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Review Article

Financial Stress: Is it Self-driven or Fate-driven?

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ABSTRACT

Financial stress is a complex and pervasive issue affecting individuals across various socio-economic backgrounds. This paper explores the dual perspectives of financial stress: self-driven, where individual behaviors and decisions play a significant role, and fate-driven, which highlights the influence of external, uncontrollable systemic factors such as economic instability, income inequality, and social discrimination. This article reviews existing literature on financial literacy, personal financial management, and macroeconomic forces to provide a comprehensive understanding of how these elements contribute to financial stress. It also examines the psychological concept of locus of control, which influences how individuals perceive and cope with financial stress. By integrating both personal and systemic viewpoints, this article offers a holistic approach to addressing financial stress and proposes policy recommendations that consider both individual responsibility and broader economic challenges.

KEYWORDS

• Financial stress • Personal financial management • Systemic factors • Financial literacy • Locus of control • Economic inequality • Behavioral economics • Macroeconomic forces • Income inequality • Coping mechanisms

INTRODUCTION

Financial stress has become an integral aspect of modern life, influencing individuals across all socio-economic strata. From everyday budgeting anxieties to large-scale financial crises, the experience of financial pressure has been a focal point for researchers and policymakers alike. Financial stress is often framed as a multidimensional phenomenon driven by various internal and external factors. However, the debate on whether financial stress is primarily self-driven or fate-driven remains contentious. Is financial hardship a consequence of individual choices and

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behaviors, or does it stem from structural and uncontrollable external forces? In this article, I explore both perspectives, examining the complex interplay between personal agency and larger systemic factors.

Financial stress refers to the mental and emotional strain experienced as a result of financial challenges, and it is frequently linked to negative psychological outcomes such as anxiety, depression, and even physical health issues like cardiovascular diseases (Sweet *et al.*, 2013). It is also widely regarded as a significant predictor of overall life satisfaction and well-being (Netemeyer, Warmath, Fernandes, & Lynch, 2018). Financial stress affects the ability to meet basic needs, accumulate wealth, and achieve financial security, often leading to feelings of inadequacy and a diminished sense of control over one's life.

The causes of financial stress are manifold. On the one hand, it can be attributed to poor financial planning, bad investment decisions, or a lack of budgeting skills. On the other hand, many argue that macroeconomic factors like unemployment, inflation, and wage stagnation largely outside an individual's control play an equally important role (Lusardi & Mitchell, 2014). This dichotomy raises a fundamental question: Are individuals primarily responsible for managing their financial well-being, or are they subject to forces beyond their control?

The self-driven perspective of financial stress underscores the role of personal responsibility, decision-making, and behavior in influencing financial outcomes. Proponents of this view argue that individuals possess a significant degree of control over their financial destiny, contingent upon their ability to make informed choices about spending, saving, and investing. Behavioral economists have long argued that cognitive biases, poor self-control, and a lack of financial literacy contribute to poor financial outcomes (Thaler & Sunstein, 2009). According to this viewpoint, financial stress is largely a product of avoidable errors and mismanagement on the part of the individual. Research shows that individuals who lack basic financial literacy are more likely to experience higher levels of financial stress (Lusardi & Tufano, 2015). Financial literacy, defined as the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing, is crucial in mitigating financial stress. Financially literate individuals are better equipped to anticipate and manage financial risks, enabling them to build stronger financial resilience over time (Fernandes, Lynch, & Netemeyer, 2014).

Moreover, studies on behavioral economics suggest that self-regulation and personal discipline are key determinants of financial stability. People who exhibit impulsive behavior, such as overspending or accumulating high-interest debt, are more likely to experience financial stress. Thaler and Shefrin's (1981) **Behavioral Life-Cycle Hypothesis** supports the argument that personal behaviors, particularly in relation to consumption and savings habits, play a critical role in shaping long-term financial well-being. Thus, from a self-driven perspective, financial stress could be viewed because of poor financial behaviors and decision-making rather than fate.

In contrast, the fate-driven argument contends that financial stress is largely shaped by external forces, particularly economic and social structures that limit individual agency. From this perspective, systemic inequalities, such as income disparity, access to education, and labor market conditions, play a decisive role in determining an individual's financial security. Indeed, macroeconomic shocks, corporate downsizing, and policy changes often place individuals in financially precarious situations, regardless of their personal financial management capabilities (Darity & Mullen, 2020).

Structural forces, such as racial and gender discrimination, have also been shown to exacerbate financial stress, as marginalized groups frequently face systemic barriers to economic advancement. According to the Life-Course Perspective, financial stress is often interwoven with broader life events, such as job loss, divorce, or medical emergencies, all of which may occur unexpectedly and are largely out of the individual's control (Elder, 1994). These events may disrupt income streams, increase financial obligations, and ultimately generate stress that no amount of financial literacy or personal responsibility can entirely mitigate.

Moreover, broader economic conditions, such as inflation, wage stagnation, and housing market volatility, significantly impact financial stability. For example, the economic downturns witnessed during the 2008 global financial crisis and the 2020 COVID-19 pandemic exposed the vulnerabilities of millions of individuals who, despite prudent financial management, found themselves overwhelmed by financial stress due to forces beyond their control (Shiller, 2015). In this sense, the fate-driven argument underscores the role of uncontrollable, macro-level factors in shaping financial stress, thereby challenging the notion of individual responsibility as the primary determinant.

Bridging the Gap: A Multifaceted View of Financial Stress

Rather than framing financial stress as an issue of either personal responsibility or fate, a growing body of literature suggests that both perspectives are important and, often, interconnected. Financial outcomes are influenced by both personal financial behaviors and external economic conditions (Loibl, Kraybill, & DeMay, 2011). For instance, while individuals may exercise personal agency by saving, budgeting, and investing wisely, they remain vulnerable to macroeconomic conditions like inflation or recessions. In this view, financial stress emerges from a complex interplay between individual actions and systemic forces, and any attempt to alleviate it requires a holistic approach.

Furthermore, psychological research into locus of control offers insights into how individuals perceive their financial stress. Those with an internal locus of control are more likely to view financial stress as self-driven, believing that their actions directly influence outcomes, whereas those with an external locus of control tend to attribute financial stress to fate, perceiving external forces as dominant in shaping their financial circumstances (Rotter, 1966). These psychological orientations provide a nuanced understanding of how individuals interpret and respond to financial stress, highlighting the subjective nature of the experience.

OBJECTIVES

The primary objectives of this article, "Financial Stress: Is It Self-Driven or Fate-Driven?" are as follows:

1. Examine the Role of Personal Agency in Financial Stress

This objective seeks to explore how individual financial behaviors, decision-making patterns, and personal responsibility contribute to financial stress. By investigating factors such as financial literacy, self-discipline, and spending habits, this section will aim to identify how much control individuals can exert over their financial outcomes and how these factors mitigate or exacerbate financial stress.

2. Analyze External Factors Contributing to Financial Stress

This paper will investigate the macroeconomic, social, and systemic forces that influence financial stress. These external factors include income inequality, inflation, unemployment, economic recessions, and social discrimination based on gender, race, or class. The objective here is to assess how uncontrollable forces shape individuals' financial well-being, often in ways that personal responsibility cannot counterbalance.

3. Assess the Interplay Between Internal and External Factors

A critical objective of this article is to evaluate the interaction between self-driven and fate-driven factors. The aim is to explore how personal financial behaviors coexist with systemic forces, determining the extent to which individuals can or cannot mitigate financial stress by exercising financial responsibility in the face of structural constraints.

4. Investigate Psychological Perspectives on Financial Stress

This article has also examined into how psychological constructs, such as locus of control, influence perceptions of financial stress. The objective here is to determine how individuals' beliefs about the causes of their financial challenges whether they view them as self-imposed or externally driven affect their ability to cope with financial stress.

5. Provide Policy and Practical Recommendations

Based on the findings, this article aims to propose solutions that address both individual and systemic factors contributing to financial stress. These may include policy recommendations for reducing systemic inequalities and improving economic conditions, as well as strategies for enhancing financial literacy and personal financial management skills among individuals.

RESEARCH GAP

Despite the growing body of literature on financial stress, several key gaps exist that I want to address:

1. Limited Integration of Individual and Systemic Perspectives

Much of the existing research on financial stress tends to focus either on personal financial management or on systemic, external factors. Few studies comprehensively explore the interaction between self-driven and fate-driven elements. This article aims to bridge this gap by integrating these perspectives, offering a holistic view of the factors influencing financial stress.

2. Under representation of Psychological Factors in Financial Stress Research

While research has explored the economic and behavioral dimensions of financial stress, fewer studies have examined the psychological underpinnings, particularly how concepts such as locus of control or self-efficacy influence individuals' perceptions of financial stress. This article will address this gap by incorporating psychological theories that explain how people attribute their financial difficulties to internal versus external causes.

3. Inadequate Focus on Socio-economic Inequality

While some research has explored the role of socio-economic factors, there remains insufficient focus on how these inequalities exacerbate financial stress for marginalized populations. I will expand the conversation to include the experiences of individuals and groups disproportionately affected by external forces such as wage gaps, unemployment, and discrimination.

4. **Scarcity of Solutions that Address Both Personal and Systemic Factors**

Many existing solutions to financial stress focus solely on improving financial literacy and personal management skills. However, these approaches often fail to account for the broader systemic forces that limit individual's ability to manage their finances effectively. This article will address this gap by providing recommendations that target both individual behaviors and structural inequalities.

5. Lack of Longitudinal Studies on Financial Stress

The available literatures lack comprehensive longitudinal studies that track how individuals' financial stress evolves in both their personal behaviors and external economic conditions. Although this paper will not directly conduct such studies, it will highlight the need for future research that tracks these dynamics over extended periods.

A Brief Discussion & Review

Financial stress is a pervasive global issue, affecting individuals across a broad spectrum ofsocio-economic conditions, cultures, and national boundaries. Financial stress refers to the strain caused by an individual's inability to manage or meet financial obligations, often resulting in psychological, emotional, and physical consequences (Sweet *et al.*, 2013). However, the causes of financial stress differ widely depending on the region, with some stressors stemming from individual behavior and financial literacy (self-driven factors), while others are a consequence of broader, structural forces such as economic instability, social inequality, and government policies (fate-driven factors).

This article provides a comprehensive review of financial stress across various countries, with an emphasis on understanding how self-driven and fate-driven elements interplay in shaping financial challenges. By examining financial stress through both perspectives, we can provide a more holistic understanding of its causes and offer more effective solutions for alleviating this growing issue.

Financial Stress in Developed Countries

The United States: A Balance of Personal Responsibility and Systemic Inequality

In the United States, financial stress has been on the rise, exacerbated by income inequality, high levels of debt, and the cost of essential services such as healthcare and education. While personal financial mismanagement contributes to the issue, systemic factors like stagnant wages, rising costs of living, and the inadequacy of social safety nets play a significant role in increasing financial insecurity (Lusardi & Mitchell, 2014). For many, financial stress is compounded by insufficient financial literacy, which limits individuals' ability to make informed financial decisions (Fernandes *et al.*, 2014).

The 2008 financial crisis revealed the fragility of the middle class in America, as many families found themselves unable to recover from job losses and housing foreclosures. While some have argued that financial stress is a consequence of poor personal decisions, others highlight the fate-driven aspect: the lack of affordable housing, healthcare, and employment opportunities contributes to long-term financial hardship (Shiller, 2015).

The United Kingdom: Debt and Austerity Measures

In the United Kingdom, personal debt is a significant cause of financial stress, particularly among younger populations burdened by student loans and high housing costs. Economic austerity measures implemented after the 2008 financial crisis led to cuts in public spending and social services, intensifying financial stress for lower-income families (Netemeyer *et al.*, 2018). While personal decisions, such as over-borrowing and poor financial planning, contribute to financial stress, these choices are often constrained by the economic environment.

Rising costs in urban centers, particularly in London, have also strained many households. The fate-driven nature of these issues is evident in the fact that even individuals with strong financial literacy and responsible behavior can struggle to meet basic needs due to systemic factors like inflation, wage stagnation, and reduced public assistance (Lusardi & Tufano, 2015).

Japan: An Aging Population and Economic Stagnation

Japan presents a unique case of financial stress driven largely by systemic factors. The country has experienced decades of economic stagnation, coupled with a rapidly aging population, which has increased the financial burden on working-age individuals. Job insecurity, particularly among young workers, has further contributed to the problem, with many struggling to find stable, well-paying jobs (Katsumata, 2019).

In this context, financial stress is less about individual financial mismanagement and more about the structural weaknesses of the economy. The costs associated with caring for elderly family members, rising healthcare expenses, and the pressure to save for retirement in a low-interest-rate environment add to the financial strain. Here, the fate-driven nature of financial stress is pronounced, as systemic economic factors limit personal agency.

Germany: Rising Living Costs Despite a Strong Social Safety Net

Germany's robust social safety net, which includes comprehensive healthcare and unemployment benefits, has helped buffer many of its citizens from extreme financial stress. However, the rising cost of living in major urban centers, particularly housing prices, has become a growing concern. While Germany's economy remains relatively stable compared to other European countries, the pressure of increasing urbanization and housing shortages has placed financial strain on many families (Von Scheve *et al.*, 2020).

In this context, the causes of financial stress are both self-driven and fate-driven. While personal financial behaviors, such as managing debt and savings, are essential, the broader issue of housing affordability remains a fate-driven problem, influenced by market dynamics and government policy.

Financial Stress in Emerging Economies

India: Financial Exclusion and Agricultural Crises

In India, financial stress is largely shaped by systemic issues such as income inequality, financial exclusion, and the volatility of the agricultural sector. A significant portion of the population still lacks access to formal banking services, which exacerbates their vulnerability to financial shocks. This is particularly true for rural populations, who rely on agriculture for their livelihoods. The frequent occurrence of droughts, crop failures, and the rising costs of agricultural inputs have led to widespread financial stress among Indian farmers, many of whom are burdened by debt (Bansal & Modi, 2021).

Although personal financial behavior plays a role in managing stress, systemic issues such as poor access to financial services and unstable agricultural conditions limit the extent to which individuals can take control of their financial situations. In India, financial stress is thus heavily fate-driven, with many individuals facing hardships beyond their control.

Brazil: Income Inequality and Economic Volatility

Brazil is another emerging economy where financial stress is significantly influenced by systemic factors. The country has long struggled with high levels of income inequality, with a small elite controlling the majority of wealth while the rest of the population grapples with economic instability. Inflation, political instability, and a large informal economy further exacerbate financial stress, as many individuals lack access to stable employment and social protections (Ribeiro & Corradi-Webster, 2019).

While individual financial behaviors contribute to stress, particularly in terms of managing debt and spending, the larger issue in Brazil is the fate-driven nature of its economy. Many individuals, particularly in the informal sector, are subject to the whims of political and economic instability, which severely limits their financial security.

South Africa: The Legacy of Apartheid and Unemployment

In South Africa, the legacy of apartheid continues to shape the country's economic landscape, contributing to widespread financial stress. High unemployment rates, particularly among the youth, and significant racial disparities in income and wealth have created a highly unequal society where many households struggle to meet basic needs. While financial literacy and individual behavior play a role, the broader issue of structural inequality is a dominant force behind financial stress in the country (Makalima-Ngewana, 2020).

For many South Africans, financial stress is fate-driven, as systemic barriers to education, employment, and wealth accumulation persist. While improving financial literacy may help individuals manage their finances better, the deeper problem lies in the country's structural inequalities.

China: Economic Growth and Urban-Rural Disparities

China's rapid economic growth over the past few decades has lifted millions out of poverty, but it has also created new forms of financial stress, particularly in urban areas where the cost of living has risen sharply. In rural areas, the gap between income levels and access to services compared to urban regions remains a significant issue. Many rural residents face financial stress due to limited employment opportunities and the high cost of migration to cities for better prospects (Wang *et al*., 2018).

In this context, financial stress in China is both self-driven and fate-driven. While individuals may struggle to manage their finances due to lack of financial literacy, systemic issues such as urban-rural disparities and the high cost of living in cities are fate-driven forces that contribute significantly to financial pressure.

The Role of Systemic Factors in Global Financial Stress

Across countries, systemic factors such as income inequality, inflation, and government policies play a critical role in driving financial stress. Globalization, for example, has had a profound impact on local economies, creating both opportunities and challenges. While some individuals benefit from increased access to global markets, others are left behind, struggling to adapt to new economic realities (Sweet *et al*., 2013).

Government policies, or the lack thereof, also significantly influence financial stress. In countries with strong social safety nets, such as Germany and Japan, individuals are better protected from financial shocks. However, in countries where social protections are weak or non-existent, such as India and Brazil, individuals are left more vulnerable to economic volatility and financial hardship (Lusardi & Mitchell, 2014).

Behavioral and Psychological Dimensions of Financial Stress

In addition to systemic factors, individual behavior and psychology play a crucial role in shaping financial stress. The concept of locus of control, which refers to an individual's belief about the extent to which they can control their life outcomes, is particularly relevant to understanding financial stress. Individuals with an internal locus of control tend to believe that they can manage their finances through personal responsibility and effort, while those with an external locus of control are more likely to attribute financial difficulties to external forces (Rotter, 1966).

Financial literacy, or the lack thereof, is another significant contributor to financial stress. Research has shown that individuals with higher levels of financial literacy are better able to manage their finances and avoid debt, while those with lower levels of literacy are more likely to experience financial stress (Fernandes *et al*., 2014). However, even individuals with strong financial literacy can struggle if they are faced with systemic challenges, such as job loss, illness, or economic instability (Shiller, 2015).

Moreover, Financial stress is a complex, multi-faceted issue that is influenced by both self-driven and fate-driven factors. While individual behaviors, such as financial literacy and personal responsibility, play a role, systemic factors such as income inequality, inflation, and government policies often exert a much greater influence on financial stress. By understanding the interplay between these forces, policymakers can develop more effective solutions to reduce financial stress and promote greater financial well-being for individuals and families around the world.

Modern EMI Trends and Financial Behavior in the Young Generation

In recent years, there has been a significant shift in the way younger generations, particularly Millennials and Gen Z, approach financial management. One of the most notable trends is the increasing reliance on Equated Monthly Installments (EMIs) to purchase a wide range of consumer goods, from electronics and vehicles to lifestyle products and services. The ease with which EMIs can be accessed through online platforms, credit cards, and fintech solutions has made it simpler than ever for young consumers to finance their materialistic needs.

This article provides a detailed review of the key trends in EMI usage and financial behavior among the younger generation, focusing on the interplay between consumerism, credit, and financial stress. It explores the motivations behind these behaviors, their economic implications, and the broader cultural shift towards a "buy now, pay later" mentality.

The Rise of EMI in the Digital Age

EMIs have long been a popular form of credit for big-ticket purchases like homes and cars. However, recent advancements in digital banking and fintech have democratized access to EMIs, allowing young consumers to finance smaller, everyday purchases. Today, consumers can opt for EMIs on purchases as small as smartphones, fashion items, or even subscription services, all of which can be paid off in small, manageable monthly payments (Roy *et al*., 2021).

The digital revolution has played a pivotal role in driving this trend. The proliferation of digital credit options such as Buy Now, Pay Later (BNPL) services has transformed the traditional concept of EMIs. Companies like Klarna, Afterpay, and Affirm have tapped into the younger market by offering flexible, interest-free installment plans for online purchases, further encouraging spending on material goods (PwC, 2022). These services appeal to the "instant gratification" mindset of younger consumers, who can now purchase what they desire without having to pay the full amount upfront.

Materialism and Consumer Culture

Materialism has become deeply ingrained in the lifestyles of Millennials and Gen Z. This cohort is constantly exposed to consumer-driven ideals through social media, advertising, and peer influence, which emphasize the ownership of material goods as a marker of success and status (Kasser, 2018). The desire to maintain a certain lifestyle and keep up with societal expectations often leads to a higher propensity to spend beyond one's means, particularly when EMIs make large purchases more accessible.

Studies suggest that young consumers are driven by a desire for instant gratification and are more likely to finance their consumption through credit, even if it leads to long-term financial stress (Duhachek & Iacobucci, 2020). This can result in a cycle of debt, where young consumers continue to use credit and EMI options to fulfill their materialistic needs while struggling to save for long-term financial goals such as homeownership or retirement.

Lifestyle Inflation and Its Implications

One of the primary consequences of the modern EMI trend is lifestyle inflation. Lifestyle inflation occurs when individuals increase their spending as their incomes rise, often leading them to take on more debt to maintain a certain standard of living (Soman & Cheema, 2020). Young professionals, particularly those entering the workforce, are often tempted to upgrade their lifestyles through the purchase of high-end gadgets, vehicles, and luxury goods, financed through EMIs.

This trend is exacerbated by social media platforms like Instagram and TikTok, which promote a culture of comparison and validation through material possessions. The constant exposure to influencers and peers showcasing luxury lifestyles creates pressure on young consumers to emulate these behaviors, leading to higher spending and increased reliance on credit (Kardefelt-Winther, 2017).

While lifestyle inflation can create short-term satisfaction, it has significant long-term financial implications. The need to keep up with monthly EMI payments can restrict savings, reduce financial flexibility, and increase financial stress. Moreover, many young consumers underestimate the cost of debt and fail to account for interest rates or penalties for late payments, further exacerbating their financial burdens (Duhachek *et al*., 2020).

The Psychological Drivers of EMI Usage

The widespread adoption of EMI schemes is not solely a product of economic necessity but also of psychological factors that influence spending behavior. Behavioral economics suggests that young consumers often suffer from present bias, where they prioritize immediate rewards over future financial well-being (Thaler, 2016). This tendency to prioritize short-term gains drives the preference for financing purchases through EMIs, as it allows consumers to satisfy their material desires without immediate financial sacrifice.

Additionally, the availability of interest-free EMIs through BNPL services reinforces the perception that credit is risk-free. The lack of upfront costs or interest payments makes it easier for young consumers to justify large purchases, even if they are unable to afford them outright (Sharma *et al*., 2022). However, this can create a false sense of financial security, leading to overconsumption and the accumulation of debt over time.

Another important factor is the rise of "financial optimism" among younger generations. Many young consumers believe that they will earn more in the future, which leads them to take on more debt in the present with the expectation that they will be able to pay it off later (Lusardi & Mitchell, 2014). This optimistic bias can lead to risky financial behaviors, as consumers overestimate their future earning potential and underestimate the long-term consequences of debt.

The Impact of Financial Literacy

While materialistic desires and behavioral biases play a role in the EMI trend, the lack of financial literacy is a critical factor that exacerbates the problem. Studies consistently show that younger generations have lower levels of financial literacy compared to older cohorts, making them more vulnerable to debt and financial mismanagement (Lusardi, 2019). Without a solid understanding of personal finance, many young consumers fail to grasp the true cost of credit and the long-term impact of EMI payments on their financial health.

For instance, many young consumers are unaware of the hidden costs associated with EMIs, such as processing fees, penalties for missed payments, and interest rates on extended repayment plans. This lack of awareness can lead to financial stress, as consumers find themselves trapped in a cycle of debt that is difficult to escape. Financial education programs aimed at improving financial literacy could play a key role in mitigating these risks by helping young consumers make more informed financial decisions (Fernandes *et al*., 2014).

Regional Trends in EMI Usage

While the trend towards EMI usage is global, regional differences in financial infrastructure, consumer behavior, and economic conditions shape how young consumers use credit. For example:

India: In India, the rise of fintech platforms and digital lending has made EMIs more accessible to the country's growing middle class. Many young Indians finance their purchases of smartphones, fashion, and travel through EMIs, driven by aspirational consumption and the desire to emulate Western lifestyles (Sundar, 2020). However, the lack of robust credit regulation has led to concerns about rising household debt and financial stress, particularly among lower-income consumers (RBI, 2021).

United States: In the U.S., credit cards and BNPL services dominate the EMI landscape. Young Americans are particularly susceptible to lifestyle inflation, often financing luxury purchases and experiences through credit. The student debt crisis further complicates matters, as many young consumers struggle to balance

EMI payments for consumer goods with their student loan repayments (Cilluffo, 2019).

Europe: In Europe, the use of BNPL services has grown rapidly, particularly in countries like Sweden and Germany. While the availability of interest-free credit has spurred consumer spending, regulators are increasingly concerned about the long-term implications of rising debt levels among young consumers (EBA, 2022).

Financial Stress and Debt Accumulation

The increasing reliance on EMIs among young consumers has led to growing concerns about financial stress and debt accumulation. While EMIs can provide short-term relief by breaking down large purchases into smaller payments, they can also lead to long-term financial strain if consumers overextend themselves.

Young consumers are vulnerable to falling into debt traps, as they are often more focused on immediate consumption than long-term financial planning. The convenience and accessibility of digital credit options make it easy for consumers to accumulate multiple EMI payments across different platforms, leading to a situation where monthly payments outstrip income, leaving little room for savings or emergency funds (Roy *et al*., 2021).

Studies have shown that financial stress is closely linked to mental health issues, with individuals experiencing high levels of debt more likely to suffer from anxiety, depression, and other psychological disorders (Sweet *et al*., 2013). This creates a vicious cycle, where financial stress leads to poor decision-making, further exacerbating debt and financial instability.

Last but not least, I can say that the modern trend of using EMIs to finance materialistic needs reflects a broader cultural and economic shift towards instant gratification, consumerism, and the normalization of credit. While EMIs offer young consumers a convenient way to manage large purchases, they also carry significant financial risks, particularly when combined with lifestyle inflation, low financial literacy, and behavioral biases.

To mitigate these risks, it is essential for financial institutions, regulators, and educators to promote greater financial literacy and encourage responsible borrowing. Additionally, policymakers should consider stricter regulations on digital credit platforms to prevent young consumers from accumulating unsustainable levels of debt. Ultimately, while EMIs provide a useful tool for managing short-term spending, they must be used with caution to avoid long-term financial consequences.

CONCLUSION

This review has examined the multifaceted nature of financial stress, emphasizing the interplay between self-driven and fate-driven factors. It has shown that financial stress is not merely a result of poor financial decision-making at an individual level but is also significantly influenced by external systemic forces like income inequality, economic policies, and macroeconomic shocks. While individual financial literacy and behaviors such as budgeting and saving play crucial roles in mitigating stress, larger forces—such as job market conditions, access to resources, and systemic discrimination—are equally, if not more, decisive in shaping financial well-being. Thus, a comprehensive approach to addressing financial stress must consider both personal and systemic factors.

Way Forward: Solutions to Overcome Personalized and Situational Financial Stress

To effectively address the multifaceted nature of financial stress, both personalized and situational solutions are essential. These solutions must tackle individual financial behaviors while also recognizing the broader systemic and economic factors that contribute to stress. The following approaches offer pathways to mitigate financial stress:

1. Enhancing Financial Literacy and Education

Personalized Solutions: Financial literacy is foundational in empowering individuals to make informed financial decisions. Improved education around budgeting, savings, debt management, and investment strategies can help individuals mitigate personal financial stress by reducing poor financial choices.

Way Forward: Schools, universities, and workplaces should integrate comprehensive financial education programs. Policymakers can promote digital financial literacy tools, particularly for younger generations, to develop informed financial habits from an early age.

2. Promoting Behavioral Changes Through Financial Coaching and Counseling

Personalized Solutions: Financial coaching or counseling can help individuals address behavioral issues such as poor spending habits, impulsive purchases, and lack of savings. Financial counselors can also assist with personalized budgeting strategies and managing financial goals.

Way Forward: Governments, financial institutions, and NGOs should collaborate to make financial coaching services more accessible, especially for low-income populations. Integrating financial wellness programs into workplace settings can also provide valuable support to employees facing financial stress.

3. Building Resilience Through Emergency Savings and Insurance

Personalized Solutions: Encouraging individuals to build emergency funds can provide financial security against unforeseen events like job loss, medical emergencies, or economic downturns. Additionally, the use of health and life insurance can alleviate the burden of unexpected financial shocks.

Way Forward: Financial institutions and employers can incentivize savings through automatic savings plans or matching contributions. Public policies that promote access to affordable insurance, particularly for marginalized groups, could mitigate situational stressors caused by health or job-related emergencies.

4. Addressing socio-economic Inequality and Access to Resources

Situational Solutions: To address systemic causes of financial stress, governments should focus on policies that reduce income inequality, improve access to education, and provide social safety nets such as unemployment benefits, housing assistance, and healthcare.

Way Forward: Progressive taxation policies, along with increased investment in education and healthcare, can create a more equitable society. Policymakers should also work to reduce discriminatory practices that limit financial opportunities for marginalized groups, ensuring that systemic barriers do not contribute to financial hardship.

5. Advocating for Fair Financial Products and Credit Regulation

Situational Solutions: The proliferation of digital credit options, such as Buy Now Pay Later (BNPL) services, has increased financial vulnerability, particularly for younger populations. Ensuring that financial products are transparent and come with fair terms can help mitigate the risk of debt accumulation.

Way Forward: Governments should impose stricter regulations on digital credit providers, ensuring that credit terms are clearly communicated and that borrowers are not incentivized to overborrow. This includes mandatory disclosures of interest rates, fees, and repayment terms to protect consumers from predatory lending practices.

6. Creating Inclusive Economic Policies to Combat Systemic Stressors

Situational Solutions: Policymakers need to create an inclusive economic environment that helps individuals manage both personal and situational financial stress. This can be achieved through job creation, higher wages, affordable housing, and access to affordable financial services.

Way Forward: Initiatives to raise the minimum wage, reduce unemployment, and promote job training programs can empower individuals to manage financial stress more effectively. Additionally, government-backed financial inclusion programs, especially for underbanked populations, can facilitate better access to credit and other financial resources.

7. Fostering a Positive Psychological Outlook on Financial Well-being

Personalized Solutions: Promoting a healthy financial mindset that encourages long-term planning and self-efficacy can reduce stress. Cognitive behavioral techniques to manage anxiety related to financial concerns can be a valuable tool for those struggling with overwhelming financial worries.

Way Forward: Financial well-being should be integrated into mental health strategies. Educational campaigns could raise awareness of the psychological aspects of financial stress and encourage individuals to seek professional support when needed. Additionally, promoting the concept of "financial self-efficacy," where individuals feel empowered to influence their financial outcomes, could reduce anxiety and foster a sense of control.

Further Scope of Research

While this review provides a detailed analysis of the causes of financial stress, several avenues for future research remain open. First, more longitudinal studies are needed to track how financial stress evolves in response to both individual behaviors and macroeconomic conditions. Second, future research should focus on the psychological dimensions of financial stress, particularly how concepts like locus of control influence coping mechanisms. Additionally, the role of socio-economic inequalities, particularly their effects on marginalized groups, needs deeper exploration. Finally, a critical area for future investigation is the effectiveness of policy interventions aimed at reducing systemic factors contributing to financial stress, such as income inequality and wage stagnation, while also enhancing individual financial literacy.

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