

# “A Study on the Impact of Financial Well-Being on Mental Well-Being”

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## Abstract

Financial well-being has emerged as a significant component of an individual's overall quality of life, as it not only indicates financial health but also impacts mental and emotional wellness. This study aims to investigate the level of financial well-being among individuals and to explore how financial aspects such as saving habits, investment practices, financial planning, and financial stress affect mental health. The research is based on primary data gathered through a structured questionnaire administered to 50 respondents from various backgrounds.

The results of the study suggest that a majority of participants possess a fairly stable financial situation and engage in saving practices from time to time. The option of bank deposits is favored most as an investment choice because of its security and dependability, but knowledge of alternative investment opportunities is still limited. Additionally, the study shows that many people experience financial stress to a moderate extent, which has a direct effect on their mental health.

The study also emphasizes how important financial literacy is for bettering financial behavior and decision-making. People who are more financially literate typically handle their money better and feel less stressed. Nonetheless, the absence of regular emergency savings and financial planning suggests that financial procedures need to be improved.

The study comes to the conclusion that improving financial literacy, promoting sound financial planning, and encouraging saving behaviors can greatly enhance both financial and mental well-being.

**Keywords:** Financial Well-being, Mental Well-being, Financial Literacy, Financial Stress, Saving Habits, Investment Behavior

## Introduction:

In today's fast-changing economic environment, financial well-being has become an essential part of an individual's life. It refers to the ability of individuals to manage their financial resources effectively, meet their present needs, and feel secure about their financial future. Financial well-being is not only limited to income levels but also includes financial behavior, saving habits, investment decisions, and financial awareness.

According to Annamaria Lusardi and Olivia S. Mitchell (2014), financial literacy plays a significant role in improving financial decision-making and long-term financial stability. Individuals with higher financial knowledge are more likely to plan their finances effectively and avoid financial difficulties.

Financial stress is another important factor that affects both financial and mental well-being. Poor financial management, debt, and lack of savings can lead to stress, anxiety, and reduced life satisfaction. As highlighted by Johannes Brügger et al. (2017), financial well-being is a multidimensional concept that includes both objective financial conditions and subjective financial satisfaction.

In recent years, there has been growing interest in understanding how financial behavior influences mental health. Individuals who are financially stable tend to experience lower stress levels and better overall well-being. On the other hand, financial instability can negatively affect emotional and psychological health.

Therefore, this study aims to analyze financial well-being and its impact on mental well-being by examining financial habits, financial awareness, and financial stress among individuals.

## REVIEW OF LITERATURE:

According to Annamaria Lusardi and Olivia S. Mitchell (2014), financial literacy is an essential element in the improvement of financial decisions. In this study, the significance of financial literacy was revealed, indicating that individuals with higher financial literacy are capable of managing their financial lives, planning for the future, and making appropriate investment decisions. In addition, the study revealed that individuals with higher financial literacy are able to avoid mistakes and reduce financial stress.

A study carried out by Johannes Brügger et al. (2017) described financial well-being as a condition in which individuals are able to meet their current financial needs while at the same time feeling secure about the future. According to the study, financial well-being is not just determined by income levels but also by the management of financial needs, planning, and the ability to control spending habits.

Similarly, the concept of the Financial Well-Being Scale was developed by A. D. Prawitz et al. (2006) to measure the financial conditions of individuals and their level of financial stress. The research revealed that individuals with poor financial management skills tend to have high levels of financial stress and low levels of life satisfaction.

The research conducted by E. Thomas Garman and Raymond E. Forgue (2010) revealed that financial stress has a significant impact on the productivity, health, and well-being of individuals. The research revealed that individuals facing financial problems tend to experience mental pressure and anxiety, leading to low productivity at their workplaces. Another important study by J. Michael Collins and Collin M. O'Rourke (2010) emphasized the role of financial education in improving financial behavior. The researchers found that financial education programs help individuals develop better saving habits, budgeting skills, and investment awareness.

Furthermore, studies suggest that saving behavior and investment choices are key indicators of financial well-being. Many individuals prefer low-risk investment options such as bank deposits and gold due to safety and security. However, limited knowledge about other investment opportunities such as mutual funds and stock markets may restrict individuals from achieving higher financial returns.

Overall, the existing literature indicates that financial well-being is influenced by several factors including financial literacy, saving habits, investment behavior, and financial planning. Improving financial education and promoting responsible financial practices can help individuals achieve better financial stability and enhance their mental well-being.

## Problem Statement of the Study:

Financial well-being is an essential factor that affects the quality of an individual's life. In the current economic scenario, people are often confronted with various financial issues such as an increase in the cost of living, an unpredictable income stream, and an increase in their financial obligations. This leads to a state of stress, anxiety, or insecurity in their minds.

Most people are not financially literate or have proper financial planning habits or awareness of the available investment avenues. This makes it difficult for people to handle their finances in an efficient manner. This leads to a state of confusion or lack of confidence in managing their finances.

It is thus essential to understand the influence of an individual's financial conditions on their mental or emotional state of well-being. The problem that is being addressed in this study is to evaluate the level of financial well-being among individuals and to understand the influence of their financial stability, savings habits, or awareness on their state of well-being or quality of life.

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### Research Objectives

1. To understand the concept of financial well-being for the working population.
2. To analyze the level of mental well-being for working individuals.
3. To understand the relationship between financial well-being and mental well-being.
4. To understand how financial stress impacts mental well-being.

### Hypothesis:

**H<sub>0</sub>:** There is no significant relationship between financial well-being and mental well-being for individuals.

**H<sub>1</sub>:** Financial well-being has a significant positive impact on mental well-being.

## Research Methodology

### Research Methodology

Research methodology is a term used to define the research and procedures adopted for conducting research and obtaining relevant information for the research study. It is a structured approach for obtaining, analyzing, and interpreting research data to achieve the research purpose. In the study, research methodology is applied to understand the relationship between financial well-being and mental well-being for individuals.

### Study Design

The research design used in the present study is based on a descriptive research design. Descriptive research is used to describe the characteristics, behaviors, and opinions of the respondents concerning their financial well-being and financial management practices. Using this research design, the researcher is able to understand the financial well-being, savings, and financial stress of the individuals.

The descriptive research design will help the researcher to collect the necessary information and present it in a systematic manner in the form of charts, graphs, and statistical tools. This research design is appropriate for the present study since it is based on the analysis of the financial condition of the respondents.

### Data Collection

Data collection is an essential aspect of the research process, as it assists in the collection of relevant information necessary for the achievement of the research goals. In this study, the data was collected using a questionnaire.

The study utilized multiple-choice questions for the collection of data from the participants regarding their financial stability, saving habits, investment plans, financial stress, budgeting practices, and financial awareness. The questions were framed in simple and clear language, which helped the participants understand the questions and answer the questionnaire properly.

The data obtained from the participants using the questionnaire was organized for the purpose of understanding the financial behavior of the participants.

### Sources of Data

The study uses both primary and secondary data.

### Primary Data

In the study, the primary data was collected directly from the respondents using the structured questionnaire method. The respondents were asked to provide their views and experiences regarding the area of financial management, saving, and financial stress.

Primary data is useful in providing information that is related to the research objectives in the first place.

### Sampling Techniques

Sampling is the collection of individuals from the larger population to represent the whole population. In the study, non-probability was used as the sampling technique.

Non-probability sampling helps the researcher to choose the sample based on their accessibility and willingness to participate in the survey.

### Sampling Unit

The sampling unit is the individual components or sample of the population selected for the research study.

The sampling unit of this research study consists of individual human subjects such as students, employees, and other individuals who are responsible for managing their personal finance.

The sample of human subjects is selected for this research study to understand their financial behavior, savings, and awareness.

### Sample Size

The sample size of this research study consists of 289 human subjects who are selected for the research study. The sample of human subjects is selected from diverse backgrounds to understand their opinions on their financial well-being and financial management.

The sample size of human subjects is considered appropriate for this research study to analyse their financial behaviour and understand their awareness of finance.

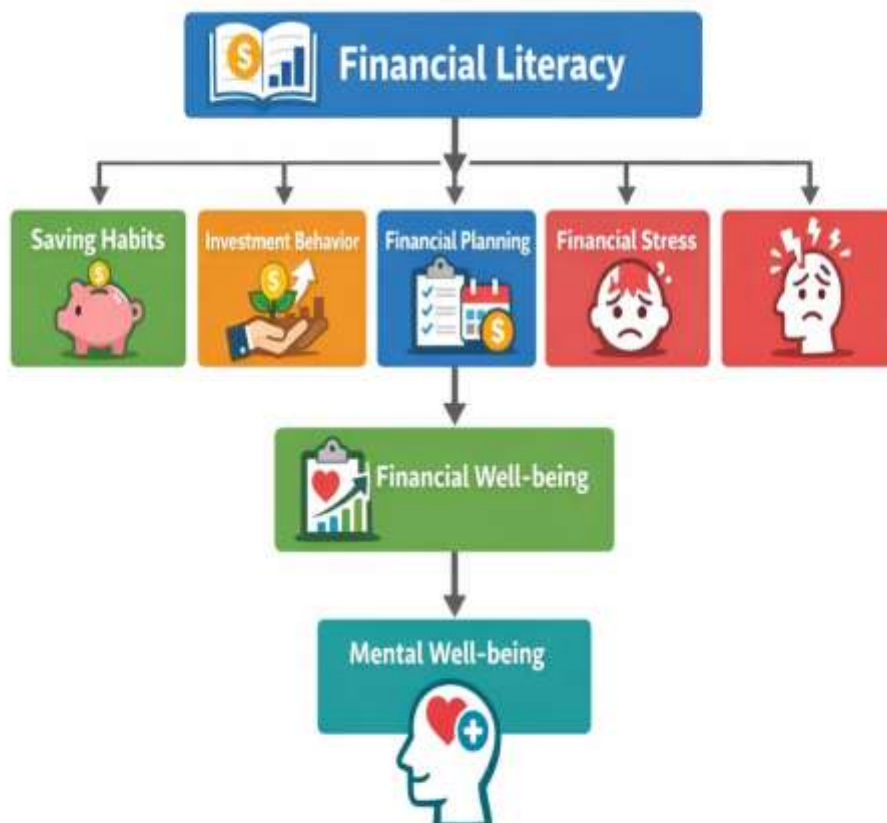
### Sampling Method

The study employed the Convenience Sampling Method. Convenience sampling is a non-probability sampling technique, which is employed by choosing respondents who are easily accessible and available for participation in the study.

The researcher employed this technique because it is quick and easy to collect data, especially when time and resources are limited. The respondents who were easily accessible by the researcher were chosen for the study.

Even though convenience sampling is not representative of the whole population, it is frequently employed for academic research projects, especially when time is limited.

### DATA ANALYSIS AND DISCUSSIONS:

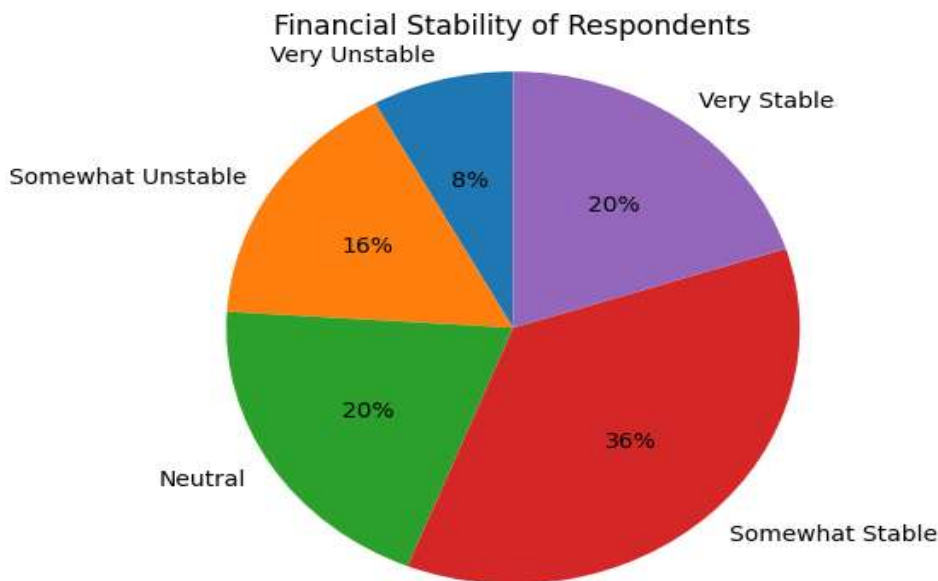


The conceptual framework explains the relationship between **financial literacy, financial behavior, financial well-being, and mental well-being**. Financial literacy helps individuals understand important financial concepts such as saving, budgeting, and investing.

This knowledge influences financial behaviors like **saving habits, investment decisions, financial planning, and management of financial stress**. These behaviors directly affect an individual's **financial well-being**, which refers to the ability to manage finances effectively and feel financially secure.

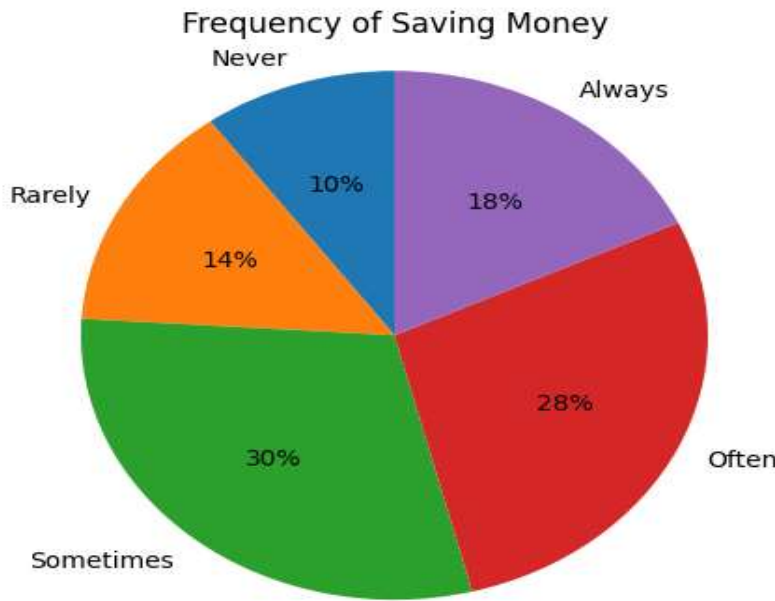
Improved financial well-being further contributes to better **mental well-being** by reducing financial stress and increasing overall life satisfaction.

**Chart 1: Financial Stability of Respondents**



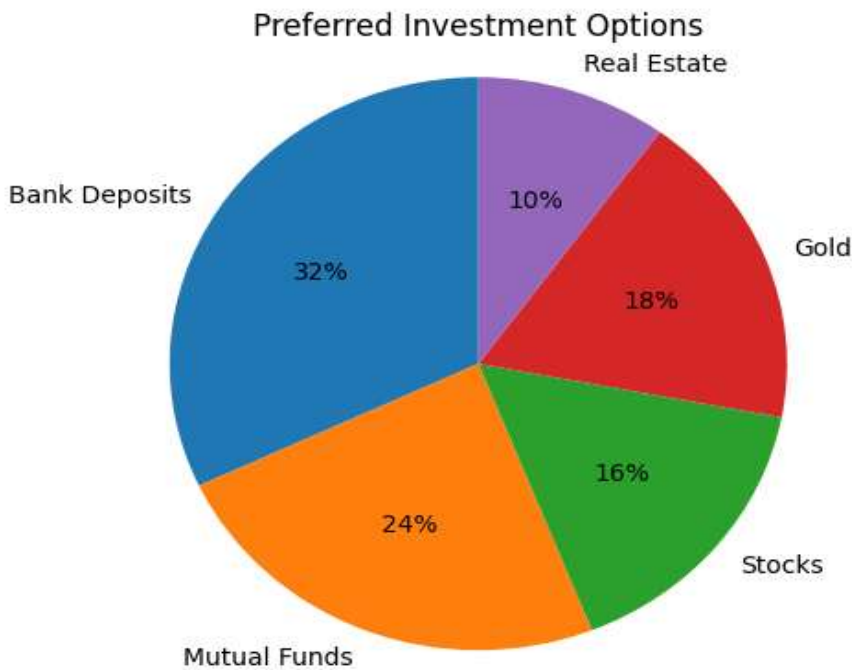
**Analysis:** From the chart, it is evident that the majority of the respondents view their financial status as somewhat stable. There is a fair number of participants who view their financial status as neutral, while a small number view it as very unstable. This shows that the overall financial stability of the respondents is balanced but has some areas of improvement.

**Chart 2: Frequency of Saving Money**



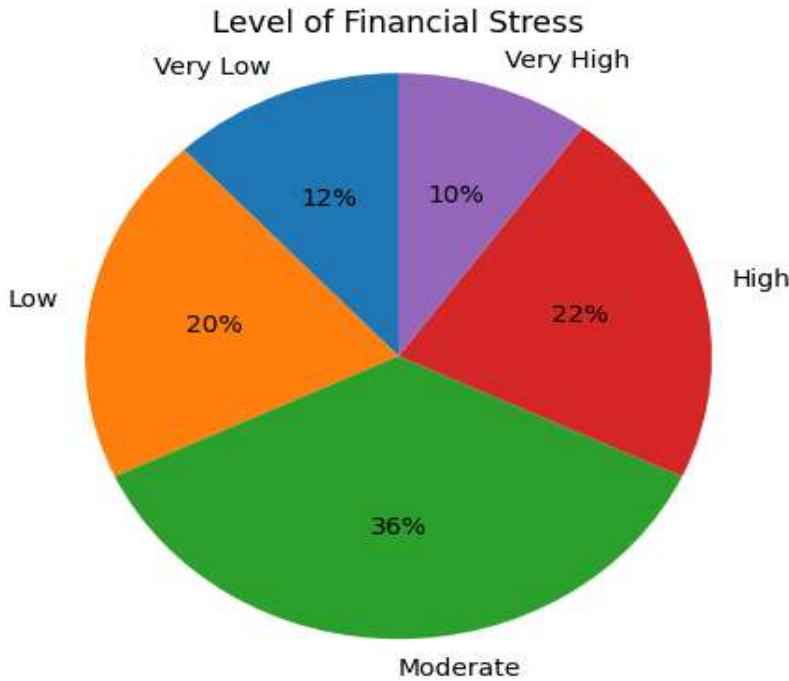
**Analysis:** From the data, it is evident that a large number of respondents save sometimes or often. A small number of respondents always save from their income, while a few respondents rarely or never save. This shows that saving is a behavior that exists within the majority of the respondents, but consistency in saving could be enhanced.

**Chart 3: Preferred Investment Options**



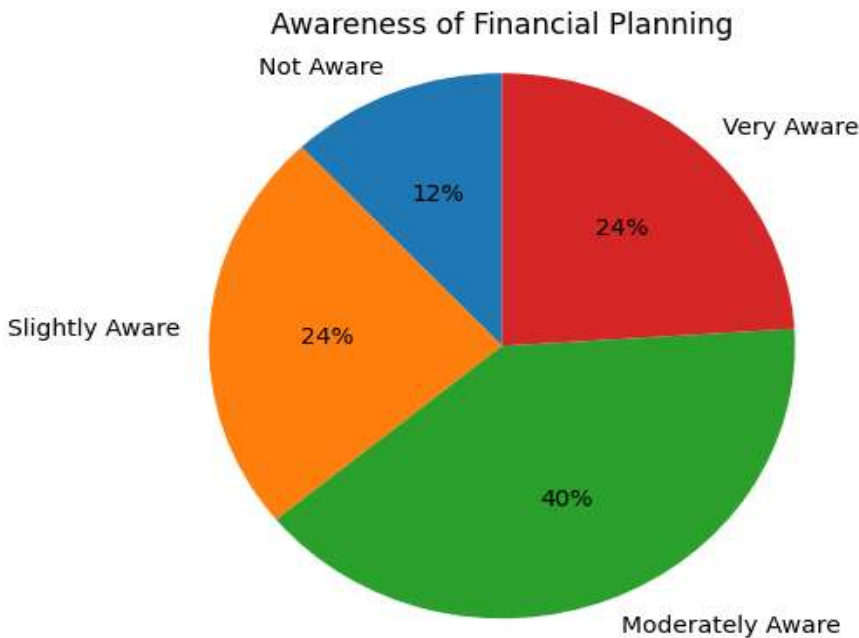
**Analysis:** Deposits in banks seem to be the most popular investment option for the respondents, which may be due to the safety of the investment. Mutual funds and gold investments are also popular, which shows that people have become aware of diversified investments. Few have invested in stocks or real estate.

**Chart 4: Level of Financial Stress**



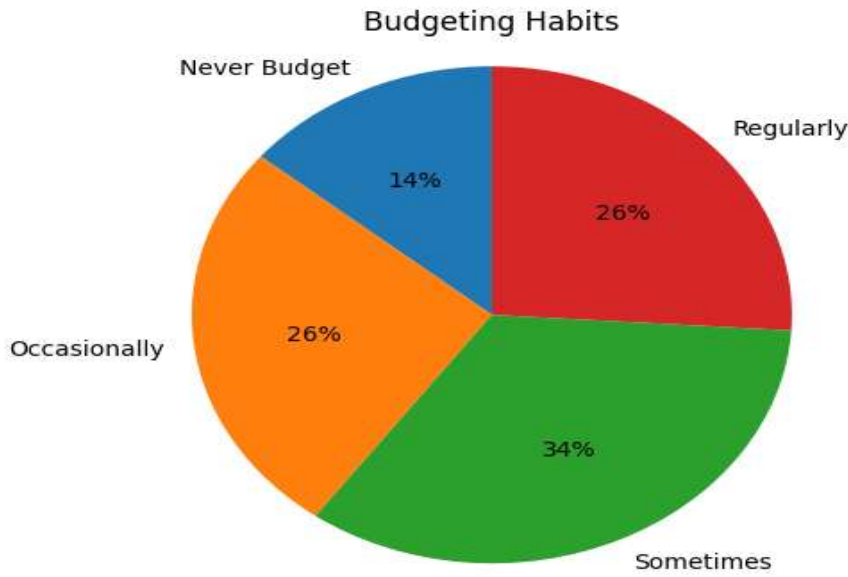
**Analysis:** The majority of respondents feel moderate levels of financial stress. There is also a small percentage who feel high levels of financial stress, as well as those who feel low levels and very low levels of financial stress.

**Chart 5: Awareness of Financial Planning**



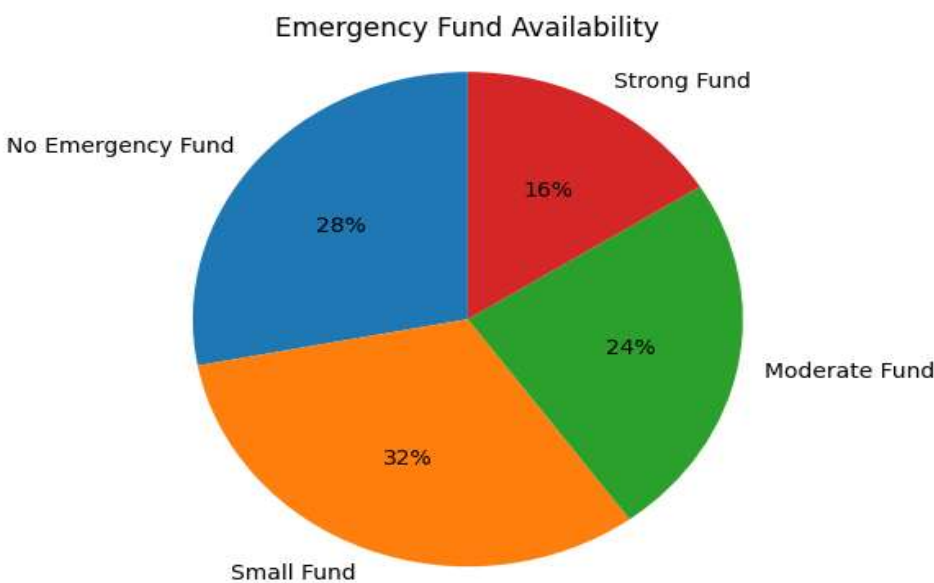
**Analysis:** From the chart, we can see that the majority of the participants have moderate knowledge of the concepts of financial planning. Some have high knowledge, while others have low knowledge. This shows that we still need to educate people about financial planning.

**Chart 6: Budgeting Habits**



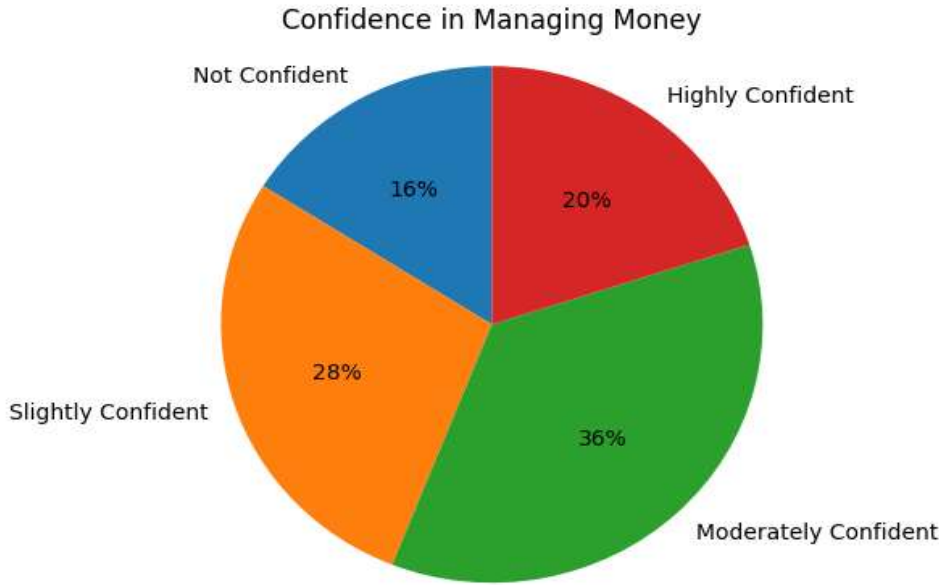
**Analysis:** Some respondents also practice budgeting at times or regularly. However, a significant number of respondents also practice their budgeting occasionally or rarely. Enhancing the practice of budgeting can help individuals effectively manage their finances.

**Chart 7: Emergency Fund Availability**



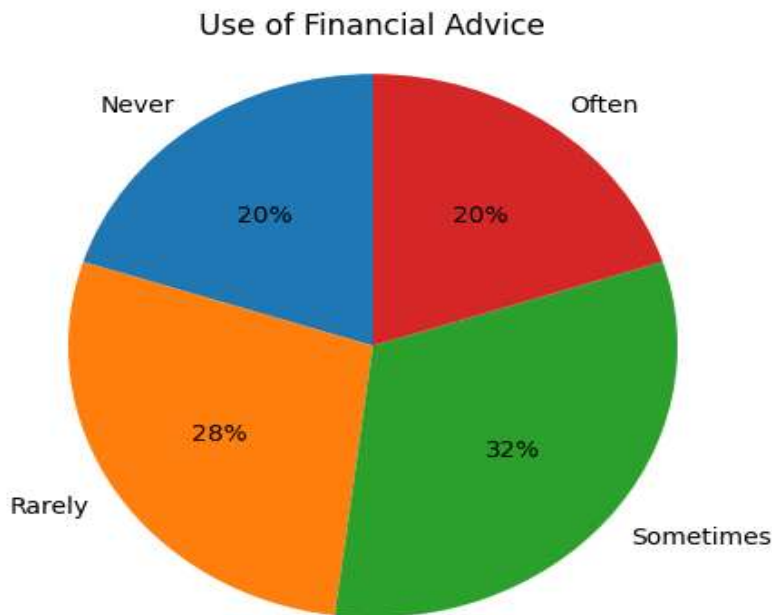
**Analysis:** The data shows that the number of respondents who do not have an emergency fund or only have a small emergency fund is significant. The number of respondents who have a strong emergency fund is also small.

**Chart 8: Confidence in Managing Money**

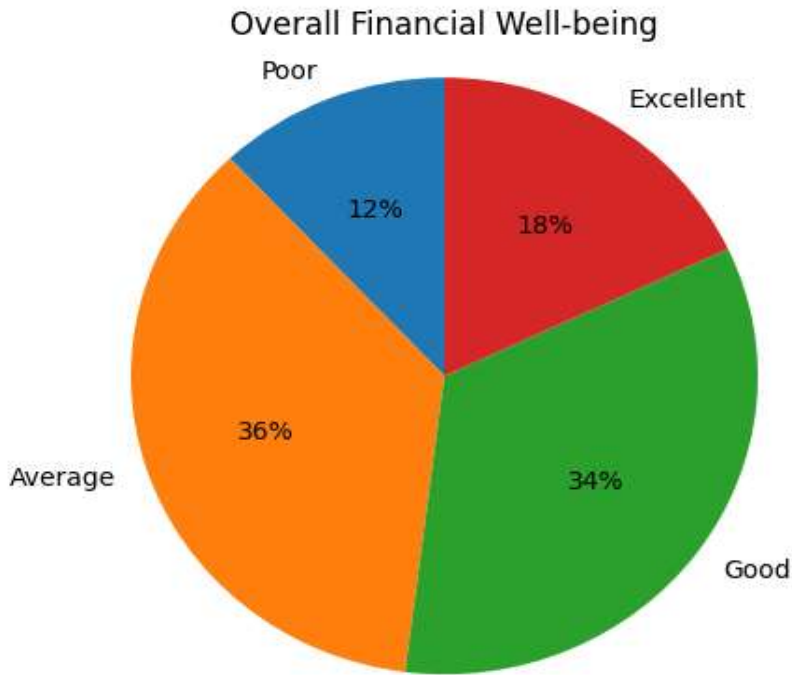


**Analysis:** Most respondents feel moderately confident in managing their money. A smaller group reports high confidence, while some still lack confidence in their financial management skills.

**Chart 9: Use of Financial Advice**



**Analysis:** The chart shows that respondents sometimes seek financial advice when making important financial decisions. Some individuals rarely or never seek advice, while a smaller portion frequently consults experts.

**Chart 10: Overall Financial Well-being**

**Analysis:** Most respondents rate their financial well-being as average or good. Only a few describe their situation as poor or excellent. This suggests that while financial well-being is acceptable for many, there is still room for improvement.

### Findings of the Study:

Based on the analysis of the data obtained from the respondents using the questionnaire survey, some important findings have been made regarding financial behavior, financial awareness, and financial well-being. The major findings of the study are as follows:

1. The study made the important observation that the majority of the respondents reported their financial situation as somewhat stable. This observation implies that although people are capable of managing their daily financial needs, they still face some financial uncertainty in their life.
2. It was observed during the study that the majority of the respondents save their money sometimes or often. This observation implies that saving behaviors are practiced by people. However, regular saving behaviors like saving regularly every month are still low among the respondents.
3. The study made the observation that bank deposits are the most preferred option for investing by the respondents. This observation is made because of the safety, reliability, and low risk associated with bank deposits compared to other investments.
4. The results show that the respondents have limited or no emergency funds. This is likely to affect the respondents in case of unexpected financial situations, for instance, when there is a medical emergency.
5. The results show that the respondents have moderate confidence in their ability to manage their finances. The level of financial literacy also needs to be improved to boost the confidence of the respondents in their ability to make financial decisions.
6. The results also show that the respondents occasionally seek financial advice. The results show that most individuals do not seek advice from financial experts before making financial decisions.

7. Overall, the results show that the financial condition of most respondents is average to good. The results also show that individuals have the opportunity to improve their financial management skills.

## LIMITATIONS OF THE STUDY

Even though the study offers useful insights, there are some limitations associated with the research, including the following:

1. The research was conducted with a limited number of respondents, which may not represent the whole population.
2. The research is based on self-reported data, which sometimes includes personal bias.
3. The research mainly focuses on financial and mental well-being and does not include other factors that influence well-being.
4. Time constraints limited the research.

## Recommendations

### Financial Literacy:

Financial literacy is a crucial element in enhancing personal financial health. It encompasses understanding financial principles like budgeting, saving, investing, managing debt, and planning finances. The research indicates that a significant number of participants possess only a moderate level of financial planning awareness, underscoring the necessity of increasing financial knowledge.

To resolve this problem, it is advised that financial education programs and awareness campaigns be actively encouraged. Educational bodies, employers, and financial firms can host workshops, conferences, and training events to inform people about sound financial management. These programs ought to cover practical topics like budgeting, consistent saving, and selecting appropriate investment avenues.

Furthermore, digital platforms like mobile applications, online learning programs, and financial awareness initiatives can effectively disseminate financial knowledge to a wider audience. Accessible financial information empowers individuals to make informed choices and steer clear of typical financial errors.

Enhancing financial literacy empowers individuals to handle their finances more effectively, alleviate financial anxiety, and establish lasting financial stability. Thus, advocating for financial literacy is crucial for improving both financial health and overall quality of life.

There is a need to promote financial education programs to help individuals become financially literate, which includes understanding financial concepts and terminologies, budgeting, saving, investing, and financial planning.

- Encouraging Regular Saving Habits:

Individuals should be encouraged to develop a regular habit of saving a part of their earnings. Saving is a way to become financially secure and achieve financial goals.

- Creating and Maintaining a Budget:

Individuals should create a monthly budget, which will help them track their income and expenses in a better manner. Creating a budget will help individuals become financially disciplined.

- **Building an Emergency Fund:**

Individuals should maintain an emergency fund to meet unexpected financial situations, such as a medical emergency or loss of a job.

Individuals should maintain an emergency fund to meet unexpected financial situations, such as a medical emergency or loss of a job.

- **Increasing Awareness about Investment Options:**

People need to be made aware of the various investment schemes available, e.g., mutual funds, stocks, and retirement plans. This will help people invest their money wisely and earn greater financial gains.

- **Seeking Professional Financial Advice:**

People need to consult financial experts before taking any major financial decisions. This will help individuals make the right choices in their investment plans and also manage their finances effectively.

- **Organizing Financial Awareness Programs:**

Educational institutions, organizations, and financial institutions need to arrange seminars and workshops to make people aware of the financial concepts.

- **Improving Financial Planning Practices:**

People need to focus more on long-term financial planning, setting financial goals, and managing debts effectively.

## **Conclusion**

The present study was undertaken to understand the level of financial well-being of individuals and the influence of financial factors on their overall well-being. Financial well-being is an essential aspect of modern society, as it not only influences the financial condition of an individual but also their mental and emotional stability. Effective financial management is essential for individuals to achieve financial security and stability.

The findings of the research based on the data collected from the respondents provide useful insights into the financial behavior of individuals, their savings, and financial planning. The findings of the research revealed that the majority of the respondents feel that their financial condition is somewhat stable. This implies that although individuals have the ability to manage their financial needs, there is still a lack of financial security and stability among individuals.

The findings also revealed that the majority of the respondents have developed the habit of saving, although the practice of saving is still low among individuals. This is because individuals understand the need to save money, but not all individuals save money from their income. The development of the habit of saving is essential for individuals to manage their financial needs effectively.

In terms of investment behavior, it has been observed that bank deposits have been considered the best investment option by respondents, which is quite reliable and safe. This indicates that respondents prefer investing in low-risk investment options, but it is also important to note that they do not have enough knowledge regarding other investment options, such as mutual funds, stocks, etc., which might provide higher returns over a longer period of time.

The other important finding of the study is that respondents have faced moderate levels of financial stress. Financial stress might be caused by factors such as increasing living costs, financial responsibilities, lack of emergency funds, etc. Financial stress can have negative impacts on mental health and overall well-being.

The study has also highlighted that respondents have moderate levels of knowledge regarding financial planning and financial management. Though people might have basic knowledge regarding financial planning, it is still important to have higher knowledge regarding financial management, which might be helpful for improving their financial skills. Financial knowledge is quite important for making better financial decisions and improving financial skills.

Moreover, the study also reveals that the respondents are not able to accumulate a strong emergency fund. Financial preparedness is one of the issues that could cause problems in unexpected situations, such as a medical emergency or a sudden financial responsibility. Accumulating an emergency fund is a vital step towards financial stability.

Overall, the findings of the study revealed that the financial well-being of individuals is influenced by various factors, which include saving habits, financial planning, financial literacy, investment behaviors, and financial stress. Individuals who practice better financial management behaviors are likely to attain financial stability and develop a sense of financial well-being.

In conclusion, it is essential to develop financial awareness and promote financial behaviors in order to enhance the financial well-being of individuals. Financial awareness and financial planning are vital steps towards developing the financial management skills of individuals. Financial literacy and the promotion of effective financial behaviors will help individuals attain a higher level of financial well-being.

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