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Effects of financial stress on the financial well-being: A study on the individual investors in Indore region

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ABSTRACT
This research aims to build a paper that will help readers comprehend the financial health of individual investors. By quantifying a key indicator of economic security, this study lends credence to the planned investigation. According to prior research on this topic, a person's financial stress levels might be elevated when they experience elevated levels of ambiguity over their financial condition. The present research paper format is based on hypothetical rationales based on financial stress and anxiety. This study was conducted on 240 individual investors in the Indore district of Madhya Pradesh state. This study analyzes how different levels of annual income of individual investors could change their attitudes towards investment proportion. An exploratory research method was used, primary data was obtained through a self-designed structured questionnaire, and a non-probability sampling method was adopted for data collection. A frequency table and the ANOVA technique were used to evaluate and interpret the data. Financial stress and its impact on the individual investor's financial situation are the key factors for determining the results. The findings indicate that financial stress showed an insignificant relationship with financial well-being. Better financial management could be a key component to achieving greater financial security. This is becoming more pressing for policymakers, financial practitioners, and educators as our population ages. This study contributes to existing knowledge on financial security and has significant practical implications.

Contribution/Originality: Future investments are needed to build individuals' and families' confidence. Understanding and managing finances may play an important role in increased financial well-being. Knowing that financial stress showed a negative association with financial well-being is important for policymakers. Policy-makers should consider providing customized services and resources for households and families to help them alleviate financial stress. As researchers continue to study this topic, it would be helpful to have a standardized assessment for measuring financial well-being.

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1. CONCEPTUAL FRAMEWORK

1.1.Introduction

Many scholars have made significant progress in clarifying the nature, measurement, and relationship between financial stress and an individual's financial well-being. The COVID-19 pandemic has significantly boosted research in this field. Under these conditions, it is crucial to learn how to measure people's financial well-being so that policymakers, financial service providers, and educators can better appreciate the relevance of this objective for individuals and families. Gaining a better understanding of financial well-being and working towards enhancing it is a crucial endeavor for families and individuals. Making prudent actions that enhance financial well-being during uncertain times is especially crucial.

Knowing the value of having an emergency fund may help with both the here and now and the future of one's financial situation (Henager & Cude, 2016). When it comes to their money, consumers are more ready to take risks, claim (Braunstein & Welch, 2002). Measuring stress and financial behavior is necessary to measure the financial stability of households worldwide.

There is some evidence from studies such as Brüggen, Hogreve, Holmlund, Kabadayi, and Löfgren (2017) and Netemeyer, Warmath, Fernandes, and Lynch Jr (2018) that individuals' subjective assessments of their current and future financial lives, as well as their objective financial situation and subjective characteristic factors, influence their financial well-being, which is financial behaviour and financial stress.

1.1.1 Financial Stress

According to Baker and Montalto (2019) and Lim, Heckman, Montalto, and Letkiewicz (2014) individuals experience financial stress when they worry about their financial future. According to Malone, Stewart, Wilson, and Korsching (2010) stress and anxiety are negatively associated with financial well-being. This correlation is even stronger when one is facing stressful events like economic crises, job loss, or dealing with family concerns, such as being a single parent. Research has shown that single mothers and women living alone are more likely to experience financial instability and anxiety about money as a result of changing family patterns (Malone et al., 2010). Many more families' financial stability might be jeopardized if this trend of single-headed households persists.

1.1.2 Financial Well-Being

Any human behaviour that has significance in money management is referred to as financial behaviour (Gutter & Copur, 2011). Financial behaviours include the following activities like investing, saving, spending, retirement planning, and using credit. These behaviours can have negative consequences, such as accumulating excessive debt, not paying monthly credit card installments in full, or falling behind on payments. However, there are also benefits, such as living within your income, saving money for emergencies, and investing in retirement projects. When evaluating an individual's overall well-being, it is equally important to consider the purported connection to financial conduct. Shim, Xiao, Barber, and Lyons (2009) found a relationship between an individual's spending and saving patterns and their level of financial well-being.

Given the many complexities in the financial system, it is essential to understand one's financial situation. This study aims to lay the foundation for a subsequent investigation that will clarify people's financial circumstances. Building on previous research, this proposal addresses the factors that lead to financial stress and well-being. This study has helped us understand the relationship between income and its effects on investment and saving. Theoretically, income is a type of financial stress that affects people's investing and saving behaviors, which ultimately shapes their financial health. This study contributes something fresh to the body of knowledge already available on financial well-being.

Another noteworthy contribution is that this analysis contributes to the expanding literature that makes a distinction between short-term and long-term financial behaviour. The findings of this study will ultimately help individuals and families and have consequences for financial service providers, educators, and legislators. Even though the sample is from the Indore region, the findings apply to families everywhere.

1.2. Rationale

Several studies on financial well-being do not necessarily address the relationship between financial stress and the financial well-being of an individual. Furthermore, there have been few empirical studies attempting to establish a research proposal and test it with investor data. Previous studies have examined financial well-being using college students and young adults' data by current stress and future expected security without including investors' data by current financial stress and future expected investment plan. No study has been found in the Indore region, Madhya Pradesh, that examined the effect of the annual income of an individual investor on their investment proportion. This is found that research gap indicates a need to understand and examine financial well-being using a more integrated approach to better understand this subject.

1.3. Objective of the Study

To find out the investment proportion of an individual investor relating to the income dimension.

2. LITERATURE REVIEW

The degree of stress a person is now feeling from money management and their expectations for future financial stability both have an impact on their financial well-being (Netemeyer et al., 2018). There is little research on the relationship between financial well-being and its determinants. For example, Xiao and O'Neill (2018) did not investigate the relationship between financial well-being and financial stress, financial behaviour, or financial literacy, but they found a positive relationship between financial planning and financial well-being when they adjusted for financial capabilities.

According to the Consumer Financial Protection Bureau (CFPB) (2017) the amount of liquid cash an individual has is a measure of financial well-being. This research has shown a positive relationship between savings and financial well-being. Researchers have demonstrated a relationship between an individual's financial well-being and their level of financial confidence (Gutter & Copur, 2011; Shim et al., 2009). In addition, individuals and families' perceptions of their financial well-being are influenced by demographic considerations. According to the Consumer Financial Protection Bureau (CFPB) (2017) and Malone et al. (2010) marital status, age, education level, family structure, and financial well-being are all interrelated factors.

2.1 Financial Stress

Henager and Mauldin (2015) found a negative relationship between anxiety and saving, which affects an individual's financial stability. Income and savings have a positive relationship with financial well-being (Collins & Urban, 2021). According to a study by Grable, Heo, and Rabbani (2015) people who are stressed and anxious about their finances may be less inclined to seek expert advice and participate in proactive financial planning.

Research has shown an inverse relationship between financial well-being and financial anxiety and stress (Malone et al., 2010). In addition, previous research has shown an inverse relationship between self-reported well-being and financial stress (Åslund, Björklund, & Fredriksson, 2014). Using a scale to measure self-reported levels of wealth or poverty, Siaposh, Kianfar, and Moghaddam (2007) found that reduced financial stress was positively associated with physical well-being. Furthermore, Britt, Mendiola, Schink, Tibbetts, and Jones (2016) discovered that financial strains had a detrimental effect on college students' subjective well-being.

2.2 Financial Well-Being

Positive financial behavior includes actively saving money, creating and following a budget, paying bills and obligations on time, and setting financial goals (Dew & Xiao, 2011; Kim, Anderson, and Seay, 2019; Wagner & Walstad, 2019). Fan (2021); Wagner and Walstad (2019) and Henager and Cude (2016) provide examples of financial behaviour that can be categorized as long-term or short-term. While investing, having a retirement plan, and saving for retirement are examples of long-term behaviours, short-term behaviours include having an emergency fund, saving for retirement, and spending less than one's income. Indeed, studies have shown the importance of short-term actions, especially the value of saving for an emergency fund to protect oneself from unexpected financial setbacks (Babiarz & Robb, 2014; West & Friedline, 2016).

Financial behaviours, including savings rates and investments in hazardous assets, may be influenced by one's sense of self-worth, according to research by Tang and Baker (2016). Both immediate and distant monetary actions might be influenced by financial worries and one's estimation of one's financial capacity (Fan, 2021). Financial conduct and financial well-being have been linked in several studies. Gutter and Copur (2011) and Shim et al., (2009) found a favourable correlation between young people's sound financial conduct and their financial well-being. New research shows that people are more financially well-off when they have savings, and less well-off when they have certain kinds of debt (National Financial Capability Study, 2017). Not having any savings and/or having debt in collections were connected with worse financial well-being (Collins & Urban, 2021). A recent study that looked at how one's financial actions affect their financial well-being discovered that Financial behavior may mediate correlations between financial well-being and other variables, according to Iramani and Lutfi (2021).

3. RESEARCH METHOD

This study used the 2023-year individual investors' data from different zones of the Indore region, Madhya Pradesh, to find the financial behaviour and financial situations of the individual investors. Survey participants were randomly selected using a non-probability convenient sampling method through participating online as well as offline. The structured questionnaire was distributed on a zone-wise basis to collect 240 respondents from the District of Indore, Madhya Pradesh. The sample of the study is limited to individual investors only. This study of 240 respondents sheds sufficient light on the financial well-being of individual investors for promoting investment. The Frequency table and ANOVA technique are used for data analysis. Statistical tools such as ANOVA technique at 5% degrees of freedom to test the stated hypotheses.

3.1 Hypotheses

There is no significant difference in the investment ratio of individual investors to income.

4. RESULTS

4.1. Analysis

4. 1.1. Frequency table

Table 1 displays the demographic information of the participants.

Table 1. Demographic profile.

Variables	Category	Frequency	Percentage (%)
Gender	Male	120	50
	Female	120	50
	Total	240	100
Age	21-30	73	30.42
	31-40	101	42.08
	41-50	50	20.83
	Above 50	16	6.67
	Total	240	100
Status	Married	160	66.67
	Single	73	30.41
	Divorced	3	1.25
	Widower/Widow	4	1.67
	Total	240	100
Educational qualification	Graduate	13	5.42
	Post graduate	190	79.17
	Doctorate	37	15.41
	Total	240	100
Occupation	Public sector service	67	27.92
	Private sector service	156	65
	Business	17	7.08
	Total	240	100
Income	Below 3,00,000	49	20.42
	3,00,001-5,00,000	64	26.67
	5,00,001-7,00,000	55	22.91
	Above 7,00,000	72	30
	Total	240	100
Savings proportion	Less than 25%	166	69.17
	26-50%	60	25
	51-75%	12	5
	Above 75%	2	0.83
	Total	240	100
Investing experience	1-5 years	104	43.33
	6-10years	68	28.33
	11-15 years	42	17.5
	Above 15 years	26	10.84
	Total	240	100

4.1.2 One-Way ANOVA Technique

The data pertaining to the investment proportion of investors related to income relating to savings proportion were presented in Table 2.

Table 2. One-way Anova test.

Source of variation	Sum of squares (SS)	Degree of freedom (d.f.)	Mean square (MS)	F-ratio	Critical value F (At 5% from the F-table)
Between sample	60	3	20	0.054	F (3,12) =3.49
Within sample	4400	12	367	--	
Total	4460	15	--	---	

4.2. Interpretations

4.2.1. Frequency Analysis

From the data in Table 1, we can deduce that men make up 55.0% of the respondents and females 50.0%. People in the 31–40 age bracket make up the bulk of the respondents (42.08%). 6.667% of those who took the survey are 50 and over. One-half of those who took the survey are married. Research also reveals that 79.07% of those who took the survey had advanced degrees. The percentage of private sector workers among the total respondents was 65.0%, while the percentage of public sector workers was 27.92%. About annual income, 20.42% of the respondents are in the annual income below 3,00,000, followed by 26.67% of the group of 3,00,001-5,00,000, 22.91% of the group of 5,00,001-7,00,00, and 30.00% of the group of above 7,00,000. The majority (69.17%) of the respondents' savings proportion of income is less than 25%. The largest group of the respondents (43.33%) has investing experience of 1-5 years.

4.2.2. One-Way Anova technique

According to Table 2 analysis, the computed value of F is 0.054, which is lower than the table value of 3.49 at the 5% level, with d.f. being v1=3 and v2 =12. This means that this result could have happened by chance. The study results support the idea that there was no difference between the three groups. In the current study, the savings and investment ratios for each group were the same across all income levels of the participants.

5. DISCUSSION

In addition to examining individual and family demographics, the current study aims to provide a theoretical and practical framework for researching how financial stress affects individual investors' financial health. This is significant since the primary goal of financial education and practices is to ensure financial well-being (Wilmarth, 2021). Here are some ways in which this research contributes to the available information. This study provides rationale and evidence for distinguishing between financial stress and financial well-being, with the former being an indicator of the latter. Research on financial well-being is essential. In particular, the results of the ANOVA test show that investors with varying salaries do not differ considerably in their investment percentage. The results were in line with the null hypothesis, which means that the variation in investment percentage as a function of income level is statistically insignificant and purely coincidental.

6. CONCLUSION, IMPLICATIONS AND FUTURE RESEARCH DIRECTION

By analyzing financial stress, this study highlights the concept of financial well-being from a practical perspective. The study shows that individual investors invest their money with the hope of achieving future returns. The primary tenet of investing in this research is that everyone should put their spare cash or savings into good investment programs that will provide reasonable returns while keeping their money secure. This study has significant policy and practical ramifications and contributes to the body of knowledge already available on family financial health. The relationship between financial stress and financial well-being was not found to be statistically significant. In particular, if policymakers can identify strategies to improve personal financial services and counseling programs, which in turn support financial well-being among families and people, they will have a better understanding of the connection between financial stress and financial well-being.

No statistically significant relationship was found between financial stress and financial well-being. A key component of improved financial well-being may be a rise in self-assurance over one's ability to comprehend and handle money matters. This is becoming more pressing for policymakers, financial practitioners, and educators as our population ages. While many larger companies do provide their workers access to financial advice and education, many smaller firms simply cannot afford to do so. It may also be difficult to extrapolate these findings to the whole Indore community or families elsewhere in the globe since this sample only comprised respondents from the Indore area who gave correct answers to the study's critical factors. When other states' social, political, and economic circumstances are taken into account, comparable assessments may provide different outcomes.

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