermine self-control (Baumeister, Twenge, & Nuss, 2002). Previous research has made significant contributions to understanding of the self-control measures that people undertake trying to resist psychological signals such as excessive buying, nicotine, and consuming diet that are attractive but dangerous (Hoch & Loewenstein, 1991; Wertenbroch, 1998). People are always working to keep themselves from overindulging. To watch their behavior, most people use mental budgeting, self-imposed allowances, or regulations. According to studies on mental budgeting, individuals use self-control measures to prevent vulnerabilities (Heath & Soll, 1996). When choosing between tiny (early incentives) and larger (later benefits), people have a tendency to adjust their mental budgets or make exceptions to their personal rules (Cheema & Soman, 2006). Individuals may reframe their assigned mental budgets to defend their actions, according to Soman (2001), or they may purposefully build mental accounts containing ambiguities (Majeed, Mahmood, Molnar, & Murtaza, 2021). When individuals have a limited budget for amusement, they are more inclined to suffer ambiguous expenses rather than clear ones (Sharif & Shu, 2017). Based on the evidence, we infer that a failure to manage oneself can lead to a failure of mental budgeting.

Furthermore, a lack of self-control causes people to behave inappropriately. The failures of self-control are consistent with the behavioral life-cycle hypothesis. According to BLC theory, individuals act as though within each individual there is a continuing conflict between a "doer" who is preoccupied with the immediate conditions and a "planner" who is more concerned with the long run (Shefrin & Thaler, 1988). BLC theory says people's financial behavior throughout their lives is influenced by their ability to resist desires and self-discipline. Financial decisions, including budgeting for retirement and credit consumption, have been the topic of several studies that found a correlation between self-control and financial behavior. People with weaker self-control are more prone to participate in compulsive purchasing (Achtziger, Alós-Ferrer, & Wagner, 2015). Unusual purchases of long-lasting goods and cash withdrawals are more common among people who struggle with financial self-control, which can lead to over-indebtedness. Previous studies indicated that self-control affects how one manage money and financial wellness, strong-willed people save more and have plenty for retirement (Strömbäck et al., 2017). The following hypotheses have been developed from the aforementioned discussions:

H3: Self-control moderates the relationship between mental budgeting and financial management behavior.
H4: Self-control moderates the relationship between mental budgeting and financial well-being.

Figure 1: Conceptual Framework of the study



Existing research predominantly focuses on the direct effects of cognitive strategies like mental budgeting on financial outcomes, often overlooking the broader behavioral aspects such as self-control. While studies have acknowledged the importance of self-control in general financial behavior, there is a notable research gap in understanding its specific moderating role between mental budgeting and financial outcomes. This oversight limits the ability to fully

appreciate how intertwined cognitive and non-cognitive factors are in shaping financial behaviors and well-being. Addressing this gap is essential for developing more comprehensive financial education models and interventions that effectively leverage both types of factors for improved financial health. Figure 1, represents the conceptual framework of the study.

3. Methodology

3.1. Sample and Data Collection Procedure

Mental budgeting is described as individuals may use it to create labels for each account (such as transportation, housing, vacations, and so on), set budgets for suitable accounts, and track spending (Antonides, De Groot, & Van Raaij, 2011; Elgeka & Ma, 2020). To be financially well-off means to be able to satisfy all of one's financial commitments, both current and future. (*Financial Report of the CFPB for Fiscal Year 2017*). Self-control is vital in many facets of life, including financial stability. It is described as "giving up short-term gains in favor of long-term gains." (Vuković & Pivac, 2021) . Response to mental budgeting as well as self-control can vary substantially among individuals. To capture maximum variation in mental budgeting and its effects, data was collected from diversified people working in various companies in Lahore. The Convenience sampling technique is used for data collection. White and gray-collar employees were targeted as they have a better ability to respond to the research questionnaire. Respondents were given a self-reported version of the questionnaire that included items relating to Mental Budgeting, Financial management Behavior, Financial well-being, and Self-control. The total response rate was 82.5% from all audiences. Of the 400 questionnaires, 330 responses were received out of which 36 were discarded due to incompletion final sample size is 294 in the study. A six-item scale adopted from Antonides, De Groot, and Van Raaij (2011) was used for measuring mental budgeting. Financial well-being was measured using 6 items (Fünfgeld & Wang, 2009) , and 6 items for the measurement of self-control adopted (Malone et al., 2010). A 5-item scale was adopted for the measurement of the financial management behavior of the respondents used by Xiao, Tang, and Shim (2009).

3.2. Construct Definitions

Numerous fields have investigated financial wellness, including economics, developmental psychology, consumer decision-making, marketing of services, and financial counseling and planning. However, there is no consensus on a single definition or metric for it, and its conceptualization and constituent parts remain murky at best. Here, the word "financial well-being" is the confidence that one has in one's ability to maintain one's existing quality of life. As opposed, We can recognize we have self-control when we can change unhealthy habits, say "no" to tempting situations, and regulate our first reactions. One definition of self-control is the ability to alter one's current behavior by imagining one's ideal future. As an example, a person may procrastinate on their job when they know they should be spacing it out over a longer period due to a lack of self-control. Personal financial decisions can have far-reaching consequences for people's health and happiness, and also for their communities, governments, and indeed the world at large. According to Perry and Morris, managing one's own money—including saves, spending, and budget—is behavioral finance. Nevertheless, there are scholars who argue that human actions involving handling money, including dealing with deposits, loans, and currency, are exemplary of financial conduct. Perry and Morris's definition of financial behavior. In a broader sense, the phrase "financial behavior" refers to a wide range of issues, such as how one invests money for the short term and the long term, how one saves money, how one uses credit, how one spends money, and so on. Mental budgeting is a psychological process that involves mentally generating a budget. It is considered to be an aspect of cognitive accounting that is related with managing finances. Even when the surroundings doesn't categorize money, research show that people name it. This tendency exists even when people are not aware of the label. People have the propensity to segment their income into distinct budgets (for example, those for daily food, vacations, and unanticipated needs), allow it to distinct categories of expenditures, and then act following those budgets. The labeling of expenditures is synonymous with the act of classifying them. People assign expenses to the same budget for a variety of reasons, including the following: the expenses may meet similar goals or have features in common; the payments may be made in similar ways (for example, electronically or in cash); the expenses may be made at the same location; or the expenses may be made at the same time.

4. Data Analysis and Discussion

The age of the responders, on average, was 38.4 years old. There were 133 male responders (or 45.23 percent) and 161 female respondents (54.7 percent). This indicates that there were more female members than male members in the sample. There were a total of 186 respondents who were married, accounting for 63.26 % of the total. 91 respondents were not married, accounting for 30.95 % of the total, and 17 were divorced or widowed, accounting for 5.78% of the total. About 71 responders had between 10 and 15 years of teaching experience. Sixty-four respondents, or 21.76 % of the total, have between 5 and 10 years of experience; 135 respondents, or 45.91% of the total, have between 0 and 5 years of experience; and 24 respondents, or 8.16% of the total, have more than 15 years of experience. Table 1, represents the demographic profiles of the study.

Table 1: Demographic Profiles

Items	Category	Frequency	Percentage
Gender	Male	133	45.23
	Female	161	54.7
Age (years)	20 or below	54	18.3
	20 - 30	69	23.46
	31 - 40	70	23.80
	41 - 50	62	21.08
	50 or above	39	13.26
Martial Status	Married	186	63.26
	Not - Married	91	30.95
	Divorced or Widowed	17	5.78
Experience	0-5	135	45.91
	5-10	64	21.76
	10-15	71	24.14
	Above 15	24	8.16

Table 2: Internal Consistency Reliability and Convergent Validity

Construct	Items	Loadings	Cronbach's Alpha	Composite Relaibility	AVE
MB	MB1	0.852	0.816	0.863	0.651
	MB2	0.780			
	MB3	0.842			
	MB4	0.810			
	MB5	0.801			
	MB6	0.906			
SC	SC1	0.838	0.844	0.892	0.668
	SC2	0.921			
	SC3	0.902			
	SC4	0.847			
	SC5	0.803			
	SC6	0.768			
FWB	FWB1	0.902	0.897	0.911	0.654
	FWB2	0.691			
	FWB3	0.906			
	FWB4	0.809			
	FWB5	0.843			
	FWB6	0.905			
FB	FB1	0.856	0.865	0.901	0.673
	FB2	0.871			
	FB3	0.875			
	FB4	0.898			
	FB5	0.897			

SmartPLS was used to conduct the PLS-SEM analysis in this investigation. The validity of the study's measurement model was evaluated using CFA before any hypotheses were tested. Table 2 displays the findings of the CFA analysis performed for this investigation. Two significant parts of the measuring model need to be separated. Cronbach's alpha and outer loadings, which should be more than 0.70, are used to check for internal consistency. Cronbach's alpha scores for the constructs in this study model range from 0.816 to 0.897, which is over the threshold. Also, except for FWB 2, which is 0.691, all outside loading values

are more significant than 0.70. No item was eliminated since doing so would not have affected the validity of the construct (Joe F Hair, Sarstedt, Ringle, & Mena, 2012). Composite Reliability (CR) and Average Variance Extracted values were analyzed to confirm the convergent validity (AVE). For the model to be concurrent, the CR and AVE values must be more significant than 0.60 and 0.50, respectively. Since the CR values of all constructs in the present investigation ranged from 0.863 to 0.911, and the AVE of the model was at least 0.651, the study is convergently valid (Joseph F Hair, Risher, Sarstedt, & Ringle, 2019). Similarly, Fornell and Larcker's criteria were used to prove discriminant validity. Fornell and Larcker's criteria measure the square root of the average variance derived (AVE) and related correlations (Joseph F Hair et al., 2019). To demonstrate discriminant validity, the square root of the AVE for each variable must be greater than its correlation with all other constructs. Based on the results shown in Table 3, discriminant validity was established.

Table 3: Discriminant Validity

	FWB	FB	MB	SC
FWB	0.872			
FB	0.264	0.889		
MB	0.667	0.341	0.881	
SC	0.481	0.567	0.546	0.878

Using a bootstrap approach confirmed the study's hypotheses. Table 4 shows the results of the tests performed on the hypotheses. The results showed that Mental Budgeting positively impacted Financial Well-being (t= 3.512; p-value= 0.000) and Financial Behavior (t= 2.727; p-value= 0.000). The relationship between SC to MB→ WB has a path coefficient value of 0.275 and a t-value is 3.481; according to the significance level (t > 1.96). Similarly, SC to MB→ FB have a path coefficient of 0.345, and t-value of 4.107, and a p value of 0.000. Table 4, represents the path coefficient of the study.

Table 4: Significance of Path Coefficient

Relationship	Original Sample	Mean	STDEV	t-value	p-value
MB → FWB	0.158	0.155	0.045	3.512	0.000
MB → FB	0.177	0.172	0.065	2.727	0.000
Moderating effect -- MB→ FWB	0.275	0.281	0.079	3.481	0.000
Moderating effect -- MB→ SC→ FB	0.345	0.325	0.084	4.107	0.000

5. Discussion

Behavioral finance is a new approach to financial markets that arose in reaction to the problems that classic financial models experienced. Starting from the 1990s till the present, the matter of financial learning has grown on the schemas of communities, educators, businesses, government agencies, and policy-makers (Hilgert, Hogarth, & Beverly, 2003). Previous research has concentrated on cognitive variables affecting financial behavior rather than non-cognitive aspects (Lusardi & Mitchell, 2007). The study answers a previous researcher's request to use cognitive and non-cognitive talents to influence people's behaviour and well-being (Strömbäck et al., 2017). Based on the behavioral life cycle (BLC) concept, mental budgeting is congruent with mental accounting research (Henderson & Peterson, 1992; Thaler, 1985; Tversky & Kahneman, 1989). Self-control is demonstrated as a means of breaking undesirable habits, resisting temptations, and conquering impulses (Fujita et al., 2006; Shefrin & Thaler, 1988). Due to a lack of self-control, people behave in non-optimal ways (Ariely & Wertenbroch, 2002; Fudenberg & Levine, 2006). Everyone manages their funds in some fashion. Such management causes many to save a lot of money or gather facts before making a decision, whilst others follow their instincts (Fünfgeld & Wang, 2009). Mental budgeting was shown to be strongly and positively associated with financial management behaviour, as predicted. People who have used mental budgeting, utilize monetary resources with efficient and better financial planning. Because such budgets are pre-set of consumption opportunities they may underestimate or overestimate the amount of money for a particular account (Homburg, Koschate, & Totzek, 2010). However, Significant results for the association between mental budgeting and financial well-being were found. This suggests that mental budgeting affects people's financial strength. Individuals in the same financial circumstances may have varied measures of their financial well-being (Garman et al., 2004). These individuals may have dissimilar evaluations of financial well-being built on their life stages Malone et al. (2010) or on

their approach towards risk (Kim, Garman, & Sorhaindo, 2003). Path coeffiecnt of the study revealed substantial and favourable results for self control's impact in financial management behaviour and financial well-being. The success of self-control is dependent on three primary components: the standards, the monitoring process, and the functioning capacity to change one's behavior. Failure to do any of these can undermine self-control (Baumeister, Twenge, & Nuss, 2002). Individuals with financial self-control concerns are more prone to suffer from credit withdrawals and unexpected spending on durable items, which can lead to over-indebtedness. Furthermore, a lack of self-control causes people to behave inappropriately. The failures of self-control are consistent with the behavioral life-cycle hypothesis. According to BLC theory, individuals act as though within each individual there is a continuing conflict between a "doer" who is preoccupied with the immediate conditions and a "planner" who is more concerned with the long run.

6. Conclusion

This research substantiates the profound impact that mental budgeting and self-control exert on financial management behaviors and financial well-being, confirming all proposed hypotheses. Specifically, it establishes that mental budgeting significantly enhances both the management and the overall financial health of individuals. Furthermore, the study highlights the critical role of self-control as a moderator in these relationships. By demonstrating that self-control not only strengthens the effect of mental budgeting on financial practices but also on financial well-being, the findings underscore the dual importance of cognitive and behavioral strategies in financial decision-making. The confirmation of these relationships emphasizes the necessity of incorporating both mental budgeting and self-control into financial education and behavior modification programs to foster improved financial outcomes. This research thus contributes to behavioral finance by demonstrating that effective financial management and well-being are substantially influenced by the interplay of cognitive strategies and behavioral control.

6.1. Limitations, Recommendations, Future Directions and Implications

This study, while providing valuable insights, has some notable limitations. First, it relies heavily on self-reported data, which can introduce biases like social desirability or memory errors. The use of a cross-sectional design also means that we can't confirm if mental budgeting and self-control directly cause improvements in financial behavior and well-being. Additionally, the sample used in the study is not very diverse, which might limit how well these findings apply to different groups of people. Looking ahead, future research could benefit from using longitudinal studies to better understand the long-term effects of mental budgeting and self-control on financial outcomes. Including a more diverse group of participants would also help to see if these findings hold across different demographics. Conducting experiments that manipulate levels of self-control could provide more concrete evidence of its impact on financial decision-making and personal financial health**.** The findings of this study can assist individuals manage their spending and saving habits. The study's shortcomings included a limited sample size, which can be investigated further in the future with a bigger sample size. In addition to self-control, mental budgeting may be studied in conjunction with other personality factors to see whether it might influence other money management habits. The outcomes of the study can be beneficial to both families and self-employed persons. Furthermore, the mental budgeting of self-employed persons and businessmen should be investigated to see whether there is a difference.

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