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REVIEWING VARIABLES OF FINANCIAL WELLBEING: AN INDIAN PERSPECTIVE

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ABSTRACT

Financial well-being has emerged as a significant issue for people, families, societies, and nation due to inadequate savings and insufficient long-term financial preparation for retirement. Financial well-being is characterized as a feeling of future stability with appropriate financial management in the present. Thus, the goal of this review is to determine how different variables affect financial well-being in context of India. The research methodology used in this paper is to study the existing literature on various factors influencing financial well-being. The review analysis of the existing literature indicates that factors like financial Literacy, knowledge; financial attitude; financial behaviour; financial consciousness; unemployment & Socio-economic factors like future security, savings and investments, people's attitudes towards money assessment, people's financial education, etc. have a substantial effect on people's financial well-being in Indian context. The result of this study can be utilized by academics, financial advisers, and others to understand the financial well-being from Indian perspective.
Keywords: Financial wellbeing, financial attitude, financial behaviour, financial literacy, financial stability.

INTRODUCTION

Every individual in the world is becoming more conscious about their financial situation and is seeking ways to improve it by making decisions about their spending, saving, investments, and other financial activities in order to increase their assets and safeguard their resources. However, with the changing financial system, technology advancements, easy availability of financial products and services, and the decrease in individual purchasing power, making financial decisions has become more challenging. Hence it becomes necessary to improve the financial well-being of people.
The 2008 global financial crisis and the recent turmoil of COVID-19 have hit essential sectors of the Indian economy, posing significant risks to India's economic growth and livelihood stability. As a result of which, healthy investing and saving habits has become a topic of increasing importance not only for individuals but also for businesses, policymakers, and others. This gives rise to the need to present this paper.
Many academics have examined financial well-being using various variables since it has become a hot topic of conversation. Financial wellness is described by the US Consumer Financial Protection Bureau (CFPB) as a state in which a person tries to maintain control over their day-to-day finances, has the ability to withstand financial shock, and has the freedom to make financial decisions in order to achieve their goals (CFPB, 2014). Another definition provided by Porter indicates that one's attitude towards their financial situation based on the future objectives and how they are judged in relation to their living standards constitutes their financial well-being (Porter, 1990). The World Bank notes that the policymakers around the

world are concerned with how to promote the financial well-being of consumers in order to improve the overall financial system (World Bank, 2014). In a recent study conducted by Mokhtar and Husniyah, financial wellness is defined as an individual's contentment or discontent with their financial condition as it relates to managing their finances. According to the author's empirical investigation, financial wellness was related to the work environment, financial stress, locus of control, and financial behaviour. Regarding the workplace, the respondents think that their financial security is a result of their work environment, which influences their commitment, self-esteem, and productivity. According to their study, a healthy work environment, strong financial behaviour, and economic strain help employees be more financially secure (Mokhtar & Husniyah, 2017).

By examining the various aspects that are essential for researching financial well-being, the goal of this study is to review the existing literature that has been written on it from an Indian perspective. This study would be useful for research scholars, financial advisors, and practitioners as well as provide a more in depth knowledge about the various factors influencing financial wellbeing and the significance of financial wellbeing from Indian perspective.

CONCEPT OF FINANCIAL WELL-BEING

Various scholars have conceptualized financial well-being. The initial definition provided by Porter (1990) indicates that one's attitude towards their financial situation depends on the objective aspect and how they are judged in relation to their living standards.

According to Joo (1998), a person's opinion of their financial well-being changes as their living standard changes. Financial security and sufficiency for an individual or family that guards against economic risk such as unemployment, sickness, bankruptcy, poverty, and difficulty in retirement are concepts of financial well-being (Goldsmith, 2000).

According to Benjamin et al., (2014) having strong financial stability, freedom of choice, and overall satisfaction in the present and the future constitutes financial well-being.

According to the majority of researchers, financial well-being is defined as a sense of security in the future combined with wise financial management in the present. It is also defined as how people feel about their financial situation and how confident they are about their financial decisions and how those decisions will affect their future. (Netemeyer et al., 2018; Prendergast et al., 2018; Kempson et al., 2017; Camilla et al., 2017; PwC, 2019)

VARIABLES CREATING AN IMPACT ON FINANCIAL WELL-BEING

Porter and Garman were the first researchers to test a conceptual model of financial well-being. They looked at the influence of demographic factors (gender, ethnicity, education, and employment status), objective characteristics (income and the number of dependents in the family), perceived characteristics (income and wealth), and evaluated characteristics (past financial experiences and expectations for the future) on financial well-being. Their analysis demonstrated how these elements impact a person's financial situation (Porter and Garman, 1993). Another conceptual model of financial well-being was framed by Kempson et al., (2017), this model suggested that the financial behaviour and socio economic factors are the key drivers of financial well-being while financial attitude and psychological factors play a bigger role in determining financial behaviour than financial knowledge.

According to another study on financial wellbeing conducted by Xiao et al., (2009), people who exhibit positive financial behaviour, such as budgeting, saving, refraining from risky financial decisions, managing their expenses, and refraining from or engaging in compulsive buying, have a high degree of financial well-being. Atkinson et al., (2012), in their study discovered that in order to make wise financial decisions and eventually attain individual financial well-being, one must possess a mix of awareness, knowledge, skill, attitude, and behaviour. Australian Securities and Investments Commission (ASIC), 2014, states that improved financial literacy can benefit people regardless of their socio-demographic characteristics by assisting in making the best use of money, understanding and managing financial risk, and also properly guiding to avoid financial pitfalls which could ultimately have a positive effect on the financial wellbeing of individuals and society.

During the reviewed period, Lee et al. (2008) conducted a study investigating the relationship between financial satisfaction and financial behavior. They found that individuals with higher levels of financial satisfaction tended to exhibit more responsible financial behavior, such as effective budgeting, increased saving habits, and reduced debt accumulation. This study provides further evidence of the link between financial behavior and financial well-being.

While having an insight into the financial wellbeing of individuals in India, the Financial Literacy and Inclusion Survey (FLIS), which was carried out by the National Centre for Financial Education (NCFE) in all 28 states and 7 union territories of India to access the financial literacy level and financial wellbeing of Indian households, found that only 20% of Indian households had overall financial literacy which was creating a huge impact on the financial wellbeing of individuals (NCFE, 2015). One more survey by the OECD was carried out in 2016 to compare the financial knowledge, attitude, behaviour, and wellbeing of 1,01,596 adults aged 18 to 79 in 21 countries. The average score was found to be 60%, indicating that there is significant room for improvement in terms of the overall level of financial literacy and financial wellbeing (OECD, 2016). In an investigation into the impact of financial literacy and financial wellbeing on stock market investment decisions, researcher conducted a survey in four Indian cities and discovered that while both objective and subjective financial wellbeing significantly influence investment intentions, the latter predicts actual stock market investment behaviour of individual investors. According to this study's findings, behaviour was predicted by objective financial literacy, financial well-being, and investment intentions, whereas subjective financial wellbeing greatly impacted the intentions to invest and attitude towards investing was found to have a negative impact on behaviour, i.e. restraining to investing (Sivaramakrishnan et al., 2017). The results of these surveys demonstrate that the majority of Indians are not aware as to how to manage their financial wellbeing and the capacity to deal with economic uncertainty.

According to ANZ (2018), people's financial knowledge had only a little impact on their financial well-being, however financial conduct, attitude, and socioeconomic characteristics had a direct impact (ANZ, 2018). A study conducted by Chatterjee, Kumar, and Dayma (2019) to better understand the financial well-being of Indian young adults discovered that perceived income security has the greatest positive impact on financial well-being, while unemployment has the greatest negative impact (Chatterjee et al., 2019). Another study on the financial well-being of Indian public and private sector employees done by Sehrawat and Vij (2020) discovered that financial behaviour is the biggest predictor of financial well-being.

Except for the credit commitment factor, all the other factors, such as future security, savings, investments, credit indiscipline, and financial consciousness have a positive impact on the financial wellbeing of people in India, according to the Financial Measurement Behavioural Scale (FMBS) Model created by Chavali and others to measure financial wellbeing based on five factors (Chavali et al., 2021).

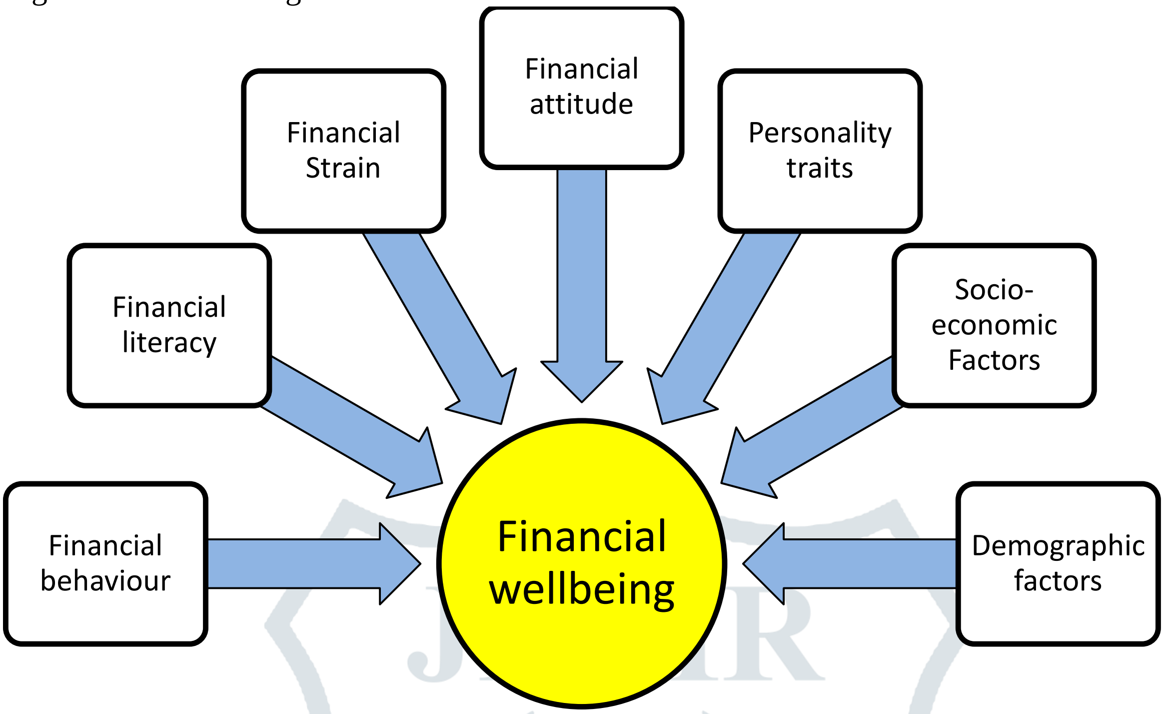
In a context of a developing economy, Sherawat et al., (2021) developed an empirically tested holistic financial well-being model and discovered a positive correlation between an individual's objective financial situation as measured by their self-reported ease of meeting regular financial obligations, level of liquid savings, status of outstanding debt, capacity to withstand financial shock, diversification of their investment portfolio, and retirement planning.

According to a study by Amirah, Sabri, and Rahim on perceived financial well-being across various variables in developed, developing, and under-developed countries, high levels of individual attainment are indicative of high financial well-being in terms of meeting retirement needs as well as high levels of satisfaction and gratitude with one's financial situation. Their research suggests that a subjective approach is more inclusive than an objective approach in defining and measuring a complex phenomenon like financial well-being because it is a more thorough way of capturing non-financial issues (Amirah et al., 2021).

According to Rajesh Mishra's research, the financial health of Indian households is significantly influenced by the amount of financial literacy and the effectiveness of their financial attitudes and behaviour. The findings showed that both financial knowledge and financial attitude can make a significant difference in one's financial well-being because people who exhibit appropriate financial behaviour have 50% and 18% more chances of being financially well-off than people who don't (Rajesh Mishra, 2022).

In a study by Sangeeta et al., (2022) to determine the relationship between financial knowledge, attitude, and behaviour among young people in India, it was discovered that there is a relationship between these elements among the rural population of Haryana, India. This is because Haryana, India has a very high level of financial literacy. The report comes to the conclusion that raising one's level of financial literacy is insufficient; an individual's welfare may also be improved by adopting positive attitudes and behaviour. The main takeaway from this study was the need to create an effective educational system and a center for financial literacy. With an increase in financial literacy, financial institutions, the government, and NGOs should concentrate on changing people's attitudes and behaviour towards financial products, services, budgeting, etc.

After analyzing the various research papers, following flowchart is proposed depicting the various factors impacting financial wellbeing.



CONCLUSION

Financial wellbeing is being affected by a variety of factors as presented by the review of various researchers. Variables identified by reviewing the papers of the researchers are financial strain; financial behaviour; demographic factors (gender, ethnicity, education, and employment status); objective characteristics (income and the number of dependents in the family); perceived characteristics (income and wealth); and evaluated characteristics (past financial experiences and expectations for the future); Financial attitude; socio-economic factors; financial literacy, Knowledge and awareness. Out of which the major dominant factors impacting financial wellbeing in Indian context are financial Literacy, knowledge; financial attitude; financial behaviour; financial consciousness; unemployment & Socio-economic factors. Thus the current review of existing research provides empirical evidences that the above mentioned factors have a noteworthy impact on the financial wellbeing of Indian individuals.

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