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Materialism, Health, and Social Pressures: A Review of their Impact on Financial Well-Being

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ABSTRACT

This research paper explores the critical role of lifestyle factors and social pressures in shaping financial well-being, throwing light on the interplay between financial preferences, long-term well-being, life satisfaction, and social outcomes. This research paper uses an integrative approach to explore how specific lifestyle choices and external societal pressures influence financial decision-making, leading to either alignment or misalignment with sustainable financial practices. Findings of this study suggest that lifestyle factors, including consumption habits, peer influence, and social norms, significantly affect financial well-being. Simultaneously, social pressures—rooted in status-seeking behavior and societal expectations—exacerbate financial strain by encouraging unsustainable financial choices.

An important insight from the study reveals that misaligned financial preferences, often driven by immediate gratification and external validation, adversely impact long-term financial stability, lowering the life satisfaction. These misaligned preferences also propagate negative social outcomes, such as strained relationships and reduced community engagement. This research emphasizes the importance of fostering awareness of the broader implications of financial choices, advocating for a shift towards financial literacy and mindfulness to mitigate the detrimental effects of lifestyle-induced financial behaviors.

By addressing the interconnected dynamics of lifestyle, social pressure, and financial preferences, this paper contributes to a deeper understanding of the multifaceted determinants of financial well-being. It underscores the necessity of promoting financial strategies that align with long-term well-being, ultimately enhancing both individual life satisfaction and societal cohesion.

Keywords: Financial Well-being, Lifestyle Factors, Social Pressures, Long-term Well-being, Life Satisfaction.

Introduction

The concept of financial well-being has been the prevailing area of study in assessing individuals' quality of life because it has a substantial, far-reaching effect on physical health, mental health, and happiness. Financial well-being is more than economic security; it is a state in which individuals manage their money successfully, align their money behavior with long-term goals, and have a sense of confidence and control in making money decisions (Netemeyer et al., 2018; Diener et al., 1999). The prevailing focus on consumerism, coupled with rising social pressures, has the tendency to result in divergent behavior and attitudes away from sustainable financial practices. This divergence creates severe threats to individuals' long-term financial well-being, life satisfaction, and social costs (Lusardi & Mitchell, 2014; Hastings et al., 2013).

Lifestyle Determinants and Economic Well-Being

Lifestyle elements, such as consumption patterns, material desires, and health choices, significantly affect financial well-being. Consumerism and online advertising have led to increased consumption patterns and instant gratification. Research has indicated that those who place more emphasis on material goods tend to have higher levels of financial distress and lower life satisfaction (Richins & Dawson, 1992; Dittmar et al., 2014). For example, Richins and Dawson (1992) pointed out that materialistic individuals tend to overspend and fall into debt, jeopardizing their financial security. In the same vein, Dittmar et al. (2014) stressed the circular pattern of materialism, where people buy products to enhance their self-esteem, only to experience temporary

satisfaction, causing further financial burden. This is corroborated by research conducted by Burroughs and Rindfleisch (2002), which revealed that materialism tends to be associated with lower psychological well-being.

Lifestyle choices relating to health also have a significant impact on financial well-being. Unhealthy behaviors, including smoking, heavy drinking, and poor diets, not only add to the cost of medical care but also reduce productivity and earnings (Grossman, 1972; Xu et al., 2015). Grossman (1972) identified through a study that healthier people would spend more on their human capital, which translates to improved financial performance. Xu et al.'s (2015) more recent research reiterates the connection between health investment and economic payoff, highlighting the importance of policies to promote better lifestyles.

Social Pressures and Financial Decision-Making

Social pressures, embedded in social norms, cultural norms, and peer pressures, significantly influence people's money behaviors. Status-seeking behavior, which are necessarily motivated by the need to signal acceptance and achievement, force people to make money decisions that emphasize short-term social acceptance at the expense of long-term financial success (Veblen, 1899; Kaur & Dhir, 2018). Veblen's (1899) theory of conspicuous consumption exactly captures the situation where people buy luxury goods and services for the sake of attaining higher social status.

The widespread impact of social media worsens these pressures by editing and projecting idealized lifestyles. Research, including that by Kaur and Dhir (2018), shows that social media users tend to feel pressured to replicate the lifestyles of influencers and peers, leading to reckless spending and financial strain. In addition, cultural expectations of milestones—such as weddings, homeownership, or education—tend to influence financial behaviors (Scott et al., 2020; Berger & Heath, 2007). These social benchmarks can cause individuals to go into debt or make less-than-optimal financial decisions in the pursuit of perceived social acceptance. Research by Scott et al. (2020) further emphasizes how social benchmarks affect financial behaviors, especially among younger generations.

The Gap Between Financial Preferences and Long-Term Well-being

Financial decisions tend to defy long-term happiness due to cognitive biases, poor financial literacy, and extrinsic motives (Kahneman & Tversky, 1979; Laibson, 1997; Lusardi & Mitchell, 2014). Behavioral economics is replete with explanation of this deviation. Kahneman and Tversky's (1979) theory of prospect explains how individuals' loss aversion leads them to prefer current payouts over future payouts. Similarly, the theory of hyperbolic discounting, examined by Laibson (1997), explains that individuals have a very high preference for current consumption compared to future savings, and thus financial planning becomes useless.

Financial illiteracy widens the problem. Lusardi and Mitchell (2014) argue that individuals with weak financial literacy have lower chances of retirement planning, making sound investment decisions, or managing debt in an effective way. This ignorance usually manifests itself in actions that destroy long-term success. The excessive expenditure of discretionary items, for instance, or the failure to save against emergencies can instill financial exposure during economic depression or unforeseen circumstances (Hastings et al., 2013; Thaler & Sunstein, 2008). Hastings et al. (2013) provide evidence for these results by citing the occurrence that programs designed to enhance financial literacy can have a significant impact on long-term financial performance.

Impact on Life Satisfaction and Societal Outcomes

Incompatibility between long-term happiness and financial objectives has far-reaching effects on social achievement and life satisfaction (Diener et al., 1999; Netemeyer et al., 2018). Financial concern, generally generated through unfavorable financial behavior, is a robust predictor of mental distress and poor quality of life. Netemeyer et al.'s (2018) research highlights the two-way relationship between life satisfaction and financial well-being, demonstrating that financial hardship may enhance feelings of inadequacy and reduce global happiness. The findings are in line with previous work by Diener et al. (1999), which proved financial security to be a robust predictor of subjective happiness.

The ripple effects of financial ill-being have social consequences. Tightened financial means tend to limit people's capacity to engage in social activities, help friends and family, or give back to their communities. This isolation not only has consequences for interpersonal relationships but also erodes social cohesion (Wilkinson & Pickett, 2009; Putnam, 2000). Wilkinson and Pickett's (2009) studies show that societies with more financial inequality tend to have lower levels of trust and social capital, highlighting the interdependence of financial well-being and social harmony. Putnam's (2000) research also points to the erosion of social capital related to financial hardship, further reinforcing the social consequences of financial insecurity.

Integrating Lifestyle and Social Dimensions in Financial Well-Being Research

In more recent research, there is more acknowledgment of taking a complete strategy to financial welfare that takes both lifestyle and social factors into account. Experts agree that advancing the cause of financial literacy will give people the skills to make more informed financial choices that they know will stick long-term (Thaler & Sunstein, 2008; Lusardi & Mitchell, 2014). Initiatives that use combinations of financial instruction and behavior improvement interventions like goals and commitment aids have promise as a financial health improvement aid (Hastings et al., 2013; Laibson, 1997).

In addition, appreciation of the impact of social pressures on money matters should be developed. Allowing people to adopt conscious consumption and to resist social pressures can mitigate the adverse consequences of status-seeking consumption. Community-based financial planning and peer support group programs have been proven to enhance financial well-being by creating environments focused on shared progress and not on personal competition (Berger & Heath, 2007; Wilkinson & Pickett, 2009). Berger and Heath's (2007) research also determines the role of social dynamics in shaping consumption patterns, demonstrating the effectiveness of community-oriented initiatives.

Results and Discussion

The literature's findings imply that financial well-being is a complex idea impacted by a range of lifestyle decisions, cognitive biases, social pressures, and information gaps rather than a single conclusion. We go into greater detail about these factors and how they affect life satisfaction, long-term financial stability, and other social outcomes below.

1. Materialism and How It Affects Financial Security

Financial well-being is constantly negatively impacted by materialism, which is defined as the value placed on material items as a way of gaining satisfaction. According to studies, people who have materialistic tendencies frequently take part in activities that result in excessive spending, debt accumulation, and a lower quality of life (Richins & Dawson, 1992; Dittmar et al., 2014). Materialism causes people to place more value on consuming to gain prestige than on long-term financial stability.

Table 1: Materialism and Its Impact on Financial Well-Being

Study	Materialism Impact	Financial Consequences	Psychological Well-Being	Notes
Richins & Dawson (1992)	Positive correlation	Overspending, higher debt	Lower life satisfaction	Materialistic individuals experience higher stress
Dittmar et al. (2014)	Cyclical consumption pattern	Financial strain, cyclical debt	Transient satisfaction, lower well-being	Materialism is self-perpetuating, with temporary satisfaction leading to more debt
Burroughs & Rindfleisch (2002)	Negative correlation	Increased financial stress	Lower psychological well-being	Materialism negatively impacts mental health

Discussion: Talking about how materialistic beliefs push people to buy things for the moment in order to meet their emotional demands, which creates a vicious cycle of debt and unstable finances. The transient joy that comes from material belongings frequently leads to more spending in an attempt to maintain that momentary sense of pleasure. Promoting beliefs that place a higher priority on sustainable financial practices than material consumption is crucial because this behavior leads to long-term financial instability and poor mental health.

2. Health-Related Lifestyle Decisions and Financial Welfare

Lifestyle habits associated with health also have an important influence on a person's financial outcomes. Unhealthy behaviors like smoking, heavy drinking, and poor diets not only contribute to higher health care expenses but also decrease the potential to work, which causes reduced earning capacity and a decreased quality of life (Grossman, 1972; Xu et al., 2015). Health is not a personal issue only; it also has wider economic implications.

Table 2: Health-related Lifestyle Choices and Financial Outcomes

Study	Health Behavior	Financial Consequences	Long-term Outcomes
Grossman (1972)	Smoking, excessive alcohol	Increased medical expenses	Lower income, reduced work capacity
Xu et al. (2015)	Poor diet, lack of exercise	Higher healthcare expenditures	Chronic illness leading to poorer financial outcomes
Cutler et al. (2006)	Sedentary lifestyle, poor diet	Increased healthcare costs, lower income	Poorer overall financial security

Discussion: Health investment is critical for ensuring financial welfare. Illness not only generates greater direct healthcare expenditure but also affects one's capacity to pursue productive work. Therefore, healthier people are well placed to earn income, accumulate savings for the future, and mitigate financial risk. This puts a spotlight on public health strategies that encourage healthy behavior as an economic strategy that will improve financial welfare in the long term.

3. Social Pressures and Financial Decision-Making

Social pressures, based on societal norms, cultural expectations, and peer pressure, significantly impact financial decision-making. The need for status and social acceptance tends to motivate people to make financial decisions that favor short-term gains, like luxury spending, at the expense of long-term financial security (Veblen, 1899; Kaur & Dhir, 2018). The influence of social media, in specific, enhances this need for social comparison, compelling people towards impulsive consumption.

Table 3: Influence of Social Media and Societal Norms on Financial Behavior

Study	Social Pressure/Media Influence	Financial Behavior	Financial Consequences	Psychological Impact
Kaur & Dhir (2018)	Pressure to emulate influencers	Impulsive spending, compulsive buying	Debt accumulation, financial stress	Increased anxiety, lower self-esteem
Veblen (1899)	Desire for status and social acceptance	Overspending on luxury goods	Reduced long-term financial health	Social comparison leading to stress
Scott et al. (2020)	Cultural milestones (weddings, homes)	Incur debt to meet societal expectations	Financial strain, unwise investment	Pressure to conform reduces financial security

Discussion: Social pressures, having been passed through social media or cultural norms, can lead individuals to choose social approval over fiscal prudence. The pressure of maintaining the so-called norms of success can lead individuals to take ill-advised financial decisions that jeopardize long-term security. Knowledge and information on the actual cost of such behavior, and promoting fiscal literacy, can lower the adverse effects of societal pressures.

4. Cognitive Biases and Financial Decision-Making

Cognitive biases, loss aversion and hyperbolic discounting, are particularly prominent in influential impacts on financial decisions. The biases lead individuals to value present enjoyment and current consumption over future savings and long-run investments (Kahneman & Tversky, 1979; Laibson, 1997). Such differences between the current and the future lead to unsound financial planning and a lack of planning for retirement or contingencies.

Table 4: Cognitive Biases and Their Impact on Financial Well-Being

Study	Cognitive Bias	Financial Behavior	Financial Consequences
Kahneman & Tversky (1979)	Loss aversion	Avoiding financial risks, procrastination	Failure to invest for the future
Laibson (1997)	Hyperbolic discounting	Prioritizing short-term consumption	Low savings, poor retirement planning
Thaler & Sunstein (2008)	Status quo bias, inertia	Failure to make changes in financial behavior	Inability to reduce debt, low savings growth

Discussion: Cognitive biases heavily compromise financial decision-making by leading people to overestimate short-term rewards and underestimate long-term rewards. Interventions lowering these biases, like automatic savings plans or commitment devices, have been found to get people to make improved long-term financial decisions. Knowledge of these biases is required to enhance financial behaviors and outcomes.

5. Financial Literacy and Its Role in Financial Well-Being

One of the most critical drivers of financial well-being is financial literacy. Those with greater financial literacy are more capable of financial management, retirement planning, and debt avoidance. Conversely, those with low financial literacy are more apt to make financial mistakes that work against their long-term stability (Lusardi & Mitchell, 2014; Hastings et al., 2013). Financial literacy programs have shown great potential to enhance financial performance, especially when combined with behavioral interventions.

Table 5: Financial Literacy and Long-term Financial Outcomes

Study	Financial Literacy Level	Financial Behavior	Long-term Impact
Lusardi & Mitchell (2014)	Low	Poor retirement planning, high debt	Increased financial vulnerability
Hastings et al. (2013)	High	Smart investment, long-term savings	Improved financial security, better retirement outcomes
Thaler & Sunstein (2008)	Medium to high	More mindful saving and investment	Greater financial independence and stability

Discussion: Financial literacy is a strong predictor of the ability of a person to make sound financial management. Educating people on key financial issues, such as budgeting, saving, and investing, is capable of reducing the negative effect of biases and poor financial decisions. The integration of financial education and behavioral interventions is capable of empowering people to make better decisions that are in alignment with their long-term financial goals.

Integrating Lifestyle and Social Aspects into Research on Financial Health

Current studies emphasize the need to combine both lifestyle and social factors in explaining financial well-being. Financial literacy is not enough if people are socially pressured all the time or have poor habits. Policies and interventions to enhance financial well-being must thus encompass a holistic approach that addresses not just financial knowledge but also promotes healthy lifestyle habits and resists social norms of consumption.

Conclusion:

The interplay among materialism, health behavior, social forces, cognitive tendencies, and fiscal literacy constitutes the complex setting within which financial health is attained or not. Such a disconnect between individuals' fiscal behaviors and sustainable financial well-being can be addressed through a collaborative effort of fiscal education, behavior interventions, and public policies that promote better lifestyles and good fiscal behavior. Hence, there is a requirement for a totalistic approach to financial well-being, one that addresses both individual drivers and societal setting, to make an impact to financial outcomes as well as quality of life.

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