

Conceptualising Financial Resilience Using the Planned Behaviour Construct – Cues from the Households in Palakkad, Kerala

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Abstract

Factor analysis, employed to identify the dimensions of financial resilience of the 104 surveyed households (HHs) in Palakkad district of Kerala, reveals the financial shocks to which these HHs are exposed during the post-pandemic period. The factors extracted are financial struggles reflected in falling expenditures and mounting debt repayment obligations; limited access to resources owing to insufficient social support systems; and an adaptive financial behaviour, evident in coping strategies such as curtailing essential expenses and downsizing the emergency fund. Conceptualising financial resilience using the Planned Behaviour construct provides insights into the forces behind these identified factors of financial resilience. It emphasises the roles of attitudes, subjective norms, and perceived behavioural control in influencing HHs' financial behaviour. The adaptive financial behaviour of these HHs is their response to the pandemic-induced financial challenges and the lack of social support during the emergency.

Keywords: financial resilience, financial struggle, financial behaviour.

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1. Introduction

Financial resilience of a household (hereafter HH) is a key component of financial well-being. The term financial resilience refers to a household's ability to withstand financial challenges, adapt to financial shocks, and recover from a financial crisis. The main components of financial resilience are financial knowledge, financial security, income stability, debt management, access to financial resources and support, adaptive financial behaviour and financial confidence. This paper conceptualises the idea of financial resilience within the framework of the Theory of Planned Behaviour (hereafter TPB) developed by Ajzen (1991) so as to provide insights into the financial well-being of the HHs in Kerala.

Kerala, known for its distinct socio-economic characteristics, presents an interesting context for exploring this phenomenon. Economic adversities, such as high unemployment rates and severe indebtedness, coupled with demographic dynamics, such as an ageing population and a rising dependency ratio, put HHs in a precarious financial situation. Unemployment rate in Kerala is high at 8.8 per cent, far above the all-India figure of 3.5 per cent (Periodic Labour Force Survey, Annual Report, 2024). Kerala is one of the states in India with the highest average HH debt and the lowest proportion of HHs with savings (NABARD All India Financial Inclusion Survey, 2021-22). Besides, Kerala is one of the states in India with a high proportion of elderly population (16.5 per cent), as evident from the United Nations Ageing Report, 2023. The dependency ratio computed for the state is also high at 50.6. The study on the financial resilience of HHs in Kerala in the post-COVID period is significant, as it captures HHs' efforts to cope with the economic shocks left by the pandemic.

2. Review of Literature

A systematic review of the theoretical and empirical literature on the financial resilience and vulnerabilities of HHs was undertaken. TPB, developed by Ajzen (1991), is the theoretical basis of the present research paper. TPB focuses on how intentions to perform behaviours are influenced by factors such as attitude, subjective norms and perceived behaviour control. Attitude is found to be positively influenced by the belief about the favourable consequences of a

behaviour. Subjective norms refer to beliefs derived from the social environment, including family, friends, neighbours, peers, and other social groups. Perceived behaviour control refers to an individual's belief in their ability to perform a particular behaviour. A number of studies employ TPB for analysing the financial resilience of HHs.

She et al. (2024), exploring the predictors of financial behaviour based on TPB, observe a positive association between financial knowledge and factors such as attitude, subjective norms, and perceived behavioural control, which, in turn, positively impact the financial behaviour of working adults. Rahayu et al. (2023), examining the financial resilience of HHs within the TPB framework, focus on the formation of money management behaviour. Saving and investment are identified as critical determinants of personal financial management. Digital financial literacy is also critical for dealing with economic shocks. The role of financial literacy in fostering financial resilience has been established in numerous studies (Bialowolski, P., Cwynar, A., & Weziak-Bialowolska, D., 2022; Klapper, L., & Lusardi, A., 2020; Hassan, N. M., Kassim, E. S., & Ma'on, S. N., 2018).

The COVID-19 pandemic-induced economic crisis has exacerbated the financial distress of HHs, as confirmed by empirical studies worldwide. The adverse financial impact of the COVID-19 pandemic is reflected in the rise in unemployment, the consequent financial precariousness, which forces the curtailment of essential needs or the diversion of savings to meet financial obligations, etc. The brunt of the pandemic's adverse financial impact fell more on poor than on rich countries. In addition to the financial impact, the pandemic caused educational deprivation and food insecurity (Khetan et al, 2022). OECD (2022) exposes the negative impact of the pandemic on the financial situation and financial resilience of consumers in the Asian region. The adverse financial impact is reflected in decreased savings, loss of employment, reduced income, and increased expenditures related to care responsibilities. American HHs, too, were affected by the pandemic's adverse economic consequences. Financial resilience was found to be highly correlated with financial behaviours, including income and

cash flow management, debt management, risk protection, and financial literacy. Deevy, M., & Lusardi, A. (2021). Indian HHs too were not spared from the adverse effects of Covid pandemic. A survey of rural HHs across six states in India revealed heightened food insecurity and job losses. Return migration of workers to rural India aggravated the situation in the short and medium terms. However, the government's transfer programmes offered relief to vulnerable HHs (Acharya et al., 2021).

Financial distress of the HHs is also influenced by demographic and socio-economic factors as revealed by the empirical literature. Financial stress in Australian HHs is determined by demographic factors such as the number of dependents and earning members in the family, the HH head's age, etc. Further, socio-economic factors also have a role in fostering financial stress (Worthington, A. C., 2006).

Drawing on the findings of the aforementioned literature, the present study focuses on the extent of financial resilience of HHs in Kerala in the post-pandemic phase, while accounting for the state's demographic and socio-economic peculiarities. Besides, state-specific empirical literature has documented the extent of indebtedness faced by HHs in the state. Despite a positive institutional change characterised by extensive financial inclusion, HHs in Kerala are debt-stressed. An extensive survey was carried out across three rural districts in Kerala, covering 600 HHs, and found that more than half (56 per cent) of the HHs surveyed are indebted, well above the national average. Analysis of the debt sustainability of the HHs based on stock and flow variables shows that while the former signals severe debt stress due to the illiquid character of landed assets, the latter, based on income and interest flows, suggests a sustainable debt scenario of the surveyed HHs. Besides these economic factors, education and age of the HH head are also significant determinants of household-level indebtedness (Jacob et al 2022). In this context, the present study examines the extent to which the HHs in the backward district of Palakkad, Kerala, are resilient enough to face the adversities of the pandemic-induced crisis.

Objective

- To identify the dimensions of financial resilience of the HHs in the wake of financial challenges

3. Research Methodology

The present study relies on secondary and primary data sources. Secondary data sources comprise the reports of All India Rural Financial Inclusion Surveys conducted periodically by NABARD. The data on average monthly incomes, expenditures, savings, and debt of HHs in Kerala vis-à-vis India provide a general picture of their financial status. This was supplemented with primary data from a random sample of 104 respondents with diverse socio-economic and demographic backgrounds from Palakkad district, one of the backward districts in the state of Kerala. This allowed for a deeper dive into the financial status of the surveyed HHs. The dimensions of financial resilience of the HHs are assessed using factor analysis. Information on the respondents' financial status is gathered by framing statements on individual financial aspects, such as debt, monthly expenses, debt repayment, and emergency funds. They were asked to rate the statements about their financial status on a scale from 5 (strongly agree) to 1 (strongly disagree). Firstly, descriptive statistics, such as the mean Likert score for various statements and the extent of dispersion, were used as a prelude to Factor Analysis. This was then followed by Varimax Rotation to identify the hidden factors that explain the true nature of financial resilience within the study group. The study also attempts to present the empirical findings within the context of TPB.

4. Results and Discussion

4.1 Socio-economic Profile of the Sample

The sample comprising 104 HHs represent a cross-section of the population of Palakkad district (See Table 1). The sample includes HHs from both rural and urban areas. However, Palakkad being an agricultural district, about 78.8 percent of HHs are from rural areas. There are HHs headed by males and females in the sample. But the per cent of male headed HHs (70.2 per cent) in the sample exceed the female headed HHs (29.8 per cent). The sample further reveals that majority of the HHs is run by

people with lower educational qualifications. About 69.2 percent of the heads of the HHs have educational qualification below X standard. Though 90.4 per cent of the HHs has members who are employed, only 8.7 per cent of them have government jobs. Majority of the surveyed HHs (56.7 per cent) have members engaged in self-employment. Besides majority of the surveyed HHs (86.5 per cent) has less than 2 earning members. The HHs in the sample comprise respondents belonging to various social communities such as general category (30.8 per cent), OBC (54.8 per cent), SC and ST (14.4 per cent).

Table 1*Profile of the sample*

Characteristics		Number of respondents	Percent
Location	Rural	82	78.8
	Urban	22	21.2
	Total	104	100
Gender	Female	31	29.8
	Male	73	70.2
	Total	104	100
Education of the head of the household	< X Standard	72	69.2
	XII Standard	17	16.3
	Graduation and above	15	14.4
	Total	104	100
Employment status	Not employed	10	9.6
	Employed	94	90.4
	Total	104	100
Type of Employment	Not employed	10	9.6
	Self employed	59	56.7
	Private job	26	25
	Government job	9	8.7
	Total	104	100
Family size	< 4 members	51	49
	>4 members	53	51
	Total	104	100
Number of earning members	<2 earning members	90	86.5
	>2 earning members	14	13.5
	Total	104	100
Social category	General	32	30.8
	OBC	57	54.8
	SC and ST	15	14.4
	Total	104	100

Source: Field Survey, 2024

A brief sketch of the financial position of the surveyed HHs is presented in Table 2. The surveyed HHs are in a favourable position regarding the ownership status of their homesteads and landed property. While 93.3 per cent of HHs own homesteads, only 77.9 per cent own additional landed property. It can further be observed that more than half (54.8 per cent) of the HHs have stable sources of income. Though most of the HHs surveyed have savings (75 per cent), about 91.3 per cent have debt, and that too multiple loans. In fact,

the number of HHs with debt is significantly higher than the number of HHs with savings, stable incomes, homesteads and landed property. This poses concerns over the true financial health of these HHs. There is a need to examine whether these HHs have been able to remain financially resilient in the wake of pandemic-induced economic shock.

Table 2

Financial position of the surveyed respondents

Variable		Frequency	Per cent
Ownership status of house	Owned	97	93.3
	Rented	7	6.7
	Total	104	100
Ownership of Land besides homestead land	Own land	81	77.9
	Do not own land	23	22.1
	Total	104	100
HH with stable source of Income	With stable source of income	57	54.8
	Without stable income source	47	45.2
	Total	104	100
HH with deficit budgets	Deficit	34	32.7
	Surplus	70	67.3
	Total	104	100
HH with savings	With savings	78	75
	Without savings	26	25
	Total	104	100
Type of savings	No savings	26	25
	Conventional savings	55	52.9
	Non-conventional savings	23	22.1
	Total	104	100
HH with debt	With debt	95	91.3
	Without debt	9	8.7
	Total	104	100
HH with Multiple loans	With multiple loans	95	91.3
	With out multiple loans (No debt)	9	8.7
	Total	104	100

Source: Field Survey, 2024

4.2 Financial Resilience of the Surveyed HHs: A Factor Analysis

To examine the dynamics of financial resilience, this study employs factor analysis to identify key factors associated with HHs' ability to overcome financial stress (See Table 3).

Table 3

Financial Resilience of the Surveyed HHs: A Factor Analysis

Sl. No.	Statements	Communalities	Factor loading		
			I	II	III
1	Difficult to meet monthly expenses	.540	.717	.160	.036
2	I am in financial stress	.750	.074	.838	.203

3	unable to meet daily life expenses	.748	.856	.123	.013
4	Unable to meet unexpected expenses	.465	.628	.122	.237
5	Curtail essential expenses to repay debt	.626	.193	.090	.762
6	Unable to meet debt obligations	.689	.824	.076	.060
7	I have emergency fund	.581	-.056	-.006	-.760
8	Can't pay debt before the stipulated period	.564	.680	.189	.258
9	Unable to get loans from friends, neighbours, relatives during emergencies	.662	.300	.750	-.100
	KMO measure of sampling adequacy	0.789			
	Bartlett's Test of Sphericity	0.000			
	Eigen value		3.447	1.144	1.035
	Proportion of variance explained		38.3	12.707	11.505
	Cumulative variance		38.3	51.01	62.5

Source: Computed based on data from Field Survey, 2024

Factor Analysis was performed to extract meaningful factors impacting the financial resilience of the HHs. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is 0.789, which is above the acceptable threshold of 0.7, confirming the data's suitability for factor analysis. Bartlett's Test of Sphericity is statistically significant ($p < 0.001$), indicating that the correlations among variables are adequate for factor extraction.

Varimax rotation is used to generate the rotated component matrix. In the Rotated Component Matrix, only factor loading values higher than 0.5 are considered. An Eigen value represents the amount of information captured by a factor. Factors with an eigenvalue above 1 are considered. Thus, three important factors were identified. Output of the Factor Analysis has been captured in Table 3.

The factor analysis identifies three factors that explain 62.5% of the cumulative variance, indicating a strong underlying structure in the dataset.

Factor 1 explains 38.3 per cent of the total variance, while Factor 2 explains 12.7 per cent of the total variance, and Factor 3 explains 11.5 per cent of the total variance. Together, the three factors account for 62.5 per cent of the variability of the original 9 variables, which we consider important in the analysis of financial resilience.

Factor 1 shows a positive correlation with five variables: unable to meet monthly and daily routine life expenses and unexpected expenses, unable to meet debt obligations, and unable to pay debt before the stipulated period. These statements highlight the financial obligations and strains in their lives. **Factor 1** explains 38.3 per cent of the variance and primarily concerns financial struggles. This factor reflects the participants' challenges in managing day-to-day expenses and meeting debt obligations, representing the core financial struggles of the middle-income group.

Factor 2 accounts for 12.7 per cent of the variance and is associated with their **access to financial resources**. Prominent statements include: I am in financial stress (loading: 0.838) and unable to get loans from relatives during emergencies (loading: 0.750). This factor highlights the impact of limited financial support networks during financial crises and emergencies.

Factor 3, as shown by statements such as curtailing essential expenses to repay debt (loading: 0.762) and having an emergency fund (negative loading: -0.760), accounts for 11.5 per cent of the variance and focuses on financial coping strategies and resource management. Since this factor indicates adaptive financial behaviour, emphasising cutting expenses to meet obligations and deliberate downsizing of the emergency fund, it is named as **financial behaviour**

Three distinct factors identified using factor analysis, such as financial struggles, access to financial resources, and financial behaviour, are examined within the framework of TPB to shed light on various dimensions of financial resilience, ranging from the challenges HHs face in managing day-to-day expenses to their adaptive behaviours, such as maintaining emergency funds or curtailing expenses to meet debt obligations.

4.3 Financial Resilience of the Surveyed HHs within the Framework of TPB

This section connects the empirical findings from factor analysis to the broader theoretical constructs, thereby contributing to a clear understanding of how HHs in Kerala navigate financial challenges and build resilience. The TPB incorporated into this analysis provides insights into the forces behind these identified factors of financial resilience. It emphasises the role of attitudes, subjective norms, and perceived behavioural control in shaping HHs' financial actions and helps in understanding HH financial behaviour.

Factor 1: Financial Struggle, comprising statements such as “unable to meet daily life expenses,” “difficult to meet monthly expenses,” “unable to meet debt obligations,” and “unable to pay debt before the stipulated period”, relates to the perceived behavioural control component of TPB. These statements reflect the inability to manage financial challenges in their life. If a HH fails to control these situations, it inhibits its financial resilience. Perception of inability in managing finance may create negative impact on their intention to engage in positive financial behaviour.

Factor 2: Access to Financial Resources, comprising statements such as “I am in financial stress” and “unable to get loans from relatives during emergencies”, reflects limited financial support from society, hence relates to the second component of TPB. Based on TPB, it can be argued that if an individual believes he has limited financial support from society, it negatively affects his intention to manage the money well. The HHs curtail their expenses as they are forced to live within their own means, as they cannot fall back upon the social support systems in times of emergencies.

Factor 3: Financial behaviour reflecting Coping Strategies, based on statements such as “curtail essential expenses to repay debt” (with a positive loading) and “I have an emergency fund” (with a negative loading), relates to the two components of TPB: attitude and perceived behaviour control. These two statements reflect a positive attitude towards financial responsibility. “Curtail essential expenses to repay debt” (with a positive loading) suggests that people who manage debt repayment by cutting expenses may lack an emergency fund. HHs with a proactive outlook are more likely to adopt such strategies, enhancing resilience. In this analysis, we obtained a negative score for “I have an emergency fund”, suggesting that people who actively manage their debt are not likely to have an emergency fund or savings.

5. Conclusion

Conceptualising the financial resilience of HHs in the context of TPB highlights their adaptive behaviour amid the pandemic-induced financial shock. Extraction of factors through factor analysis reveals the financial constraints faced by HHs in the post-COVID era. Struggles to meet expenses, mounting debt obligations, and insufficient social support systems to manage financial stress have forced these HHs to adopt various coping strategies, such as curtailing expenditures and reducing savings, to meet their debt repayment responsibilities. This definitely indicates the HHs' adaptive behaviour in managing financial shocks. Positive behaviour to manage financial shocks stemming from a positive attitude to financial responsibility shall make these HHs resilient in the long run.

Adaptive behaviour on the part of the HHs is warranted in the context of financial struggles and insufficient social support to surmount the crisis. Considering this scenario, the onus lies on the government to support vulnerable HHs to ensure stable incomes and secure jobs. This makes these HHs competent to weather financial shocks without resorting to curtailing essential expenses or reducing emergency funds. Fiscal spending on employment-generation programmes is a proactive policy option to minimise the adverse implications of financial shocks, such as job losses, falling incomes, and mounting debts.

There is ample scope for a comparative study of the financial resilience of HHs receiving fiscal support compared with those without such institutional handholding.

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