Psychological Factors Contributing to the Financial Well-Being of an Individual : A Review of Empirical Literature

** Shobha T. S.*
*** Suman Chakraborty*

Abstract

Financial well-being is a yardstick for the measurement of individuals' financial security and their ability to make financial choices both in the present and future. Financial well-being in its perceptual nature is the most effective and reliable measure of the construct. Review of literature for financial well-being indicated that beyond the demographic, social, and economic factors, it is the psychological factors that have a greater impact on the financial well-being of an individual. These psychological factors needed further investigation for identification of specific psychological factors affecting financial well-being. This study attempted to analyze empirical and scholarly research findings. Twenty five papers downloaded from various electronic databases and from various peer reviewed journals in the area of financial well-being during 2000-2016 were considered for the present study. Review of selected papers suggested significant gaps pertaining to the interaction of psychology with financial well-being and also identified positive financial behaviours like financial literacy and propensity to plan affecting financial well-being. This assemblage of reviewed research papers will be useful for the academia and industry to cultivate understanding on the psychological rumblings of an individual and would promote positive financial behaviours leading to greater financial well-being.

Key words : financial planning, behavioural finance, personal finance, financial well-being, financial literacy

JEL Classification : A10, D14, G02

Paper Submission Date : March 21, 2017 ; Paper sent back for Revision : May 22, 2017 ; Paper Acceptance Date : September 15, 2017

An individual will be blissful when he/she has an excellent job, comfortable economic status, good health, and cordial family relationships. All these parameters are very much linked and interdependent to reach the state of well-being for individuals. A highly prolific and dynamic research of our century has been towards analyzing investment and motivation of investment behaviour providing guidance to individuals in their pursuit of financial well-being. The PwC survey of 2016 clearly indicated that 52% of their employees were stressed about their finances, and around 45% of the surveyed felt that it was the financial matters that caused them a greater stress in their lives. In another survey of PwC of the Employees Wellness report of 2015, it was found that millennials surpassed Gen X to become the largest share of workforce. But in the case of personal finances, millennial employees tended to be in worse shape than their older counterparts, while 64 % of the millennials were stressed about their finances. This is clearly indicative that financial well-being is still a matter of concern with the millennials.

In the context of India, it was reported in the New World Wealth report (2016) that India was ranked seventh in

* *Research Scholar,* Ramaiah University of Applied Sciences, Bangalore - 560058. E-mail: shobha_ts7999@rediffmail.com
** *Head,* Department of Commerce, Faculty of Management & Commerce, Ramaiah University of Applied Sciences, Bangalore - 560058. E-mail : sumanchakraborty.co.mc@msruas.ac.in

the list of top 10 wealthiest countries in the world, which was topped by the United States with total individual wealth of $48,700 billion, but on a per capita basis, India still accounts for the poorest people in the world (Pruthi, 2016). Gallup Health Ways Well-Being Index of 2016 reported that Indians' average ratings of their own lives showed a declining trend. Only a fifth of the respondents reported that they experienced financial well-being, while another 49% of the respondents felt that they were still struggling financially. Another survey of Principal Financial Well-Being Index 2015 (Principal Retirement Advisors, 2015) of Indian households revealed that savings and investments accounted for 40% of the income ; with this, the survey identified that Indians have a positive perception about their personal finances, with most stating that they had a good control of their financial situation and were making good progress towards long-term goals. But it is noticed that overall, the optimism has decreased, indicating concerns about financial well-being.

The above surveys clearly indicate Indian households to be not in a very good situation in terms of personal finance and financial well-being. There is a need identified to improve the financial well-being of Indians, for which there is a need to identify factors, especially psychological factors, and understand the interaction between positive financial behaviours and the impact on financial well - being. This has become all the more important when the governments world over are moving away from social security spending and retirement and pension benefits, making the individuals themselves responsible for their personal financial well-being. This clearly indicates that the importance of positive personal behaviours to be able to reach financial goals, reduce stress arising out of inadequate financial management, track the changes required for financial goals, being prepared for retirement, thereby creating financial well-being.

Financial well - being involves creation of financial security and contentment by bringing about control over finances and consumption. Financial well-being does not only mean to achieve a financial security, but also an ability to deal with the future shocks of income, but also creating a situation of financial freedom of choice to enjoy life, and at the same time, track and reach financial goals in present and in future as ideal for creating financial well-being.

There are two measures to evaluate individuals' financial well-being - subjective indicators and objective indicators of the financial position of the individual. Objective indicators of financial well-being include wealth status, income and debt ratio, savings and investment, etc. It is felt that subjective indicators are perceptions of individuals towards their financial well-being, which is affected by psychological factors affecting their personal financial situation and an effective method of assessing the financial well-being of individuals. Subjective indicators are the most effective indicators of financial well-being rather than objective indicators.

Financial well-being creates a sense of satisfaction among individuals. A sound financial status and having good health becomes the source of well-being. Positive financial behaviours like financial literacy, propensity to planning, savings, budgeting, monitoring the expenses, and keeping away from costly and risky credit, not indulging in impulsive buying are important precursors for effective management of personal finances which create wealth and bring in financial well-being.

There are a host of factors that help the individuals to reach a state of financial well-being. These are economic factors like income earned, savings rate, inflation, general consumption rate, and consumption patterns ; previous studies corroborated that social factors such as family, religion, ethnicity, dynamics of decision making in the family too affect well - being. The demographic factors are age, gender, household income, number of dependents, education, etc. These combined with positive financial behaviours like financial literacy, propensity to plan, specific investment patterns, risk tolerance, savings, budgeting, use of low cost debt, and other skills along with specific psychological attributes (personality factors, motivation, goal clarity) bring about financial well - being.

Purpose of the Study

The purpose of this paper is to understand the current literature of scholarly and peer reviewed scholarly work from reputed indexed journals between 2000-2015 pertaining to financial behaviours like financial literacy, financial planning, and risk-tolerance affecting financial well-being, and investigating the impact of factors, especially psychological factors, affecting financial well-being. The present literature talks on the line that positive financial behaviours may contribute to financial well-being of an individual along with certain demographic, social, and economic factors. There is a need to investigate the effect of behavioural factors linked to psychology and its linkages with positive financial behaviours which lead to financial well-being of an individual.

Various researchers have tried to find the factors impacting financial planning : the impact of financial literacy on financial planning and financial well-being ; various demographic, social, economic, and psychological factors ; and financial planning and retirement decisions. They have also discussed the importance of financial well-being in creating positive emotions, cordial relationships, and life satisfaction. The literature review emphasizes on the need for positive financial behaviours, but the jigsaw puzzle has to be fitted to understand the impact of each of the positive financial behaviours and the psychological traits of an individual towards creating financial well-being. Therefore, this study is designed to bring about a conceptual and theoretical mapping of the literature relating to behavioural finance with respect to the mapping of the psychological attributes and factors affecting financial well-being.

Objectives of the Study

Financial well- being creates a sense of financial satisfaction in an individual. This is of great relevance as reaching the state of personal financial well - being is the ultimate success of personal financial management. Therefore, the focus of this research is to create a conceptual base on the relationships between financial behaviours and various psychological traits affecting financial well - being. The main objectives are listed below :

(1) To explore the dynamics of the relationship between positive financial behaviors and financial well-being.

(2) To explore and identify significant psychological traits during the interaction between psychological traits and financial behavior and financial well-being.

(3) To identify the gap in psychological factors affecting financial behaviours and financial well-being.

Research Methodology

The method of literature review used for this research paper is systematic review of literature. This method provides a complete and exhaustive summary of current literature relevant to the factors affecting financial behaviours and financial well-being. A total of 35 scholarly research papers were selected from various electronic databases, and finally only 25 research papers were selected to be part of the review process. Of the 25 scholarly research papers, 11 were selected from Ebscohost, while the remaining 13 research papers were selected from Google Scholar. All the above papers were accessed in December 2016.

Review of Literature

The study of literature has been carried out in four broad categories. For each category, relevant scholarly published papers have been considered and finally, a summary has been drawn.

(1) Influence of Financial Literacy on Financial Well - Being : In this section, financial literacy and its influence

Table 1. Review of Scholarly Articles on Influence of Financial Literacy on Financial Planning and Financial Well-Being

SL. No.	Authors and the Year of Publication	Model Established	Research Methodology	Findings
1	Lusardi & Mitchell (2008)	Relationship between financial literacy and financial planning in the U.S.	The sample for the study were 785 women above 50 years of age. The data from the Health and Retirement Survey was analyzed using multidimensional regression analysis.	Financial literacy was found to be strongly and positively associated with planning after controlling demographic characteristics. Only 30.9% of the respondents were simple planners for retirement ; 20.3% were serious planners ; and only 17.4% were found to be committed planners.
2	Arrondel, Debbich, & Savignac (2013)	Established the relationship between financial literacy and financial planning in France.	The questionnaire of Pattern Household Survey based on Health and Retirement Survey was administered to 3,616 households of France. The data was analyzed using cross tabulations.	The findings of the study indicated that financial literacy was a strong influencer of financial planning. High financial literacy was noticed in men, the highly educated, employed, and right wing voters.
3	Shusha (2016)	The research aim was to explore the relationship between financial literacy and financial well-being mediated by rational buying behavior.	The study included 386 Egyptians for the survey and the research used multiple regression model and hypothesis testing for data analysis.	The findings reported that the mediating role of rational buying behaviour between financial literacy and financial well-being was only partial. On the other hand, financial literacy was found to have a positive correlation, but indirect relationship with financial well-being, indicating a lot of intervening variables which affected this relationship.
4	Robb & Woodyard (2011)	The paper analyzed the impact of objective and subjective financial knowledge, financial well-being, and demographic factors on the best practice financial behaviour of individuals.	This research used the random sampling technique to choose 1,466 respondents. The data obtained from the survey were analyzed through linear regression and multiple regression models.	The association between subjective and objective financial knowledge was low. Moreover, it was found that subjective financial knowledge provided confidence for financial behaviours and financial outcomes (well-being). The study failed to find a positive relationship between income promoting positive financial behaviours.
5	Schmeiser & Seligman (2013)	The effectiveness of consistency in answering questions correctly in HRS module and its effect on future financial outcome (financial well-being/wealth).	This research used longitudinal data pertaining to Health and Retirement Survey (HRS) during 2002 to 2006. The data were obtained and were analyzed using ordinal least square regression model.	The study found a strong relationship between answering all the HRS questions correctly and financial well-being. The research indicated loopholes in HRS, but did not undermine the importance of financial literacy on wealth accumulation and financial well-being.

on financial planning and financial well-being has been studied based on previous studies. Financial literacy is the precursor for a disciplined and orderly management of personal finance. It enlightens and creates an informative decision making capability for an individual to manage his/her economic resources in the dynamic financial world. Financial literacy guides financial planning, which in turn creates a positive attitude towards savings, management of debt, and investment decisions, creating financial preparedness for the future leading to financial well-being. Financial literacy refers to the knowledge to handle personal finance in the most prudent way by assessing the risk and returns associated with investment decisions and how to reduce risks and maximize returns in a volatile investment climate and promote positive financial behaviours to create a good level of financial well-being among the individuals.

The Table 1 points that there is a host of literature in the field of financial literacy which points out that the level of financial literacy of the individuals was inadequate. In this dynamic financial world, steps have been initiated by employers and governments to improve the financial literacy so that individuals realize the importance of financial positive behaviours, like financial planning in promoting wealth, retirement savings, and financial well-being. Research also points to demographic factors like income, gender, age, number of dependents in the households, education, employment status which bring about desirable impact of financial literacy. The importance of financial literacy in creating positive financial behaviours and financial well-being can be further investigated thoroughly to understand its implications and influence on personal financial management.

(2) Financial Planning and its Influence on Financial Well - Being : Previous scholarly works that exhibited the importance of financial planning as one of the important determinants of financial well-being have been explored in this section. Previous research has clearly indicated that financial literacy is a key contributor towards propensity to plan (financial planning) and also financial well-being. Financial planning refers to the process of creation of financial goals and adopting positive financial practices like budgeting, savings, risk assessment, and careful investment to reach financial goals. Here, in this section, we have discussed a few scholarly articles which indicate the importance of financial planning in reaching financial well-being.

The studies discussed in the Table 2 clearly indicated the importance of financial planning in the area of

Table 2. Review of Scholarly Work on Influence of Financial Planning and Its Influence on Financial Well-Being

SL. No.	Authors and the Year of Publication	Model Established	Research Methodology	Findings
1	Irving (2012)	Conceptual mapping of psychology and well-being to the process of financial planning.	It was basically a theoretical study which pooled the relevant scholarly articles which established the link between psychology and financial planning.	The study pointed to the fact that individuals, when actively involved in the financial planning process, get life satisfaction as they progress towards their goals and the future outcomes are positive, leading to positive emotions and increased sense of control and mastery of life. Improving financial satisfaction creates a sense of well-being ; while financial strain causes psychological distress.
2	O'Neil, Xiao, & Ensle (2016)	The authors analyzed the effect of propensity to plan on health status and positive financial behaviours.	The sample for the study included 942 respondents chosen through convenience sampling method. The statistical analysis was conducted using ANOVA, multiple regression model, and hypothesis testing.	The study found that respondents with higher propensity to plan had higher health and financial behaviour scores.

(contd. on next page)

3	Americks, Caplin, & Leahy (2003)	Established the link between propensity to plan and wealth accumulation.	The research used random sampling technique to choose a sample of 1,191 households. The data collected were analyzed through ordinal logistic regression model.	This paper also explained the extent to which self-control led to controlling consumption, brought about positive financial practices like budgeting and created surplus income - savings, which in turn increased the propensity to plan and influenced wealth accumulation. The study found that differences in the propensity to plan affected accumulation of wealth in households and demographic factors were insignificant in wealth creation.
4	Bird, Şener, & Coşkuner (2014)	Established the link between financial planning behaviours and financial well-being.	The study had a sample of 407 respondents, reporting stable income over the three years selected through simple random sampling method. Logistic regression model was used to analyze the data collected.	Findings of the paper clearly suggested that planning behaviours had an influence on the likelihood of debt accumulation in households, a proxy for financial well-being. The study laid the importance of stable income and practicing positive financial planning on financial well-being. Planners were found to be effective in controlling debt than non-planners.
5	Kock, Yoong, & Fatt (2012)	Effect of age cohort on financial planning and readiness of Malaysians.	The study used a sample of 359 Malaysian respondents belonging to ethnic groups of Malays, Chinese, and Indians. The research used hierarchical regression, stepwise regression, and multiple regression analysis for data analysis.	The research paper was highly categorical in finding that there was an age cohort effect on personal orientation towards financial planning. It clearly indicated that age group had an impact on financial planning and financial preparedness which influenced the consumption and created adequate savings for retirement planning.
6	Stawski, Hershey, & Jacobs - Lawson (2007)	To investigate the extent to which age, income, goal clarity, and financial planning activities impacted retirement savings behaviours using sequential and additive model.	The sample of the study consisted of 100 respondents, 46 men and 54 women, who participated in the study through their voluntary participation. On the statistical front, the study used exploratory factor analysis along with Tucker Lewis Index and comparative fit index along with root mean square error appropriation to study the two models for analyzing the data.	The findings pointed out that the sequential model was better than the additive model, where savings contributions were based on planning and income supporting theoretical construct ; goal clarity had an indirect influence on savings through planning activities. The study indicated that goal clarity mediated the age - savings relationship. Goal clarity influenced planning activities which, in turn, affected savings.
7	Hershey, Jacobs-Lawson, McArdle, & Hamagami (2007)	To identify the psychological mechanisms like future time perspective, goal clarity, along with financial knowledge and their impact	The sample of the study were 265 respondents selected through stratified sampling based on geographical and regional identity for adequate representation of the population. Path analysis and Karl Pearson's correlation matrix were undertaken to analyze the data in the study.	The variance (R^2) for retirement planning activities (57%) was derived from retirement goal clarity ; whereas, the variability in financial knowledge (43%) was due to the combination of goals clarity, future time perspective, income, and gender. It was found that the variance associated with savings contributions

(contd. on next page)

		on financial planning and savings behaviour.		was 27% ; while the variance of goal clarity was 25% ; future time perspective was 8% ; and income was 3%. Income had an influence on all psychological factors. Gender showed a slightly significant influence on the model.

personal finance and creating positive financial behaviours leading towards success in retirement planning, creation of wealth, reduction of debt, increased savings, etc. These financial behaviours ultimately lead to the creation of financial well-being. This link between financial planning and financial well-being has to be further investigated extensively. It was found that the scholarly articles majorly relied on demographic factors affecting financial planning and examined the influence of financial planning majorly on positive financial behaviours and retirement planning. It is observed that there is a lack of literature to understand the impact of financial planning on financial well-being. The research in the area has clearly concentrated on demographic factors and financial knowledge affecting financial planning. But the emphasis should be on psychological factors, as they hold the light to unravelling the financial behaviour of individuals, including financial planning and their impact on financial well-being. As the studies on psychological factors are limited ; hence, there is a need to explore this aspect in detail.

(3) Risk Tolerance and its Influence on Financial Well - Being : In this section, risk tolerance as a behavioural trait of individual investors has been manifested with respect to personal financial decisions. Risk tolerance refers to

Table 3. Review of Scholarly Work on Risk Tolerance and its Influence on Financial Well-Being

SL. No.	Authors and the Year of Publication	Model Established	Research Methodology	Findings
1	Joo & Grable (2004)	Financial satisfaction model developed with financial behaviours, risk tolerance, and financial stressors.	The sample of the study included 220 clerical workers selected through systematic random sampling method. Path analysis and regression analysis were used to analyze the impact of variables on financial satisfaction.	The study highlighted the importance of behaviours like cash management, budgeting, and credit management activities associated with financial planning as an important predictor of financial satisfaction. Risk tolerance, financial knowledge, house ownership, and education showed a positive effect on financial satisfaction ; while, financial stressor and income showed a negative effect on financial satisfaction.
2	Mittal & Vyas (2011)	The study investigated the risk preference between Indian male and female investors in Indore, Madhya Pradesh.	The study used a sample of 281 male and 147 female respondents selected through a mix of convenient and judgement sampling method. The study used ANOVA and chi-square test for hypothesis testing, and Man-Whitney U test was used for the data analysis requirements.	The findings of the study suggested that men exhibited greater preferences for risk than women in their investment decisions. It was found that men methodically analyzed and took investment decisions and preferred investments with high risk and high returns as compared to women.

(contd. on next page)

3	Grable & Joo (2004)	Established a relationship between various environment and bio-psychosocial factors affecting risk tolerance.	The research selected 460 faculty and staff of two universities through the random sampling method. For the analysis of the data, the research used ordinary least square regression model.	Education, marital status, net worth, household income, financial knowledge, and self-esteem were significantly related to financial risk tolerance. All the significant factors were majorly environmental factors, while self-esteem was the only factor which fell under bio-psychosocial factors affecting financial risk tolerance.
4	Kannadhasan, Aramvalarthan, Mitra, & Goyal (2016)	Relationship between bio psychological factors affecting risk tolerance.	This research paper used purposive sampling method to select 951 respondents from Raipur, Chhattisgarh. The data analysis was undertaken through partial least square -path modelling and structural equation modelling.	The findings of the study indicated that self - esteem, type A personality, and sensation seeking behaviour were positively associated with risk tolerance, clearly indicating that these factors should be kept in mind while determining the portfolio of investments for the investors.
5	Jacobs-Lawson & Hershey (2005)	The study tried to establish a model based on future time perspective on financial literacy and risk tolerance affecting retirement savings.	This scholarly research paper used the random sampling technique to identify a sample of 270 respondents. It was also found that hierarchical regression models were used to analyze the data to build the model.	The findings of the study indicated that risk tolerance was a significant predictor of savings at a high level of future time perspective, irrespective of the level of financial literacy. However, risk tolerance was not a significant predictor of savings at low level of future time perspective and low levels of financial knowledge. It was noticed that there was a marginal effect of risk tolerance on savings at a low level of future time perspective and high level of financial knowledge.
6	Chakraborty & Kumar (2012)	The study exhibited the savings habits, and risk aversion differences across age, gender, and occupation.	The sample consisted of 200 respondents drawn through convenient sampling from the state of Orissa.	It was found that savings habit has been specially embodied into Indian women and the study also found that they (the women) were more disciplined as compared to men in savings. It was found that the popular belief that women are more risk averse was justified through this research. Moreover, it was also found that income and occupation were significant determinants of savings.
7	Chakraborty & Digal (2015)	The study assessed the household savings objectives and perceptions towards investments to provide social security.	The sample consisted of 567 respondents who were both retired as well as comprised of the working population.	The study found that savings objectives of the individuals directly influenced the households to save differently as per their respective demographic profiles.
8	Paramashivaiah, Puttaswamy, & Ramya (2014)	The study tried to map the risk perception of women in Mysore, Karnataka.	The sample consisted of 120 women from Mysore, who were administered modified Grable and Lytton Risk Perception Scale to understand their risk perception attitudes.	The results showed that nearly two-third of the sample showed an above average score on the risk tolerance scale. The regression model used clearly identified negative influence of age over the risk tolerance levels. It was found that education had a positive effect on risk appetite levels of women.

the willingness and ability to take negative or adverse consequences of an investment decision different from that of the expected consequences. Risk tolerance is of very great importance in personal financial decisions as the choice of the investment in the individual portfolio depends on the ability to analyze individual risk tolerance levels. Investments inconsistent with risk tolerance levels will not yield expected returns, and to attain a state of well-being in personal financial management will become a difficult task. Let us now discuss certain scholarly research in the area of risk tolerance affecting various financial behaviours and leading towards financial well-being.

The scholarly articles discussed in the Table 3 laid emphasis on the importance of risk tolerance along with financial literacy in financial decision making. There are a host of environmental, demographic, and bio-psychological factors which impact the level of risk tolerance. Certain psychological traits like future time perspective levels were also found to influence risk tolerance in financial decision making. Furthermore, there is a need to analyze whether the trait of risk tolerance has an impact on financial well-being, which has not been researched comprehensively. There is a need to explore the association between risk tolerance and financial well-being.

(4) Psychological Factors Affecting Financial Well - Being : Financial well - being refers to the ability to make financial choices both in the present and in the future, thereby impacting the satisfaction of an individual. An individual who is in the state of financial well-being is a person who will be less stressed about his/her present and future finances. This state also indicates that the individuals who exhibit positive financial behaviours like savings, high level of financial literacy, financial planning, credit management, and have a considerable level of risk tolerance towards their investment portfolios sustain and improve their returns on investments, thus creating financial well-being.

The scholarly articles depicted in Table 4 clearly identified certain psychological factors like personality traits, self - regulation, future time perspective affecting the financial behaviours and financial attitudes which are associated with financial well-being.While there has been literature pertaining to demographic factors influencing financial satisfaction or financial well-being, but still there is dearth in literature regarding the psychological aspects of human beings which affect their financial well-being. Financial well-being can be

Table 4. Review of Scholarly Work on Psychological Factors Affecting Financial Well-being

SL. No.	Authors and the Year of Publication	Model Established	Research Methodology	Findings
1	Howlett, Kees, & Kemp (2008)	Studied the relationship between self-regulation, future orientation, and financial knowledge on long term financial decisions.	The study used a sample of 80 respondents between the age group of 20-36 years. The study also used multivariate and uni-variate analysis of variances for analysis of data.	Self-regulation and futureorientation affected the risk attitude towards investments. Moreover, self-regulation and future orientation had an interactive effect on the investment decisions along with financial knowledge. The factors were found to create a more responsible behaviour, especially for long term decisions.
2	Drever, Odders - White, Kalish, Else - Quest, Hogland, &	Tried to establish the role of parental influence on positive financial behaviours	The research was of theoretical nature and no statistical analysis were undertaken.	The authors were of the view that teaching children (in early childhood) basic financial skills may be effective in reaching financial well-being. This can be done by parental

(contd. on next page)

	Nelms, (2015)	of youth for financial well-being.		socialization by which positive financial behaviours can be inculcated in childhood to reach financial well-being in adults. Therefore, socialization with parents was found to be a major psychological factor influencing financial well-being.
3	Hershey & Mowen (2000)	To study the effect of hierarchical personality traits, future time perspective, financial planning's knowledge on retirement affect, retirement relevance, and financial preparedness.	420 respondents employed on either a full or part time basis were part of the sample. The sample for the study was a self-selected sample which increased the response bias. Confirmatory and exploratory factor analysis were undertaken along with path analysis for analysis of the results.	The findings revealed that financial planning knowledge impacted financial preparedness and retirement relevance but future time perspective affected only financial preparedness. The findings of the study indicated that personality traits affected future time perspective and financial knowledge which, in turn, impacted financial preparedness, but its impact on retirement relevance was not proved.
4	Joo & Grable (2004)	To develop and test a framework for analysing and exploring various determinants of financial satisfaction.	The sample for the study were 220 white collar clerical workers from West Texas who were selected through systematic random sampling method. Path analysis and regression analysis were used for exploring the direct and indirect linkages between the variables of the study.	The findings of the study pointed out that positive financial behaviours were determinants of financial satisfaction. Other determinants like financial knowledge, solvency, risk tolerance, home ownership, and education are the major factors having a positive impact on financial satisfaction. While financial stressors, number of dependents had a negative influence on financial satisfaction, demographic factors showed an indirect relationship contrary to other studies.
5	Davey & George (2011)	Explored the impact of personality on financial attitudes and financial behaviours.	The study used a sample of 269 respondents selected through snowballing sample technique. No major statistical tools were used except for cross tabulations.	The study examined the relationship between personality structure and financial attitudes & behaviours. Conscientiousness, agreeableness, openness, internal loci of control highly impacted the financial attitudes; conscientiousness, agreeableness, locus of control, neuroticism affected financial behaviour. Neuroticism trait affected only behaviour but not financial attitudes. The relationship existing between personality and financial behaviour was stronger than the relationship between personality and financial attitudes.

objective or subjective in nature as discussed in the introduction, but this research concentrates on the subjective nature of financial well-being. There is a need to understand the psychological rumblings of individuals which may have an impact on the financial behaviours and financial attitude which would ultimately affect financial well-being. It can be noticed that psychological factors have a greater impact on financial well-being of an individual as they are strong influencing factors of behaviours, especially financial behaviours, which very well impact well-being. Moreover, psychological factors create an undercurrent for financial well-being.

Variables Explained with Respect to the Theoretical Framework

➯ **F-WB (Financial Well - Being) :** Financial well-being is a personal state of an individual having financial security and freedom of choice both in the present as well as in the future. Financial well-being is predominantly described by subjective measures of personal finance.

➯ **WA (Wealth Accumulation) :** Wealth accumulation is a process of accumulation of wealth through a successful plan for both long term as well as short term. It also involves developing a strategy taking into account the risk tolerance levels.

➯ **PF (Psychological Factors) :** Psychological factors refer to various cognitive characteristics like thoughts, feelings which in turn affect the attitude, functions, and behaviour of individuals and have a greater impact on the decision making of an individual.

➯ **RT (Risk Tolerance) :** Risk tolerance refers to the ability of an individual to tolerate risk, which means the ability to withstand the volatility in the investments of an individual.

➯ **FP (Financial Planning) :** Financial planning is a process of identifying financial goals of an individual and predicting the present and future cash inflows of individuals to identify their progression to goals.

➯ **FL (Financial Literacy) :** Financial literacy is a set of knowledge and skills sets that help an individual to take informed decisions with their personal financial management.

➯ **RB (Rational Behaviour) :** Rational behaviour in decision making process aims at making choices which will lead to an optimal level of utility to an individual. Most of the economic theories are created on this premise.

➯ **CP (Committed Planner) :** Committed planner refers to an individual who is very serious about financial planning and sets and reviews his/her financial goals periodically.

➯ **F&IK (Financial & Investment Knowledge) :** It refers to financial knowledge, abilities, skills, and aptitude to understand and undertake investment in financial assets.

➯ **ST&LT G (Short Term and Long Term Goals) :** Short term financial goals are goals to be achieved for less than 1 year. Long term goals are financial goals which are be achieved over a longer period of time of 5 years or more.

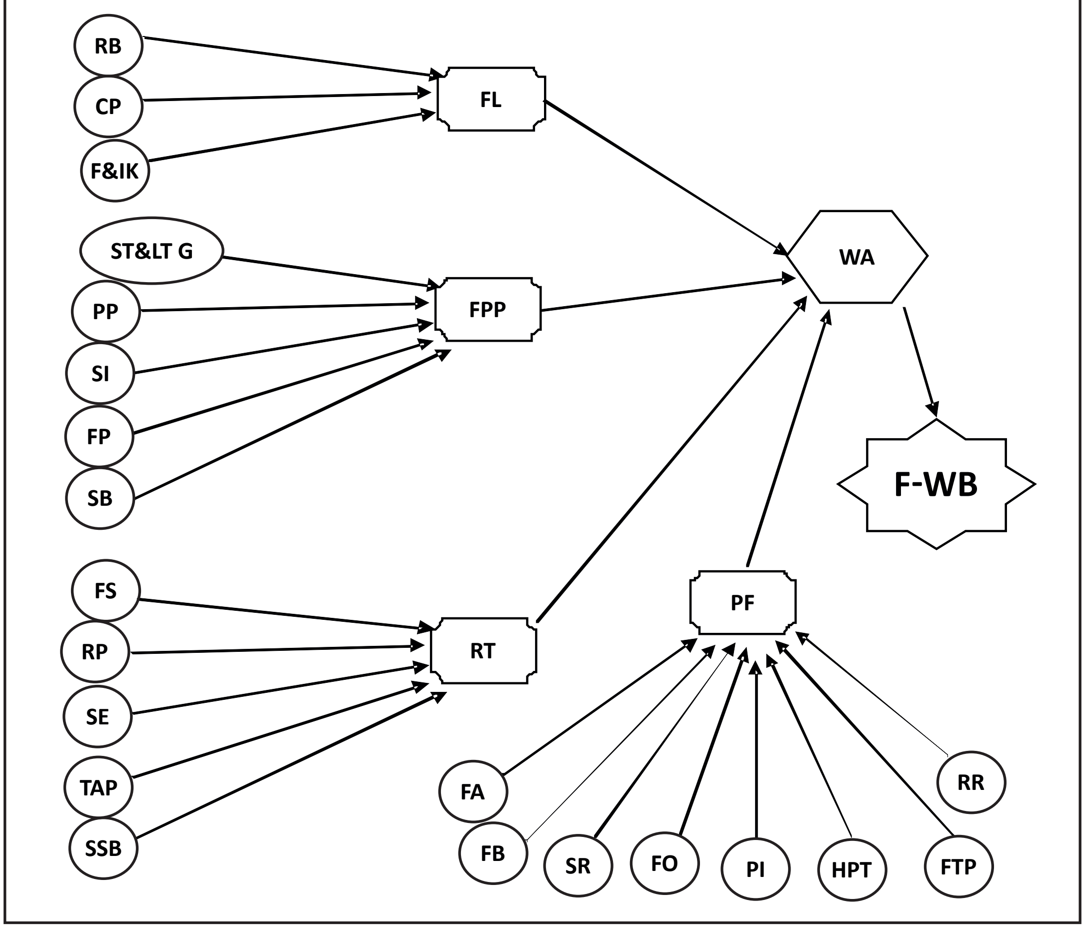
➯ **PP (Propensity to Plan) :** Propensity to plan refers to the tendency to undertake financial planning among the individuals.

➯ **SI (Stable Income) :** Stable income refers to absence of variability of income.

➯ **FP (Financial Preparedness) :** Financial preparedness means readiness in the financial situation of an individual in the present as well as in future situations.

➯ **SB (Savings Behavior) :** It is a general attitude and behavior exhibited towards intentions to save surplus of income over expenditure.

Figure 1. Mapping of Literature – Theoretical Framework for Financial Well - Being



Legend : **F - WB:** financial well-being**; WA:** wealth accumulation**; PF:** psychological factors**; RT:** risk tolerance**; FP:** financial planning**; FL:** financial literacy; **RB**: rational behaviour; **CP**: committed planner; **F&IK**: financial & investment knowledge; **ST&LT G:** short term and long term goals; **PP**: propensity to plan; **SI**: stable income; **FPP:** financial planning propensity ; **FP**: financial preparedness; **SB**: saving behaviour; **FS**: financial stress; **RP**: risk preference; **PF:** psychological factors **SE**: self esteem; **TAP**: Type-A personality; **SSB**: sensation seeking behaviour; **FA**: financial attitude; **FB**: financial behaviour; **SR**: self-regulation; **PI**: parental influence; **HPT**: hierarchical personality traits; **FTP**: future time perspective; **RR**: retirement relevance; **FO**: future orientation

➭ **FS (Financial Stress) :** Financial stress refers to the stress incurred due to inability to repay debt and also due to the inability to meet the regular payments of an individual. It is a situation of lack of financial well-being.

➭ **RP (Risk Preference) :** Risk preference refers to the level of risk that an individual is ready to accept as part of his/her investment portfolio.

➭ **SE (Self Esteem) :** Self esteem refers to the total of subjective emotional evaluation of one's self. It is a judgment of oneself as well as an attitude towards himself/herself as an individual.

➭ **TAP (Type - A Personality) :** This type of personality is characterized by sensitivity, ambitiousness, impatience, highly competitive, proactive, status consciousness, and high of time management skills. They push themselves towards goal orientation and achievement and are extremely good in time management.

↳ **SSB (Sensation Seeking Behavior) :** Sensation seeking is a personality trait in which a person seeks for experiences and feelings that are complex, intense, varied, and extraordinary in nature. The concept developed by Zuckerman clearly talks about the personality trait which measures the individual sensory stimulation preferences.

↳ **FA (Financial Attitude) :** Financial attitude refers to the general attitude of individuals towards financial management aspects.

↳ **SR (Self - Regulation) :** Self - regulation refers to the process of controlling one self, without the push from any external agency. This is very important from the point of view of consumer spending, how self regulated they are in controlling the expenses.

↳ **PI (Parental Influence)** : Parental influence refers to the process of influence wielded by the parents on the children's decision making process and behaviours.

↳ **HPT (Hierarchical Personality Traits) :** The big five personality traits are extraversion, neuroticism, agreeableness, conscientiousness, and openness. These basic personality traits are further subdivided into collections of hierarchical levels. Those levels are called hierarchical personality traits.

↳ **FTP (Future Time Perspective) :** Future time perspective refers to the ability of an individual to look into the future. In simple terms, there are three time perspectives : past, present, and future. If an individual's cognitive process is tuned for focusing on future, it would be referred to as future time perspective.

↳ **RR (Retirement Relevance) :** Retirement relevance refers to the importance that an individual would give for his/her retirement as part of his/her financial decision making.

↳ **FO (Future Orientation) :** Future orientation is the degree to which an individual would encourage and justifies future oriented behaviours like planning and postponing the gratification of the need.

↳ **FPP (Financial Planning Propensity) :** Financial planning propensity indicates the extent of financial planning undertaken by an individual to attain his/her personal financial goals.

Findings, Limitations of the Study, and Directions for Further Research

The findings of the review of literature have been presented below :

(1) There is a considerable association between financial literacy, financial planning, and risk tolerance related to financial well-being. But scholarly work has handled them in a separate way to identify their impact on financial well-being.

(2) The concept of financial literacy has been a vocal point of difference among the research scholars regarding the scale and the methodology used to measure financial literacy. There can be further research on developing the measurement tools for financial literacy.

(3) A critical analysis of the sampling method clearly indicates a tilt towards random sampling or convenient sampling which may not lead to accurate results.

(4) The scholarly work was undertaken by considering sample of respondents who were drawn from Generation X. Referring to the contemporary times, the Generation Y is entering the workforce in great numbers, and hence, there is a greater need to concentrate on the Generation Y to identify their financial behaviours and improvise them for the goal of financial well-being.

(5) The review of literature majorly gave importance to demographic, social factors that had an impact on various financial behaviours and attitudes. There is a further need to analyze the psychological aspects of financial behaviours and attitudes affecting them, thereby leading to financial well-being. This comprehensive model was found to be absent in the earlier research reviews.

(6) Psychological aspects like personality traits, goal clarity, and future time perspective were considered to analyze their impact on financial behaviours. Other psychological aspects could be identified for analyzing the impact on specific behaviours. Moreover, the psychological traits may vary from the point of view of different cultures and generations. Therefore, there is a need to extend research on psychological aspects affecting financial behaviours in these areas.

The present study is a theoretical study consisting of review of literature only. There is a need to create a model of financial well-being using financial behaviours and psychological factors to understand the effect of financial behaviours and psychological factors on financial well-being. This research paper is only a directional study and there is a need to undertake further in depth research in the field of financial well-being. This review of literature gives the base to undertake further quantitative research in the field of financial well-being so as to understand the extent of which financial behaviours and psychological factors affect financial well-being of an individual.

Research Implications

This research is of great importance in today's world as there is greater importance given to individual personal financial management as federal governments are shying away from welfare activities to their citizens due to expressive burdens on their exchequers. There is a further need to help individuals reach a level of financial literacy, to be able to attain their financial goals, plan for further financial requirements of life within the risk tolerance levels they come under through adequate and appropriate investments to reach the ultimate state of financial well-being. This study is a torch bearer for other studies to explore the conditions and factors contributing to individual financial well-being. Also, there a number of psychological factors that may affect an individual's financial decision making, but there is a further need to identify specific psychological traits and explore their possible affects on financial decisions and financial well-being.

This research would be of great use to the financial industry, researchers, and governments to understand the financial behaviours affecting financial well-being and would also be of great use in policy framing, especially in the area of financial literacy programmes, increasing the propensity to plan by advocating positive financial behaviours. This research would help the financial industry to understand the linkages of risk tolerance to financial well-being and advising right type of investments to the clients to reach financial well-being.

References

Americks, J., Caplin, A., & Leahy, J. (2003). Wealth accumulation and the propensity to plan. *The Quarterly Journal of Economics, 118* (3), 1007-1046.

Arrondel, L., Debbich, M., & Savignac, F. (2013). Financial literacy and financial planning in France. *Numeracy, 6* (2), Article 8, 1-17.

Bird, C. L., Şener, A., & Coşkuner, S. (2014). Visualizing financial success : Planning is key. *International Journal of Consumer Studies, 38* (6), 684 - 691.

Chakraborty, S., & Digal, S. K. (2015). Empirical evidence of household savings objectives : A demographic comparison. *Indian Journal of Finance, 9* (10), 36 - 47. doi:10.17010/ijf/2015/v9i10/79560

Chakraborty, S., & Kumar, D.S. (2012). A study of saving and investment behaviour of individual households – Empirical evidence from Orissa. *TIJ's Research Journal of Economics & Business Studies, 2*(1), 29-32.

Davey, J., & George, C. (2011). Personality and finance: Effects of personality on financial attitudes and behaviour. *International Journal of Interdisciplinary Social Sciences, 5* (9), 275 - 294.

Drever, A.I., Odders - White, E., Kalish, C.W., Else - Quest, N.M., Hogland, E. M., & Nelms, E.N. (2015). Foundations of financial well-being : Insights into the role of executive function, financial socialization, and experience-based learning in childhood and youth. *Journal of Consumer Affairs, 49*(1), 13 - 38.

Grable, J.E., & Joo, S.-H. (2004). Environmental and biopsychosocial factors with financial risk tolerance. *Journal of Financial Counselling and Planning Education, 15* (1), 73 - 82.

Hershey, D.A., & Mowen, J.C. (2000). Psychological determinants of financial preparedness for retirement. *The Gerontologist, 40* (6), 687 - 697.

Hershey, D.A., Jacob - Lawson, J. M., McArdle, J. J., & Hamagami, F. (2007). Psychological foundations of financial planning for retirement. *Journal of Adult Development, 14* (2), 26 - 36.

Howlett, E., Kees, J., & Kemp, E. (2008). The role of self - regulation, future orientation, and financial decisions. *Journal of Consumer Affairs, 42* (2), 223 - 242.

Irving, K. (2012). The financial life well-lived: Psychological benefits of financial planning. *Australasian Accounting, Business and Finance Journal, 6* (4), 47 - 59.

Jacobs - Lawson, J.M., & Hershey, D.A. (2005). Influence of future time perspective, financial knowledge, and financial risk tolerance on retirement savings behaviours. *Financial Services Review, 14* (4), 331- 344.

Joo, S. - H., & Grable, J. E. (2004). An exploratory framework of the determinants of financial satisfaction. *Journal of Family and Economic Issues, 25* (1), 25 - 50.

Kannadhasan, M., Aramvalarthan, S., Mitra, S. K., & Goyal, V. (2016). Relationship between biopsychosocial factors affecting financial risk tolerance: An empirical study. *Vikalpa : The Journal for Decision Makers, 41* (2), 117-131. doi: 10.1177/0256090916642685

Kock, T. H., Yoong, F. J., & Fatt, C. K. (2012). Age cohort effect on financial planning preparation. *Journal of Management and Sustainability, 2* (2), 18 - 31.

Lusardi, A., & Mitchell, O. (2008). Planning and financial literacy: How do women fare. *American Economic Review, 98* (2), 413 - 417.

Mittal, M., & Vyas R. (2011). A study of psychological reasons for gender differences in preferences for risk and investment decision making. *The IUP Journal of Behavioural Finance, 8* (3), 45 - 60.

O'Neil, B., Xiao, J. J., & Ensle, K. (2016). Propensity to plan: A key to health and wealth ? *Journal of Financial Planning, 29*(3), 42 - 50.

Paramashivaiah, P., Puttaswamy, & Ramya, S. K. (2014) Changing risk perception of women investors: An empirical study. *Indian Journal of Finance, 8* (6), 22 -33.DOI: 10.17010/ijf/2014/v8i6/71909

Principal Retirement Advisors. (2015). *The principal financial well being index 2015 : Indian households*. Retrieved from https://www.principalretirementindia.com/pdf/principalfinancialwellbeingindex2015.pdf

Pruthi, R. (2016, August 24). *New world wealth report 2016 released : India stood at 7th position among 10 wealthiest countries.* Retrieved from http://www.jagranjosh.com/current-affairs/new-world-wealth-report-2016-released-india-stood-at-7th-position-among-10-wealthiest-countries-1472033668-1

Robb, C.A., & Woodyard, A. S. (2011). Financial knowledge and best practice behavior. *Journal of Financial Counselling and Planning, 22* (2), 60 -70.

Stawski, R.S., Hershey, D.A., & Jacobs-Lawson, J. M. (2007). Goal clarity and financial planning activities as determinants of retirement savings contributions. *The International Journal of Aging and Human Development, 64* (1), 13 - 32. doi :10.2190/13GK-5H72-H324-16P2

Schmeiser, M.D., & Seligman, J.S. (2013). Using the right yardstick: Assessing financial literacy measures by way of financial well-being. *The Journal of Consumer Affairs, 47* (2), 243 - 262.

Shusha, A. (2016). The mediating role of rational buying in the relationship between financial literacy and financial well-being. *Research Journal of Finance and Accounting, 7* (4),132 - 142.

About the Authors

Shobha T. S. has a teaching experience of more than 12 years. She is presently teaching in the Department of Business Studies of Mount Carmel College, Bangalore and is pursuing her Doctoral Research from Ramaiah University, Bengaluru. Her research interests are in areas like Financial Literacy and Financial Well-Being of Individuals.

Suman Chakraborty received his M.Com and Master of Financial Analysis and Control from Jodhpur University. He did his Ph.D. in Finance from Department of Business and Financial Studies, Utkal University. Dr. Chakraborty is currently working with Manipal University as an Associate Professor. He has more than 15 years of academic and research experience. He has published research papers in refereed indexed journals and has also presented papers in national and international conferences. His main areas of research interest are Financial Markets, Business Valuation, Stock and Portfolio Analysis.