Sustainable Financial Behavior and Its Determinants from an Individual's Perspective: A Literature Synthesis

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Abstract The study conceptualises the term sustainable financial behaviour and also examines the determining factors. The paper analyses relevant literature and draws out the key factors that affect sustainable financial behaviour from the perspective of individuals. The study is underpinned by the theory of planned behaviour. The findings of the study propose that predominantly the psychological factors, which comprise financial knowledge, financial confidence, self-esteem, financial attitude, subjective norms, perceived behavioural control, and social aspects such as peer influence and social norms, affect the sustainable financial behaviour of individuals. Understanding the precursors of sustainable financial behaviour is important for individuals in formulating interventions to bridge the gap between sound financial intentions and financial behaviour.

Keywords - Responsible Financial Behaviour, Sustainable Financial Behaviour, Theory of Planned Behaviour

I. INTRODUCTION

The concept of sustainability has gained notable importance in the contemporary scenario of socio-economic and environmental challenges. Sustainability in financial matters is also a matter of concern for industries, organisations, governments, and individuals. Well-organised and effective financial decisions, hence sustainable financial behaviour, are essential for the prosperity of individuals in both personal and professional realms and also for the advancement of society. The concept of sustainable behaviour is an evolving domain. It very much resembles responsible financial behaviour [17,13], which is linked to an individual's capacity to make financial decisions that solely serve their greatest good for entire well-being, encompassing cash and consumption management, savings, and usage of credit [5].Sustainable financial behaviour is like responsible financial behaviour, taking into account the integration of environmental, social, and governance factors. The term financial sustainability deal with long term financial security [7] underline with the basic idea of sustainable development "as the development that meets the needs of the present generation without compromising the needs of the future generations" [21]. Likewise the sustainable financial behaviour is the practices that attain present financial success without threatening future financial success. Attaining sustainable financial behaviour is fundamental and important for an individual. However, this remains a major challenge as the financial conditions are dynamic. Therefore the present study envisages the notion of sustainable financial behaviour and the determining factors from the perspective of an individual in light of the theory of planned behaviour.

II. METHODOLOGY FOR LITERATURE IDENTIFICATION

The article for the study was retrieved from Scopus data base a as it is the prominent database for abstract and citation which includes noteworthy articles from eminent journals as well as research scholars [20].There is a total of 58 articles were identified by using the keywords:"sustainable financial behaviour", "green financial behaviour" ,"responsible financial behaviour", "individual financial sustainability" and "personal financial sustainability" using the TITLE-ABS-KEY advanced article searching syntax. From the retrieved articles only 18 articles were used for the identification of determinants which affect the individual sustainable financial behaviour.

III. CONCEPTUAL FRAMEWORK

A. Sustainable Financial Behaviour

Sustainable financial behaviour is referred "as the actions and practices that foster enduring stability and long-term financial well-being" [18]. Sustainable financial behaviour is operationalised based on the responsible financial behaviour index, which is composed of "financial time

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horizon, money management, financial risk management, financial awareness, and ownership of baseline financial products" [17]. The conceptualisation of sustainable financial behaviour by Hira [10] includes the efficient use of financial resources, reducing dependence on debt, anticipating emergencies, and a plan of action for long-term financial goals. She opined that sustainable financial behaviour is grounded in administering the resources of individuals and households in a way that guarantees adequate cash to fulfil personal financial responsibilities and resources throughout the life period despite fluctuations in financial circumstances.

IV. Theoretical Lens of the Study

The theory of planned behaviour is the psychological theory by Ajzen [1] which states that an individual's behaviour intentions are influenced by subjective norms, attitude, and perceived behavioural control. Attitude means one's favourable or unfavourable reaction to a specific behaviour. Subjective norms indicate the approval or disapproval from an individual's close circle, like family, friends, parents, etc. Perceived behavioural control is the belief in the potential to execute behaviour. This theory is efficient in understanding and predicting individual financial behaviour [14]. The study by Nakagawa[14] underscored the interdependent role of psychological or behavioural characteristics, deliberation and retrospective treatment in formation if sustainable financial attitude among individuals. The present study proposes that personal and non cognitive factors have significantly influence sustainable financial behaviour through sustainable financial attitude. Previous research by She et al. [19] employed the theory of planned behaviour in determining the factors affecting the financial behaviour of working adults in Malaysia.

Therefore the hypotheses of the study proposed as follows:

H1: Subjective norms significantly influence the sustainable financial behaviour of an individual.

H2: Personal, environmental and non cognitive factors significantly influence the sustainable financial attitude of an individual

H3: Sustainable financial attitude significantly influences the sustainable financial behaviour of an individual.

H4: Perceived behaviour control significantly influences the sustainable financial attitude of an individual

V. Determinants of Sustainable Financial Behaviour of Individuals

A. Personal Factors on sustainable Financial behaviour

The personal factors such as race, gender and age influence the sustainable financial behavior [18]. The study considered subjective and objective financial knowledge, financial self efficacy and financial risk tolerance as the precursors of individual financial behaviour. Subjective knowledge is the confidence in the ability of an individual to perform behaviour in a financial setting, and objective financial knowledge is the competence of an individual to engage in financial behaviour [12]. The conviction in one's capability to attain ultimate financial objectives is termed as financial self efficacy [6].Financial risk tolerance is the propensity to participate in financial activities which having uncertainty in the outcomes and having an anticipation of negative outcome which indicate how much uncertainty an individual is willing to tolerate [8]. Financial knowledge and self-confidence have a substantial impact on the sustainable financial behaviour [2].They specifically pointed out that the persons distinguished with high objective and subjective financial knowledge and overconfidence tends to perform substantial financial behaviour. Hira [10, 11] argued in her study that mere financial education is not sufficient for cultivating sustainable financial behaviour among individuals. Rather, she suggested that the fundamental values should be integrated with financial education that can yield sustainable financial behaviour among individuals. Her study also insisted that financial education should be more value-based, ethical and a reflection of personal financial situations than mere instructions of mathematical calculations. Therefore it can be hypothesise that,

H5: Personal factors significantly influence an individual sustainable financial behaviour

B. Environmental influences on sustainable financial behaviour

Environmental influences are the external factors that are capable of affecting the sustainable financial behaviour of a person [18]. The environmental factors here indicate the physical and social surrounding of an individual. These factors comprises of dependent children, income level, marital status, educational attainment, and geographic regions. The study conceptualized these variable based on Bandura's triadic model [3] of causation. Therefore it can be hypothesise that,

H6: Environmental influence has a significant influence on an individual's sustainable financial behaviour.

C. Non-cognitive factors on sustainable financial behaviour

The non-cognitive factors are referred as the soft abilities, personality traits and character skills of an individual [16]. Hashmi et al. [9] emphasized in their study that the non-cognitive factors such as self-control and deliberate thinking have a dominant positive association with the sustainable financial behaviour of individuals. Self control means the capacity of an individual to modify an initial response to a stimulus or to express an appropriate

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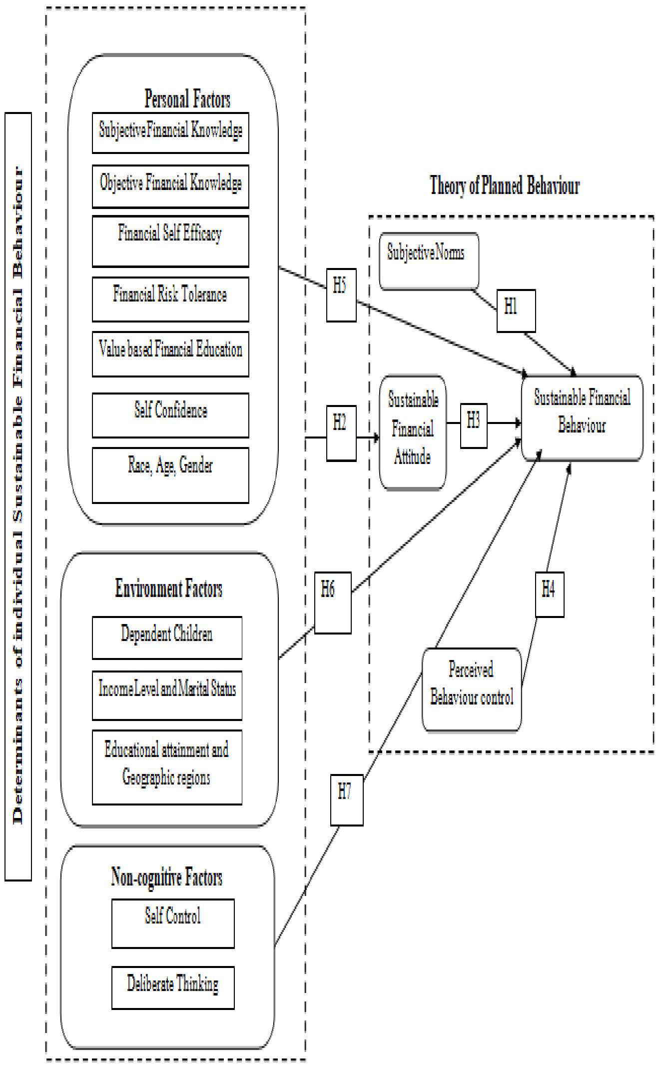
response. It facilitates people to refrain from sudden responses and maintain an adaptive behaviour which underlines self control [4]. Deliberate thinking is the steady, supervised and effortful way of thinking, which enables the healthy and stable financial behaviour of the individual [9]. Therefore it can be hypothesised as,

H7: Non-cognitive factors have a significant influence on an individual's sustainable financial behaviour.

VI. PROPOSED CONCEPTUAL MODEL



VII. THEORETICAL IMPLICATIONS

The study has substantial theoretical contributions. It first builds on the theory of planned behaviour by proposing that attitude, subjective norms, and perceived behaviour control have a significant positive influence on an individual's sustainable financial behaviour. The study also underscores the influence of personal factors such as subjective and objective financial knowledge, financial self-efficacy, financial risk tolerance, self-confidence, race, age, gender and value-based financial education as the strong determinants of the sustainable financial behaviour of individuals. Moreover, it is emphasised that environmental influence factors such as dependent children, income level, marital status, educational attainment, and geographical regions as the precursors of sustainable financial behaviour, which aligns with Bandura's [3] triadic model of causation. Further, the framework is complete with the imperative role of non-cognitive factors such as self-control and deliberate thinking as the core influencing factors of the sustainable financial behaviour of individuals.

VIII. PRACTICAL IMPLICATIONS

Individuals can take these proposed attributes into account to attain sustainable financial behaviour, which ultimately results in their long-term financial well-being. The sustainable financial behaviour of individuals is the fundamental element of social upliftment and general well-being. Therefore, the policy makers and government can enhance the sustainable financial behaviour of individuals by providing value-based financial literacy programs and financial counselling.

IX. CONCLUSION

In conclusion, the research provides an outline of the factors influencing the sustainable financial behaviour of an individual. The relevance of value- and ethics-based financial education, cognitive and non-cognitive factors, and demographic factors in determining sustainable financial behaviour is unveiled. More precisely, the present study propounds three main propositions. First one is the concept of individual sustainable financial behaviour which is the set of practices which results the long term achievement of financial stability to an individual. Second one is the imperious role of soft skills or interpersonal skills of an individual in developing sustainable financial behaviour. And the third one is the ethical and fundamental value grounded financial education in inculcating individual sustainable financial behaviour.

X. LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

The present study only provided a conceptual framework of determinants of sustainable financial behaviour from the individual's perspective. Future studies can empirically utilise the proposed conceptual framework in determining sustainable financial behaviour. The study considered only a few pieces of literature for constructing the conceptual framework as the scope of the concept of sustainable financial behaviour is in its nascent stage. Future studies could be conducted at the organisational and societal levels to identify the determining factors and how they perceive sustainable financial behaviour.

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