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The Impact of Personal Finance Management in Employee Well-Being: A Literature Review

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ABSTRACT
Financial stress is a growing problem that adversely affects employee well-being, leading to decreased productivity, lower job satisfaction, and mental health challenges. This study aims to explore the impact of personal finance management on employee well-being by reviewing recent literature published between 2019 and 2024. Employing a qualitative literature review methodology, relevant academic articles and credible. The review reveals that strong financial literacy forms the foundation for effective personal finance management, which helps employees reduce financial anxiety and improve emotional stability. However, financial literacy alone is insufficient without strategies to manage external financial pressures. The findings also highlight the detrimental effects of financial stress on mental health and job performance, including increased absenteeism and decreased engagement. Workplace financial education programs, such as budgeting workshops and access to financial advisors, have been found effective in enhancing financial knowledge, reducing stress, and improving overall employee well-beingThis review underscores the importance of integrating personal finance management into employee well-being strategies to foster healthier, more resilient workforces.

Keywords: Personal Finance, Financial Literacy, Employee Well-Being, Financial Stress

1 Introduction

In the fact of this economic, personal finance management plays an important role in improving employees' overall well-being. Employee well-being has become a strategic imperative for organizations aiming to enhance productivity and long-term sustainability. Among the various dimensions of well-being, financial well-being is increasingly recognized as a determinant of an employee's overall quality of life and job performance. Financial stress can manifest in decreased concentration, absenteeism, and even physical health issues, ultimately affecting workplace engagement and morale.

A growing body of empirical research has reinforced the positive relationship between financial literacy and workplace well-being. The presence of financial knowledge enhances an individual's financial self-efficacy, which in turn supports emotional well-being and reduces stress-related absenteeism . Likewise, Choowan et al. through a meta-analytical review, confirmed that employees who undergo structured financial literacy interventions tend to adopt more responsible spending, budgeting, and saving habits, leading to a measurable increase in financial and emotional well-being. Furthermore, financial wellness impacts broader organizational outcomes such as productivity, engagement, and retention.

Therefore, this study aims to qualitatively explore the relationship between personal finance management and employee well-being, focusing on employees' perceptions, experiences, and strategies in facing everyday financial challenges. The research is expected to contribute theoretically by expanding the understanding of employee well-being from a holistic perspective, and practically by helping organizations design more responsive and contextually relevant financial wellness programs. The findings may also serve as a foundation for developing more humane human resource management interventions that balance economic needs with psychosocial well-being.

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2 Literature Review

Personal Finance Management

Personal Finance Management (PFM) is the practice of managing day to day personal finances, including budgeting, debt control, investment planning, and saving. According to Dowling et al., “financial practice as a set of behavior which include cash management, credit management, financial planning, investments, insurance, retirement planning, and estate planning.” Financial literacy involves an understanding of fundamental financial and economic concepts such as interest rates, inflation, and risk diversification as well as the ability to perform basic financial calculations. It also includes awareness of various financial products and the capability to select those that best align with one’s individual needs and interests. Previous studies have suggested that financial literacy is closely associated with effective personal financial management behavior.

PFM is not merely an administrative activity but also encompasses economic behavior, risk perception, and an individual’s time preferences in financial decision-making. This study serves as a theoretical foundation that positions PFM as an integral component of both economic and psychological well-being. In the workplace context, the ability to effectively manage personal finances can reduce financial stress and enhance emotional stability .

Financial Literacy

Financial literacy refers to the ability to comprehend and evaluate financial options, plan for the future, and respond appropriately to various financial situations. It equips individuals with the skills to participate effectively in economic activities, such as making deposits, making informed purchasing decisions, investing wisely, managing property, securing employment, handling debt, and ultimately improving their financial well-being. Kaur et al. emphasize that financial literacy is an essential life skill that enables people to achieve financial well-being. Similarly, Remund defines financial literacy as an individual’s capability to understand and apply financial information. Furthermore, financial literacy is a measure of the degree to which one understands key financial concepts and possesses the ability and confidence to manage personal finances through appropriate short-term decision-making and sound, long-range financial planning, while mindful of life events and changing economic conditions .

Employee Well Being

Employee well-being has become a critical focus in organizational research due to its significant impact on productivity, job satisfaction, and overall organizational performance. Well-being at work encompasses physical, mental, and emotional health, and it is influenced by both individual and organizational factors. According to Wright and Cropanzano employee well-being is strongly linked to job satisfaction and organizational commitment, which ultimately affects turnover intentions and performance.

3 Research Methods

This study employs a literature review with qualitative analisys methodology to explore the impact of personal finance management on employee well-being. The research involves a systematic collection and analysis of existing academic articles, journals, and credible sources related to financial management and employee well-being published between 2019 - 2024. Article were collected using databases such as Google Scholar, Scopus, and PubMed were utilized to identify relevant studies using keywords like “personal finance management,” “employee well-being,” and “financial literacy”.

4 Results and Discussion

1.Financial Literacy as the Foundation of Employee Financial Well-Being

Financial literacy is a crucial component of effective personal finance management. Higher financial literacy is positively correlated with healthier financial behaviors such as budgeting, saving, and debt management, which ultimately enhance employees’ financial well-being. Their research also highlighted that financial literacy not only affects financial behavior but also serves as a preventive mechanism against poor financial habits. Personal finance management begins with financial literacy the knowledge and skills required to make informed financial decisions. A growing body of literature has demonstrated a strong relationship between financial literacy and employee well-being. According to Bashir and Qureshi , financial literacy significantly enhances financial behavior, which subsequently improves overall financial well-being. Employees who understand basic concepts such as budgeting, interest rates, savings, and investment are more capable of managing their income and expenditures effectively, thereby reducing financial stress.

However, financial literacy alone is not sufficient. Even employees with good financial knowledge may still experience financial stress when facing external pressures like inflation or unexpected expenses. This indicates that financial literacy must be complemented with the ability to manage financial stress to achieve optimal financial well-being. A study by Rahman et al. on the B40 group in Malaysia found that while financial literacy is important, financial behavior and financial stress are more significant predictors of financial well-being. This suggests that interventions should not only focus on enhancing knowledge but also on promoting positive financial behaviors and stress management strategies.

Moreover, integrating financial education into the workplace has shown promising results. Lestari et al. found that financial literacy programs significantly enhance employees' financial behaviors, including improved budgeting, saving, and debt management. These improvements lead to increased financial security and reduced stress, contributing to higher workplace satisfaction and engagement. Furthermore, the study finds that financial literacy positively affects organizational performance by reducing absenteeism, lowering turnover rates, and enhancing productivity.

2. The Impact of Financial Stress on Mental Health and Job Performance

Financial stress is increasingly recognized as a major psychological burden that acts as a mediating factor between financial behavior and overall financial well-being. Even individuals who demonstrate positive financial behaviors such as budgeting, saving, and prudent spendingcan still suffer diminished financial well-being if they are exposed to chronic financial pressures. These pressures may arise from factors such as rising living costs, mounting debt, or insufficient income stability, particularly in volatile economic climates.

Financial stress does not remain confined to the personal domain; it significantly encroaches upon mental health. Employees experiencing persistent financial concerns often exhibit symptoms of psychological distress, including anxiety, irritability, feelings of helplessness, and a decline in cognitive functioning. This aligns with the 2024 report by Investopedia, which outlines the physiological and psychological consequences of financial stress such as sleep disturbances, increased cortisol levels, chronic fatigue, depression, and somatic symptoms like headaches or digestive problems.

3. Effectiveness of Workplace Financial Education Programs

Workplace financial education programs have emerged as a strategic intervention to promote financial literacy, reduce employee stress, and foster long-term financial well-being. These initiatives typically include budgeting workshops, debt management counseling, retirement planning seminars, and access to financial advisors all aimed at empowering employees to make informed and confident financial decisions.

A landmark study by Baicker et al. highlighted that wellness programs incorporating financial education can significantly reduce healthcare costs by mitigating stress-related illnesses, improving preventive care compliance, and fostering healthier lifestyles. Employees who feel financially secure tend to experience less chronic stress, which in turn leads to lower risks of mental and physical health complications. The positive ripple effect of such programs is evident in organizational outcomes as well. Enhanced financial well-being has been consistently linked to increased employee productivity, reduced absenteeism, and improved engagement.

5 Conclusion

Personal finance management plays a pivotal role in shaping employee well-being, both at the individual and organizational levels. Effective personal finance management is essential for enhancing employee well-being, as it fosters better mental health, reduces financial stress, and improves job performance. The literature consistently demonstrates that strong financial literacy forms the foundation for healthier financial behavior, which in turn reduces financial stress and promotes emotional stability. However, knowledge alone is not enough employees must also possess the skills and resources to manage external financial pressures, such as inflation and income instability. Financial stress has been shown to negatively impact mental health and job performance, resulting in reduced concentration, increased absenteeism, and lower overall productivity. In response, workplace financial education programs have proven to be effective interventions that not only enhance employees' financial capabilities but also support broader organizational goals, including retention, engagement, and performance. Therefore, integrating personal finance management into employee well-being strategies is not only a matter of individual empowerment, but also a strategic necessity for organizations seeking to build a resilient and high-performing workforce.

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