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Synthesizing the relationship between political instability, consumer confidence, and households' financial behaviour: An interdisciplinary review and future research agenda

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Abstract

Research on political instability(PI), consumer confidence(CC), and households' financial behaviour despite their interdependence, have almost evolved independently and with only limited reference reciprocally. Such a state is surprising considering that in all fields, a similar phenomenon is studied, using complementary theories and conceptualizations. This development in silos creates a superfluous obstacle for the evolution of a common discipline. We address this by conducting an inter-disciplinary systematic review of the relevant literature, aiming to form a foundation of a broad and unified discipline studying multi-faceted households' financial behaviour. Drawing from the insights identified through the review and analysis of interdisciplinary literature, we draft an integrative theoretical framework that defines the relationship between PI, CC, and households' financial behaviour and research propositions. Further, the review process guides us to the identification of future avenues of research with regard to Household/consumer behaviour from a marketing, finance, and economic perspective.

Keywords: Political instability, Consumer confidence, Households' financial behaviour, Systematic literature review, Integrative framework.

1. Introduction

"*In times when consumer behaviour is more and more driven by political ideology (Jung & Mittal, 2020), it becomes inevitable and unavoidable to focus more on the political implications and households' behaviour."*

Over the years, a swell of interest has grown among researchers and practitioners pertaining to the role of unstable events like that of political instability (PI) and its impact on consumer confidence (CC), and households' financial behaviour literature. There is a considerable accumulation of knowledge (both empirical and theoretical) in PI, CC, and household behaviour. These streams though, studied separately, seem to study a similar phenomenon and are studied, using complementary theories and conceptualizations. Interestingly, despite their same focal point, all three streams have almost developed independently and the reference is reciprocally limited. We aim to fulfil this gap by heedfully analysing how the knowledge in one field can be extended to another. Our work highlights that the interdependence of these three fields seems to be a strongly emerging field of study in economics, finance, consumer behaviour, and marketing fields.

The notion that PI affects households' financial behaviour is well established in microeconomic theory (Giesing & Music, 2019; Khan et al.,2015; Bayer et al., 2019). Over the years, major politically destabilizing events have proved to be an important factor in shaping households' financial decision-making processes (Büttner et al., 2021) which have a direct causal link with the deterioration of overall economic growth (Barro, 1996; Alesina et al., 1996). PI adversely affects the household's income and non-income variables (Giesing and Music, 2019). This is because it affects their trust in the economic system and social capital which ultimately lowers the consumers' confidence. These force a change in the economic and financial behaviour of households and individuals (Jakiela & Ozier, 2019; Wu & Zhao, 2022). Low CC due to political uncertainty (Vuchelen, 1995) reduces households' resilience to shocks to a great extent and increases the usage

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of socially available safety nets and access to basic services (Brücket al., 2019). This decline in demand caused by the change in household behaviour leads to a decrease in production and total wealth (Bloom et al., 2007). This was also evident from a study on some of the African economies where declining demand led to sluggish growth (Campos and Nugent, 2002). Various studies have shown that CC is the mechanism that leads to changes in household behaviour (Dragouni et al., 2016; Benhabib and Spiegel, 2019; Dees and Brinca, 2013; Singal, 2012). While, several authors have established that CC does not have any profound impact on household consumption (Claveria et al., 2007; Cotsomitis and Kwan, 2006; Croushore, 2005; Fan & Wong, 1998). So from a general perspective, results largely remain mixed (*see Table 4*).

Households' financial behaviour is usually determined by a nexus of cultural, demographic, social, economic, and political factors. Any change or instability in any of these factors affects their psychological, cognitive, and emotional state which in turn can trigger uncertainty in the minds of these people leading to a behavioural change that has a varied impact on the economy as a whole. So it becomes imperative to focus on the financial behaviour of households during periods of uncertainty. Major political events, like the US presidential election in 2000, the infamous 9/11 attack, and the Arab Spring had a significant impact on consumer behaviour (Aaberge et. al., 2017; Giesing and Musić, 2019). For example, retail sales dropped by over 2.5% in the United States during 2001(the year of the terrorist attack). Therefore, there is enough evidence from the literature that shows that uncertain political shocks have substantial negative economic and financial impacts along with changes in household behaviour.

To date, research on PI, CC, and household financial behaviour has been mostly examined on their respective disciplines, with an only limited investigation of the relationship between the three constructs. Nevertheless, a lot could be gained by the integration of these disparate disciplines and identifying the mechanism involved. Here is where this paper contributes. By taking an integrated approach, we aim to contribute in the following ways; First, in consistent with Fournier and Alvarez (2013) who called for cross-level integration, we aim to integrate the existing literature on the aforementioned fields by formally benchmarking their advances on particular topics. Second, from the analysis, we identify the key conceptualizations and the psychological mechanism involved. Here is where we identify CC as the major mechanism which mediates the relationship between PI and household financial behaviour. Third, based on findings from the literature, we develop an integrative framework that defines the relationship between PI, CC, and household financial behaviour and the mechanism involved. Fourth, based on the detailed investigation of the literature, we highlight the future avenues of research. This review is aimed to aid business consultants, marketing researchers, and practitioners in comprehending the impact that PI can have on their business more accurately and accordingly formulate the appropriate marketing strategies. In addition to this, this review provides a more holistic understanding of the PI, its components, and its impact on households behaviour which should assist governments and policy-makers to design some appropriate policies for people to quickly cope up in such situations or approaches to curb such phenomenon

As our aim was to include the empirical as well as the conceptual articles majorly published in political science (consequences of PI), CC research, and household behaviour (including marketing, consumer behaviour, economics, and finance), two well-known approaches (i.e. meta-narrative analysis by Tranfield, 2003; and (the systematic review; inclusion/exclusion criteria by Smart et al., 2017) were combined to furnish this synthesis of the literature. But before doing so, we first provide a brief discussion on PI, CC and provide a short overview of households' financial behaviour.

1.1. Political instability

There is enough evidence from the literature on political instability having a crippling effect on the economic progress of a nation (Gupta, 1990; Barro, 1991; Alesina et al., 1996; Campos and Nugent, 2002). A stable political environment plays a pivotal role in the economic progress and development of a nation. In the words of Lipstel (1959) "a country is considered to be stable if it has been liberal and a consistent democracy or dictatorship for 25 years". However, in this contemporary world, new politico-economic schools of thought have emerged, so have the new forms of PI and approaches to define and measure it. Some have defined it as the instability in the executive organ of the government (e.g. Özler and Tabellini, 1991;

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Alesina & Perotti, 1996). For example, Alesina & Perotti (1996) showed that the perception of government's stability had a negative correlation with GDP growth, investments, unemployment level, income, and the overall working of an economy. However, the majority of the studies in the literature see PI based on some of the basic indicators (refer to table 3) of social unrest or violence (For example, Giesing & Musić, 2019; El-Mallakh et al., 2018). Based on these identified indicators, we define PI "as the serious failure or breakdown of the social law and order which leads to social unrest or violence".

1.2. Consumer confidence

Consumer confidence is defined as "a psychological construct that measures customers' perceptions about their recent and future financial situation and economic climate" (Ou et al., 2014). This definition implicitly distinguishes between individuals' personal finances and the national economy but literature has considered consumer confidence a universally treated singular construct, both conceptually and operationally (e.g., Hampson et al., 2018; Ou et al., 2014). In recent times, there have been studies aiming to explicitly define CC as a plural construct rather than a singular construct. For example, Hampson et al., (2020) were the first to propose a distinction between two types of consumer confidence i.e. *national consumer confidence* (as an individual's perception of the recent and future macroeconomic climate) and *personal consumer confidence* (an individual's perception about changes in their recent and future personal financial situation). Others have seen CC be majorly influenced by consumers' personal finances and the economic environment (Ferrer et al., 2016; Li et al., 2017) which ultimately influences the overall household financial behaviour in an economy. Therefore, CC is about consumer perception of macro and personal financial situations, which is similar to consumer expectations in economics but it is different from self-efficacy (individuals' belief in their capacity) used in psychology and business journals. Consequently, CC can be defined "as the consumer belief about the general economic conditions and his own present and future financial strength". A detailed review of the literature on CC and its implications on household/individual behaviour is presented in section 4 of this paper.

1.3. Household financial behaviour

Deacon and Firebaugh (1988) defined household financial behaviour as the performance of behaviours regarding planning, implementing, and evaluating decisions associated with cash, credit management, investments, insurance, and retirement planning. According to Xiao (2008), financial behaviour is defined as "any human behaviour that is relevant to money management" commonly including cash, credit, saving, and investment behaviours. Financial behaviour consists of tools like financial statements, savings accounts, debt instruments, and mortgages (Schuchardt et al., 2007). It has been defined disparately in the extant literature. For example, some have defined it as a set of behavioural components, such as budgeting, cash flow management, consumption, savings, investment, borrowing, or insurance (Grable and Joo, 2000; Dew and Xiao, 2011). On the other hand, studies focusing on the family financial management among couples have defined household financial behaviour as income allocation within the household: pooled income or separate income, or household allowance (Pahl, 1989). Therefore, literature shows a diverse conceptualization of household financial behaviour, commanding a unified and more robust definition of household financial behaviour. Based on the literature review, we define it "as the behaviour exhibited in multi-dimensional financial matters like spending, saving and investing". This definition covers almost all the dimensions of the household financial behaviour identified in the literature. Moreover, literature also shows that a favorable financial behaviour leads to consumer well-being and unfavorable financial behaviour leads to financial stress (Goyal et al., 2020).

The remaining portion of this paper is organized in the following manner. Section 2 presents the methodology used for conducting the literature review. Section 3 carries the general characteristics of the review. This is followed by the analysis of the dimensions identified in section 4, which presents the overarching insights from the findings. Section 5 details and describes the integrative theoretical framework developed which defines the relationship between the three variables and research propositions to guide future research directions. Section 6 carries a discussion of future gaps identified. We conclude with academic and practical contributions in section 7.

2. Review methodology

Our systematic literature review, research scope, and questions along with the inclusion/exclusion criteria were developed after an initial assessment of the literature which led to formulation of three research questions; RQ1) What are the consequences of PI at the micro-level, in particular at the household level? RQ2) What is the psychological mechanism involved? and RQ3) What are the theoretical foundations?

To answer these research questions, we explored the different forms of systematic literature reviews. The influential work done to explore and familiarize the different forms of the systematic literature review are – structured reviews focusing on widely used methods, theories, and constructs (Rosado-Serrano et al., 2018, Paul and Singh, 2017); Framework based (Paul & Benito, 2018), hybrid (Narrative with a framework) for setting future research agenda (Paul and Singh, 2017), theory-based review (Paul, 2019), meta-narrative analysis (Tranfield, 2003), bibliometric review (Randhawa et al, 2016), the systematic review; inclusion/exclusion criteria (Smart et al., 2017) and review aiming for model/framework development (Paul and Mas, 2019, Paul, 2019).

As our aim was to include the empirical as well as the conceptual articles majorly published in political science (consequences of PI or uncertainty), CC research, and household behaviour (including marketing, consumer behaviour, economics, and finance), two well-known approaches (i.e. meta-narrative analysis by Tranfield, 2003) and (the systematic review; inclusion/exclusion criteria by Smart et al., 2017) were combined to furnish this synthesis of the literature.

First, considering that *CC and household financial behaviour* have a plethora of research studies with researchers from economics, marketing, and finance heavily interested in it, we implemented a meta-narrative approach (Tranfield, 2003). The approach helps in reviewing those topics which are conceptualized and studied independently by researchers from different fields. This method aids in reviewing topics that are complex in nature and identifies the robustness and limitations of the research approaches. This review methodology is also identical to that of Hogreve and Gremler (2009). Second, while analysing the *impact of PI on household financial behaviour*, the articles were selected with the help of a documented research strategy and the inclusion/exclusion criteria (Smart et al., 2017). The major benefits of this systematic and explicit method are that bias is minimized to a great extent, giving reliability of findings from which conclusions could be derived. Further, it assists in determining if there is a constant effect across studies and accordingly identifies the future research directions. The search strategy is briefly explained in sections 2.1 and section 2.2.

2.1. CC and household behaviour review methodology

First, the usual online database searches took place in ScienceDirect, EBSCOhost and Scopus (the databases where the plethora of CC literature is found). Domain experts from the relevant fields were consulted in order to snare the various conceptualizations, the key role of CC, and generate the relevant search terms to be used. This resulted in the following key terms: “consumer confidence” “consumer sentiment” and “consumer expectations” and the impact on household/individual behaviour/consumer behaviour/demand/consumption.

A huge number of articles were retrieved from the initial search. For example, “CC” showed 5612 results on ScienceDirect and 1712 on Scopus (a search without any limitations). Our focus of the review was not to include all the articles ever published but to capture the role of CC in households’ financial behaviour and the different conceptualizations used to study this phenomenon. As the number of retrieved articles was very large, we only included the peer-reviewed scientific journals published in English, the most cited articles along with some recent works on CC. This helps to capture key references and conceptualizations, and their development or modification over time. The search strategy was further supplemented by including some important references that fit the criteria from the identified journals as suggested by Hogreve & Gremler (2009). The final list of selected articles was 36 which were then read in detail.

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2.2 PI and household behaviour review methodology.

To sum up, the studies conducted on PI and its impact on household behaviour, we systematically reviewed the literature by searching for relevant academic papers from the following three databases; ScienceDirect, Scopus, and Ebscohost. Field content limitation, document type, and the time limit were not considered except for selecting “English” as the language. The search was last conducted in December 2023. The keywords used for search terms are in Table 1.

Table 1. Keywords used for search (political instability and household behaviour)

Keywords	ScienceDirect	Scopus	Ebscohost
“political instability” AND “household/s”	3069	81	69
“political instability” AND “household behaviour”	49	20	01
“political instability” AND “consumer demand”	258	Nil	Nil
“political uncertainty AND “household/s”	707	117	43
“political uncertainty” AND “household behaviour”	18	01	01
“political uncertainty” AND” “consumer demand”	79	08	01
“political unrest” AND “household/s”	803	17	07
“political unrest” AND “household behaviour”	04	Nil	Nil
“political unrest” AND “consumer demand”	64	01	Nil
Total	5051	246	122

For inclusivity and to harness variety in the knowledge base, the relevant criteria were initially guided by our research problem. As the main focus was to search for all the documents relating to PI and household behaviour, two initial extensive searches were performed, as shown in Table 1. Results generated by this exercise were numerous but lacked relevance for our study. This is because both the terms, “PI” and “household” are too generic in nature. To overcome this irrelevance and vagueness, we opted for more restricted strings. In order to make this systematic literature review more inclusive and transparent and to overcome the problems of searches in social science, we adopted the criteria selection (Smart et al., 2017). The total searches on ScienceDirect, Ebscohost, and Scopus databases led to 5399 results with 5051, 226, and 122 from each of the databases, respectively. ScienceDirect database carries a high number of social sciences journals which includes some relatively unknown journals but also has a large number of highly reputable social science journals (such as World development, Journal of Business Research, International Journal of Consumer Studies, Journal of Economic Growth, American Economic Review, etc.). Scopus, one of the largest bibliographic databases, covers the grey literature along with social science and allied fields. Ebscohost is also known for publishing in social science disciplines. The benefit of these databases is that they allow for more sophisticated searching. Additional records from other sources like Google Scholar showed 17 results. After shrinking the process based on irrelevance, title, and duplicates, total documents were reduced to 134. After further exclusion based on the abstract review, the final list was reduced to 48 articles. Detailed criteria for selection are shown in Fig 1.

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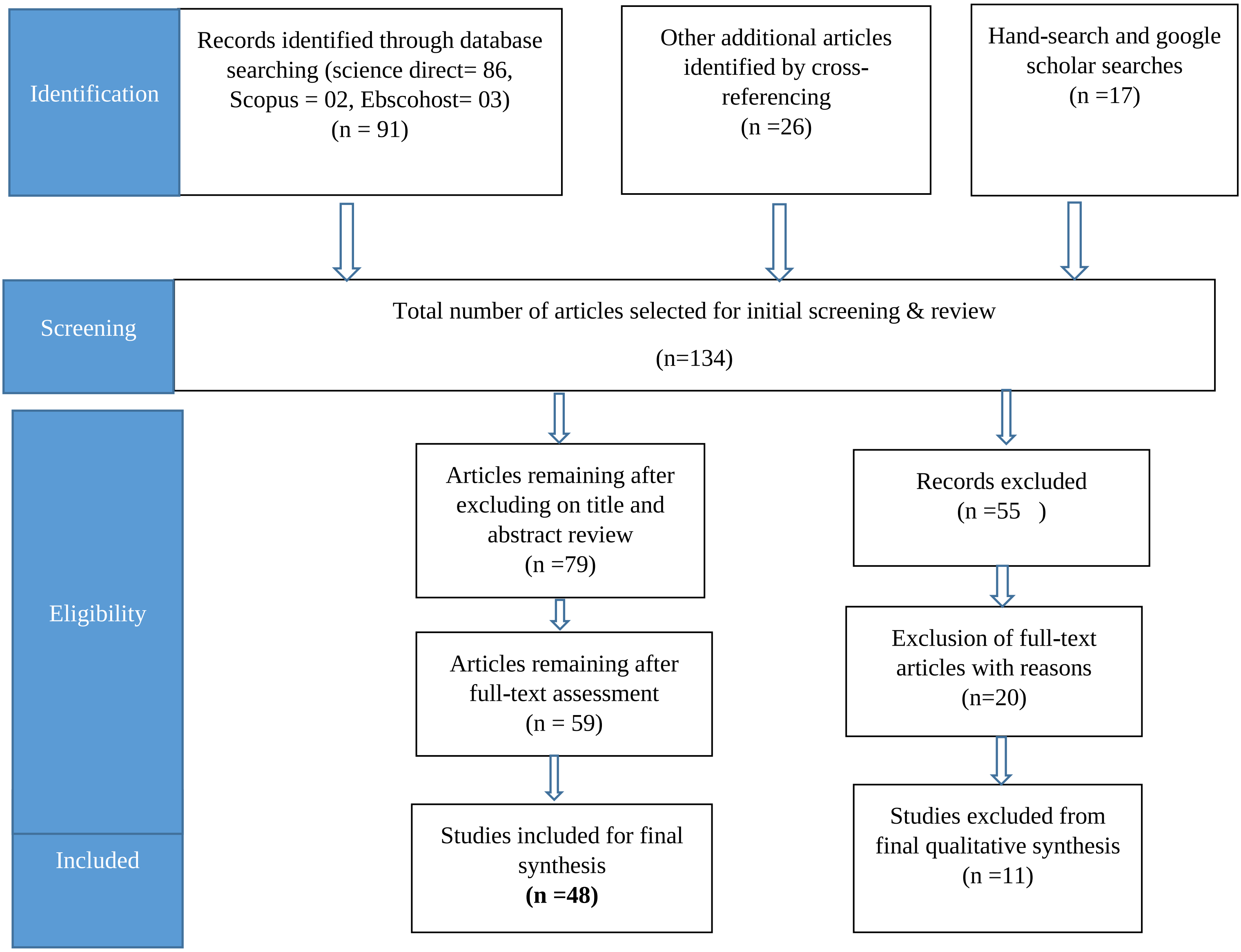

Fig. 1. Search criteria for PI and household financial behaviour (adopted from Smart et al., 2017)

3. General characteristics of studies

3.1. Year of publication

The combined final list of 84 articles (36 + 48) shows that these related disciplines have gained more attention in the previous decade as shown in Fig 2. The shift of focus toward these fields has been even more from 2017 onwards. This trend can be explained by the fact that the PI has been a recurring phenomenon all over the world from 2010 onwards and is being internationally recognized as one of the crucial factors affecting the households' psychological constructs like CC leading to change in financial behaviour.

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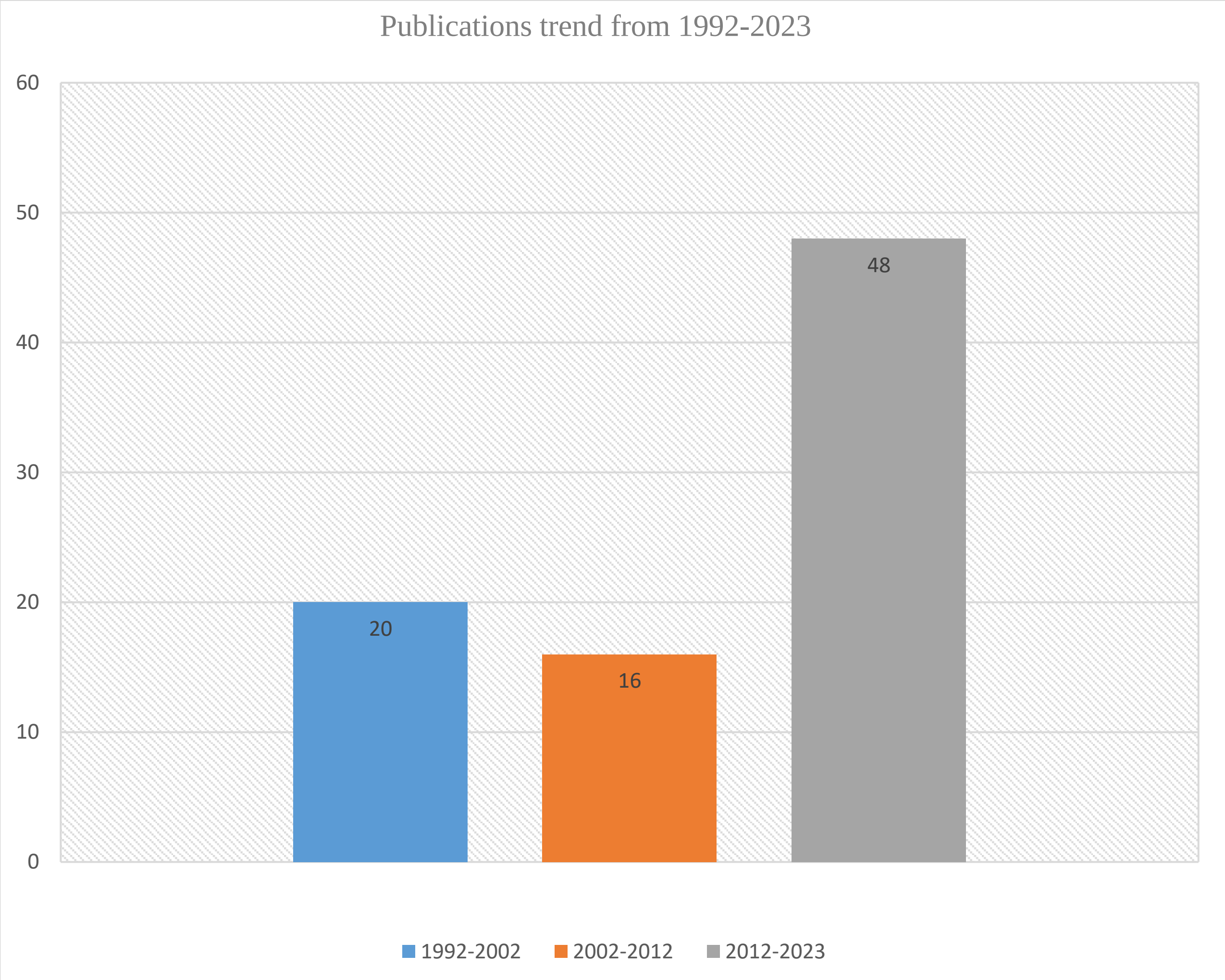

Fig. 2. Historical publications trend by decades

3.2. Journals

The articles reviewed in this study are extracted from a range of top-rated journals. We have a total of 124 references in this review article. Fig 3 depicts that most of the articles were published in peer-reviewed and top scientific journals and the remaining were taken from the publications of various international organizations and reputed publishing houses like the World Bank, Procedia economics and finance, Wiley and sons, and the National Bureau of Economics, for the significance of their contribution to the literature. Besides, we see the journal diversity of these fields being studied and published in, (e.g. Journal of Business Research from a general business perspective, International Journal of consumer studies from a consumer behaviour perspective, American Economic Growth, and Journal of Economic Growth from economics perspective, Journal of Retailing from marketing perspective, World Development and Journal of Political Economy from political science perspective and Journal of Financial Economic from finance perspective). This diversified journal publication also highlights the importance of understanding the relationship between PI, CC, and household behaviour and advocates our objective of conducting an integrated review.

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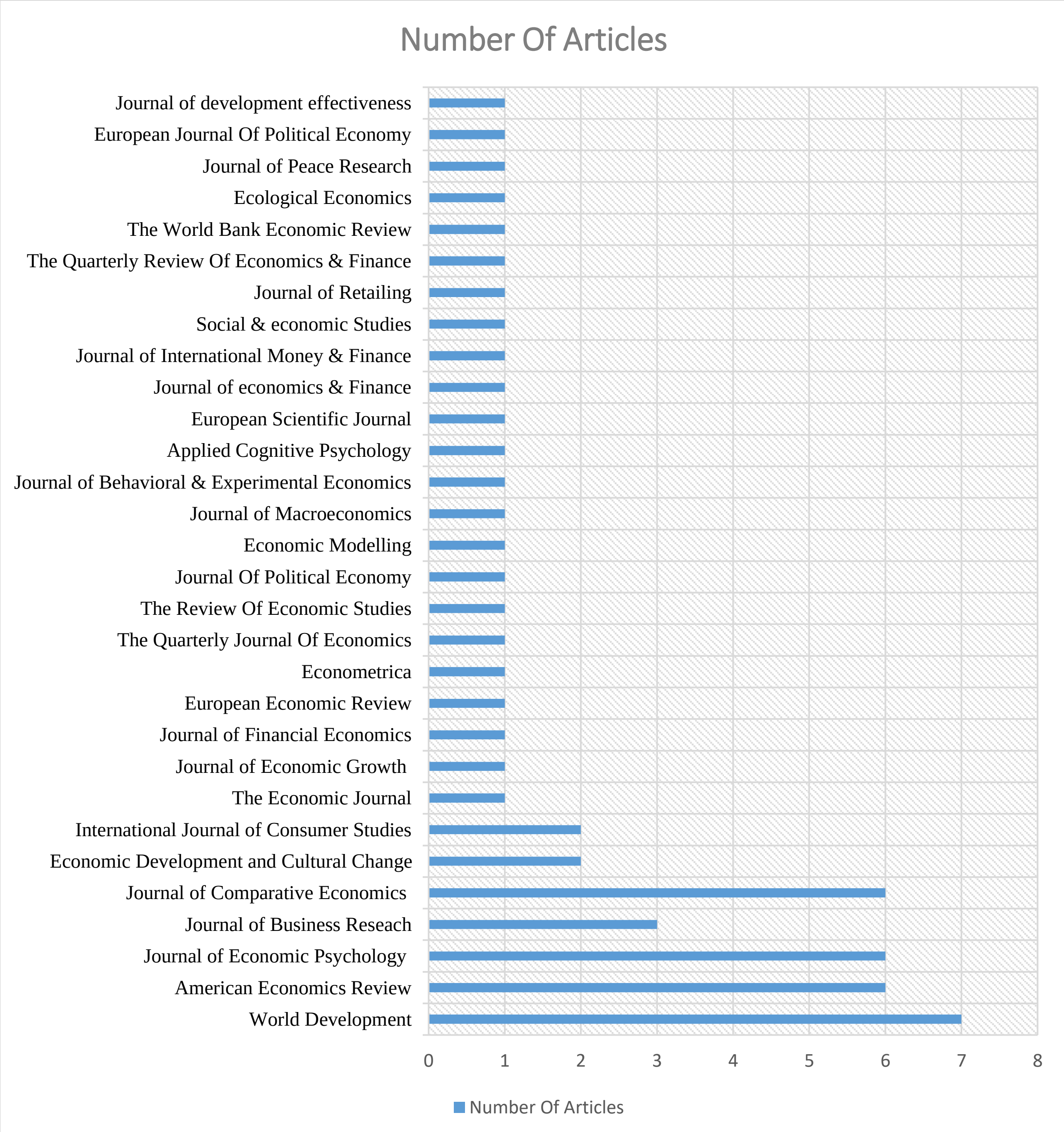

Fig. 3. Journals

3.3. Dimensions identified

The identified dimensions from the literature have a close resonance with the research questions formulated for the present study research. The "Behavioural outcomes dimension'' helps to answer (RQ1) by clarifying the consequences of PI on households. The dimension of "psychological mechanism involved; role of CC" addresses (RQ2) and (RQ3) is understandably addressed "the theoretical foundations".

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4. Dimensions discussion

This section provides a detailed discussion on the dimensions identified by conducting an inter-disciplinary systematic review of the relevant literature, aiming to form a foundation of a broad and unified discipline studying multi-faceted households' financial behaviour. We identify three major dimensions: behavioural outcomes, the psychological mechanism involved, and theoretical foundations. Before explaining these dimensions, it is important to fully understand the phenomenon of PI because, it is argued that "PI" used as a variable is measured with error (De Haan, 2007). In such a scenario, the reliability of the obtained results is severely affected. Therefore, we first tabulate and provide a brief discussion on the measures and dimensions of PI, shedding some light on the various interpretations of the phenomenon.

4.1.1. Measures of political instability

Despite several instances of the political instability of various intensities all across the world, academia is yet to arrive at a comprehensive and consensual measure of the term "political instability". This is primarily because of its different forms and variations across time and location. The measures used in the literature so far are compiled and presented in Table 2.

Table 2. Measures of political instability

Measures	**Description**	**Source**
Socio-political index (SPI)	The Sociopolitical Instability (SPI) constructed the index (using principal component analysis) based on the indicators like number of politically motivated assassinations, number of killings in domestic mass violence (killings divided by total population), number of successful coups and unsuccessful coups. Further a categorical variable (0 for dictatorship, 1 for democratic). This index measures the overall, average political instability by country for the period 1960-1982.	Alesina and Perotti (1996)
1% decay index: Political Instability (PI) as a decaying factor	This index is based on the data from New York Times assembled by Banks (2005). It collects data by counting any rapidly developing situation that threatens to bring the downfall of the present regime. On this data, a moving index with a 1% annual decay rate is applied. The decay index takes the current year's observation of political instability from Banks' data, adds to that .99 of the prior year's instability observation, then adds .992 of the observation from two years prior, then adds .993 from three years prior, and so on for all available annual observations of instability from Banks, which go back approximately 30 years for the most recent observations. This measure also used alternative decay rates of 5% and 10%, using analogous constructions.	Banks, CNTS (2005), Roe and Siegel (2011)
Instability measure by IMD	This measure of political instability was developed by constructing an index based on Lausanne-based International Institute of Managerial Development's WCY, averaged annual results (1999-2004) of the business executive surveys.	World Competitivenes s Yearbook (1999–2004)

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Instability measure by World Economic Forum	This measure is based on the Global Competitiveness Report and is indexed by using surveys of business executives asking them about the likelihood of occurrence of political stability in a nation for the subsequent five years.	WEF Global Competitivenes s Report

4.1.2. Dimensions of political instability

The literature suggests that the indicators of political instability should not be studied separately; rather, the best results can be obtained by analyzing them in terms of a smaller number of underlying dimensions (Hibbs, 1973). There have been continuous efforts to unveil the various dimensions of political instability and construct indexes based on those dimensions. Researchers have used discriminant analysis (Gupta, 1990), principal components analysis (Alesina and Perotti, 1996), and logit analysis (Alesina et al., 1996) to construct the indexes. Though these indexes were one-dimensional and they have been widely used. There are ample studies proving political instability to be a multidimensional phenomenon (Hibbs, 1973; Tanter, 1966; Morrison and Stevenson, 1971, Campos and Karanasos, 2008; Jong-A-Pin, 2009). Consequently, the one-dimensional indexes seem inadequate and limited in their applicability while the results obtained and the observations made based on them could be partial and biased. There are some studies that uncovered different dimensions of political instability. The list of dimensions identified in the literature is presented in Table 3.

Table 3. Major dimensions of political instability

References	**Dimensions identified**	**Indicators used for index**
Tanter (1966), Hibbs, (1973)	Turmoil	Riots, General strikes, Anti-government demonstrations
	Internal war	Guerrilla attacks, deaths, assassinations
Morrison and Stevenson, (1971)	Elite instability	Plots, Attempts, Coup d' etat.
	Command instability	Mutiny, Civil War, Rebellion, Ethnic violence, Revolt, Killings, Arrests.
	Mass instability	Riots, Demonstrations, Strikes, Terrorism, Declarations
Campos and Karanasos, (2008)	Formal instability	Frequency of legislative elections, number of constitutional changes
	informal instability	Assassinations, strikes
Jong-A-Pin, (2009)	Politically motivated violence	Political violence, warfare
	Mass political violence	Mass civil protest
	Instability within political regime	Fractionalization, Polarization
	Instability of the political regime	Constitutional changes, Frequency of legislative elections

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4.2. Behavioural outcomes

Whether or to what extent, the political environment affects households' behaviour has gained a huge amount of attention from the researchers. In normal conditions, PI is seen to affect people's trust in the economic systems and social capital which reduces the expectations about future savings and the financial conditions of the household which leads to irrational saving behaviour (Kapounek et al., 2016; Broadway et al., 2019; Białowolski, 2019). This further results in a temporary increase in forced savings and a reduction in consumption among the households (Aaberge et al., 2017; Verwimp et al., 2013). This is normally done by reducing the expenditure on durable and semi-durable goods as a precaution to meet consumption expenditure during uncertainty (Yiannis & Gupta, 1986). The exposed individuals exhibit an increased preference for certainty (Callen et al., 2014). Increased uncertainty leads to a reduction in aggregate demand, as households' preference shifts to assets that are easy to liquidate during instability (Bayer et al., 2019). This is expected to smoothen their consumption. Political shocks thus alter savings behaviour and even though the shocks themselves are temporary, they can potentially have some long-run negative consequences on household or consumer wellbeing. Further, when the macro-level financial behaviour is considered, heterogeneity is obvious and changes in saving behaviour are observed to vary demographically. Men with higher income are found to be more risk-tolerant than women and those having lower household incomes (Giesing & Musić, 2019). Political instability, therefore, is found to increase forced savings (a safety net during uncertain events for households) by reducing consumption while it negatively affects their overall shock resilience capacity and economic welfare (Brücket al., 2019).

The results from the literature suggest that households respond to political shocks through self-insurance, utilization of informal networks, selling livestock, and taking up additional work (Dabla-Norris & Gündüz, 2014;). These behavioural coping strategies aid in recovering more quickly. But such strategies are generally applied to high-intensity shocks (Tran, 2015). These strategies, however, prove to be insufficient in regaining their former welfare level while their inappropriate use sometimes leads to some serious repercussions like long-term indebtedness (Khan et al., 2015). For unforeseen health expenditures, households usually prefer getting assistance from their relatives and close friends as a coping strategy (Nguyen et al., 2020). Some of the most common problem-solving coping strategies identified in the literature are; the selling of durable assets, livestock, use of child labor or use of self-insurance, informal credits, and a decrease in expenditure on health and education. But these strategies may lead to disruption in the accumulation of human capital, affect the overall productivity and perpetuate a vicious circle of poverty (Carter et al., 2007). Carter et al. (2003) showed that a household equipped with social capital could cope with the shocks better.

Public health, health infrastructure, and personal health-related issues are major concerns in low-income and/or developing economies. People in these countries lack access to basic health facilities because of several possible factors like poverty, high unemployment, low income, poor health infrastructure, high illiteracy rate, low educational attainment, income inequality, and low economic growth (Minoiu & Shemyakina, 2012). Over the years, researchers have identified PI as one of the biggest causes behind the lack of improvement in the above-mentioned indicators which have a direct negative impact on public health (Bundervoet et al., 2009). Evidence from the literature shows a reduction in health expenditure by households due to PI which led to the negative impact on health conditions (Giesing & Musić, 2019). Poor health conditions tend to affect households' income adversely (Khan et al., 2015). Increased economic stress further worsens the health conditions, particularly those of children (Minoiu & Shemyakina, 2012) having negative implications for the quality of future human capital formation. Short-term shocks may not affect households' economic resources always, but a decrease in health expenditure in response to that shock makes them vulnerable to major health-related issues in the long run (Stillman & Thomas, 2008). Even a milder political conflict has a long-term impact on individual's health status and human capital formation (Liu et al., 2019).

4.3. Psychological mechanism involved; the role of CC

Household financial behaviour determines the capital stock, interest rates, savings, wages, and welfare of an economy in the long run, affecting both monetary as well as fiscal policies (Iyke and Ho, 2019). Therefore, analysing and understanding the driving psychological factors of household behaviour becomes critical. While investigating the literature, we identified confidence/sentiment as the main psychological mechanism that mediates the relationship between PI and household behaviour. Keen interest has developed among practitioners, policy-makers, and researchers in studying the crucial role played by CC in the real economy. CC is seen to be a good predictor of household consumption that in some cases may extend beyond macroeconomic variables (Acemoglo and Scott, 1994). PI adversely affects the household's income variables. This is because it affects their trust in the economic system and social capital which ultimately affects the consumers' confidence. This forces a change in their economic and financial behaviour (Jakiela & Ozier, 2019). Howrey, 2001 and Haugh, 2005 emphasized that CC indicators strongly predict the business cycles such as recession and recovery phases. Low CC due to political uncertainty reduces households' resilience to shocks to a great extent and increases the use of social safety nets and access to basic services (Brücket al., 2019). Various studies have shown that CC is the mechanism which leads to changes in household expenditures (Dragouni et al., 2016; Benhabib and Spiegel, 2019; Dees and Brinca, 2013; Singal, 2012). While, several authors have established that CC does not have any profound impact on household consumption (Claveria et al., 2007; Fan and Wong, 1998; Cotsomitis and Kwan, 2006; Croushore, 2005). So from a general perspective, results largely remain mixed.

From an empirical point of view, we see, literature is concerned about, if CC indicators carry any useful information beyond economic fundamentals. The concern is to find out if and how far past and the current values like inflation, income, consumption, etc. explain the CC and whether these CC surveys hold any statistical or econometric significance while predicting economic and financial outcomes. The major studies on CC have been summarised in Table 4. Though the table shows mixed results, the majority of studies show a significant positive relationship between household behaviour, economic variables, and CC indicators.

Table 4. Summary of some major studies on CC in time chronology

Author(s)	**Country/region**	**Independent variable/s**	**Mediator/s**	**Dependent variable/s**	**Moderator/s**	**Major findings**
Acemogl & Scott (1994)	UK	**Consumer confidence (CC)**	_	Consumption	_	Optimism about the future and the level of consumption is highly associated with CC surveys.
Carroll et al., (1994)	USA	**CC**	_	Consumer spending (CS)	_	The findings revealed that low CC does predict consumer spending in the short run, i.e. only current consumption.
Huth et. al.,(1994).	*USA*	**CC**	_	CS	_	CC indexes, along with economics and business activities, reasonably predict the future value of aggregate consumption expenditure.
Vuchelen (1995)	*Belgium*	**Political events**	_	**CC**	_	Political events have a significant impact on CC because economic policies are inextricably

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						linked to a country's polity.
Fan and Wong(1998)	Hong-Kong (1985-1996)	**CC**	–	PCE(Personal consumption expenditure)	–	No relationship between CC and consumer spending i.e. CC is not a predictor of consumer expenditure.
Croushore, (2005).	USA	**CC**	_	CS	_	The CC indexes have no significant value in forecasting consumer spending.
Ludvigson (2004)	USA (1968-2002)	**CC**		Non-durable expenditures	–	The CC index can be used to forecast future consumer spending.
Cotsomitis & Kwan (2006)	Nine EU Countries (1987-2002)	**CC**	–	PCE	–	The statistical relationship between CC and personal consumption expenditure is weak. However, the findings differ across the EU countries under consideration.
Kwan & Cotsomitis (2006)	Canada	**CC**	_	PCE	_	The results confirmed that CC is a good predictor of household spending..
Hollanders& Vliegenthart (2011).	Dutch	**Negative newspaper coverage**	Business cycles	**CC** & stock market rates	_	Consumer confidence falls as a result of the volume of negative news about negative economic developments. Even after controlling for the stock market, the same results are obtained.
Ramalho et. al.,(2011)	Portagal (1987-2009)	**Economic performance, electoral circumstances**	_	_	**CC**	In the long run, there is no correlation between CC and the major economic performance indicators.

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Singal (2012)	USA (1980-2009)	**CC**	–	Stock returns and hospitality expenditure	–	There is a positive relationship between high hospitality industry stock returns and a high level of CC.
Dees & Brinca (2013)	USA & Eurozone (1985–2010)	**CC**	–	PCE	–	Large changes in CC was found to be a good predictor of consumer spending,
Ou et. al., (2014)	Netherlands	Equity-drivers	–	Loyalty-intentions	**CC**	Loyalty intentions and value equity form a positive relationship. Meanwhile, there was no evidence of a moderation effect of CC on relationship equity.
Dragounui et. al., (2016)	USA (1996-2013)	**CC**	–	Tourism demand (outbound)	–	A reasonable (moderate to high) correlation is seen between outbound tourism demand and CC.
Ahmed & Cassou, (2016).	USA (1960:Q1-2014:Q2)	**CC**	Economic conditions	CS	_	A relatively strong connection between CC and consumer spending during economic expansions and relatively a weak connection between the two during economic recessions (short-run as well as long-run).
Hampson et. al., (2018)	Brazil	Financial-welfare	Ethnocentrism	Domestic brand consumption	**CC**	Ethnocentrism serves as a bridge between the CC and domestic brand consumption. Furthermore, CC appears to reduce the indirect effects of low financial well-being on consumption.
Białowolski, (2019).	Poland	**CC**	_	Household financial behaviour	-	CC is seen to stimulate debt for durables and mortgages. Besides, lower CC increases the motive for saving more as a precautionary measure.

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Benhabib & Spiegel (2019)	USA (2005-2016)	**CC**	–	PCE	–	The CC and PCE are positively correlated. Higher confidence leads to higher consumption and vice-versa.
LI et. al., (2019).	China	**CC**	_	Household consumption	_	CC has a significant effect on consumption behaviour.
Hampson et.al., (2020).	USA	**National consumer confidence (NCC)**	**Personal consumer confidence (PCC)**	price consciousness and financial vulnerability.	Locus of control **(LOC)**	CC is of two types: PCC and NCC. PCC is seen to mediate the relationship between NCC and perceived financial vulnerability. Further, LOC moderates the influence of National consumer confidence.
Juhro & Iyke, (2020)	Indonesia	**CC**	_	PCE	_	CC and business sentiments are true predictors of personal consumption expenditure in Indonesia.
Hampson et. al., (2021)		**CC**	**Financial Insecurity**	Consumer consumption		Financial insecurity and anticipated luxury guilt are the most powerful effects of CC on consumption for consumers with the highest socioeconomic status.

4.4. Theoretical foundations

Employing a theoretical lens to explore a multifaceted phenomenon like household behaviour, makes it more yielding. Researchers have used multiple theories to explain the complex phenomenon of CC and individual/household behaviour. Some of the theories and models majorly used, include "cognitive appraisal theory" (Lazarus and Folkman 1984). 'life-cycle theory (Modigliani, 1966); "theory of liquidity preference" (Keynes, 1937); "permanent income hypothesis" (Friedman, 1957); "animal spirits" (Keynes, 1936); "Buffer stock model" (Carroll et al., 1992) and "attribution theory" (Weiner, 1972).

A theoretical connection between CC and household financial behaviour can be drawn and explained by animal spirit literature, which states that emotions influence and guide human behaviour, which can be measured in terms of, for example, consumer confidence (Keynes, 1936; Akerlof & Shiller, 2010). An inference from this theory suggests that when households are pessimistic about the future, they save more (precautionary saving behaviour) and spend less in the present

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and vice-versa. This pessimistic approach reduces the aggregate demand, ultimately leading to low economic growth while an optimistic approach does the opposite and is more favourable.

Going by the theoretical foundations, ideally, optimism about future economic conditions and personal financial situation should be positively correlated. Households are optimistic about the future shift from precautionary saving behaviour to consuming more in the present even if it asks for external financing for some expensive durable items. The precautionary saving behaviour model has been comprehensively studied in the life-cycle literature. The propensity to save increases due to lower CC due to gloomy economic conditions (Bialowolski, 2019). A study by Brown et al. (2005) in the UK, demonstrated that individuals' own financial position and optimism about the future increased the demand for debt. So CC shares a strong relationship with the level of uncertainty in the economy as it is able to predict changes in household financial behaviour. This notable domination of increased uncertainty in households' financial decisions has been established in the literature (Hall, 1978; Browning & Lusardi, 1996; Guiso et al., 1992). Meanwhile, our analysis examines that individuals generally face many behavioural biases that standard theories are not able to predict. This interplay of psychological attributes calls for the backing of the theories that are specific to the personal finance domain.

The permanent-income hypothesis literature states consumer is not concerned about the current information available for his future consumption decision-making (Hall, 1978) rather, his current and expected income in the future (termed permanent income) determines his consumption behaviour (Friedman, 1957). Therefore, any variation in temporary income is irrelevant according to this theory. In contrast, CC or expectations about the future earnings is the main driver of consumer behaviour and any uncertainty about the future earnings leads to a significant deviation from the permanent-income hypothesis (Dees & Brinca, 2013). Uncertainty about the future or low CC leads to less consumption in the present and increased savings and vice-versa (Fan and Wong, 1988). Analogously, the life-cycle theory also states that individual aims at maintaining the most optimal lifestyle, and this is done by proper planning of the savings and consumption decisions over a lifetime, meaning individuals save more when young and consume more after retirement (Modigliani, 1966).

Lazarus (1966) proposed a theory known as the transactional model of stress explaining how and why the same stressor (e.g. PI) is experienced differently by individual's/households'. According to this model, the distress level that an individual experiences depends on his/her primary and secondary appraisal of the stimulus. If it happens to threaten the individual's financial well-being, a distressing stimulus is perceived which is supposed to be a primary appraisal. But the primary appraisal is not enough to explain this mechanism because behavioural coping skills play a major role in dealing with the stressor. An individual incapable of coping with the stressor perceives it as distressing which is termed a secondary appraisal (Lazarus and Folkman 1984).

The theoretical models of buffer stock saving help in predicting individual consumption. It states that individuals tend to reduce their consumption and the savings rate increases swiftly during uncertainty (Carroll, 1992). This leads to an increase in the net wealth (Carroll and Samwick, 1997), and after adjusting initially, the consumption surges up slowly and savings decrease accordingly. This continues until the optimal buffer stock is achieved and as the uncertainty increases, consumption and savings behaviour is adjusted in response to that (consumers depress consumption and increase savings to build up a larger stock of wealth and vice-versa). Any external stressor e.g. political instability creates uncertainty and leads to disruption in certain economic and financial decision-making such as income, savings, investments, consumption, production, etc. From the economics of psychology viewpoint, such distortive effects of negative emotions on individual behaviour tend to explain his irrational response during instability in the environment (Tversky and Kahneman, 1973, 1974).

5. Integrative theoretical framework

The insights drawn from the review and analysis of interdisciplinary literature helps us in drafting an integrative theoretical framework (Fig 4) that highlights relationship and research propositions to guide future research in this area. Our framework is supported by cognitive appraisal theory which attempts to explain the mechanism of how a same stressor affects the individuals' emotions and behaviour quite differently, where a stressor may be an internal or external stimulus (PI as an external stressor in our case). Cognitive appraisal theory describes an individual's reaction to a stressor by employing an appraisal-emotion-behaviour sequence (Folkman & Lazarus, 1984). Individuals evaluate how and to what extent a stressor (PI) will affect them; this appraisal then evokes an emotional response. Consistent with stress and coping theory and depending on the magnitude of stress, individuals might require behavioural adaptations (problem-solving strategies).

In addition to cognitive appraisal theory, we also employ attribution theory to support our framework, as the former fails to explicate when an individual will (or will not) appraise a stressor as significant to their well-being. Various authors have used attribution theory as an important moderator of individuals' behavioural responses to stressors (e.g., Hampson et.al., 2020). Attribution theory states that individuals are motivated to assign to their actions and behaviours because doing so serves to defend or enhance self-esteem, public identity, and/or positive emotions (Shepperd et. al., 2008). Within attribution theory research, there are two types of attributions; internal and external attribution. Internal attribution, also known as dispositional attribution, refers to the process of assigning the cause of behaviour to some internal characteristic, likeability and motivation, instead of outside forces. External attribution/situational attribution, is defined as the interpretation of someone's behaviour being driven by environmental factors. We are concerned with situational factors i.e. political instability.

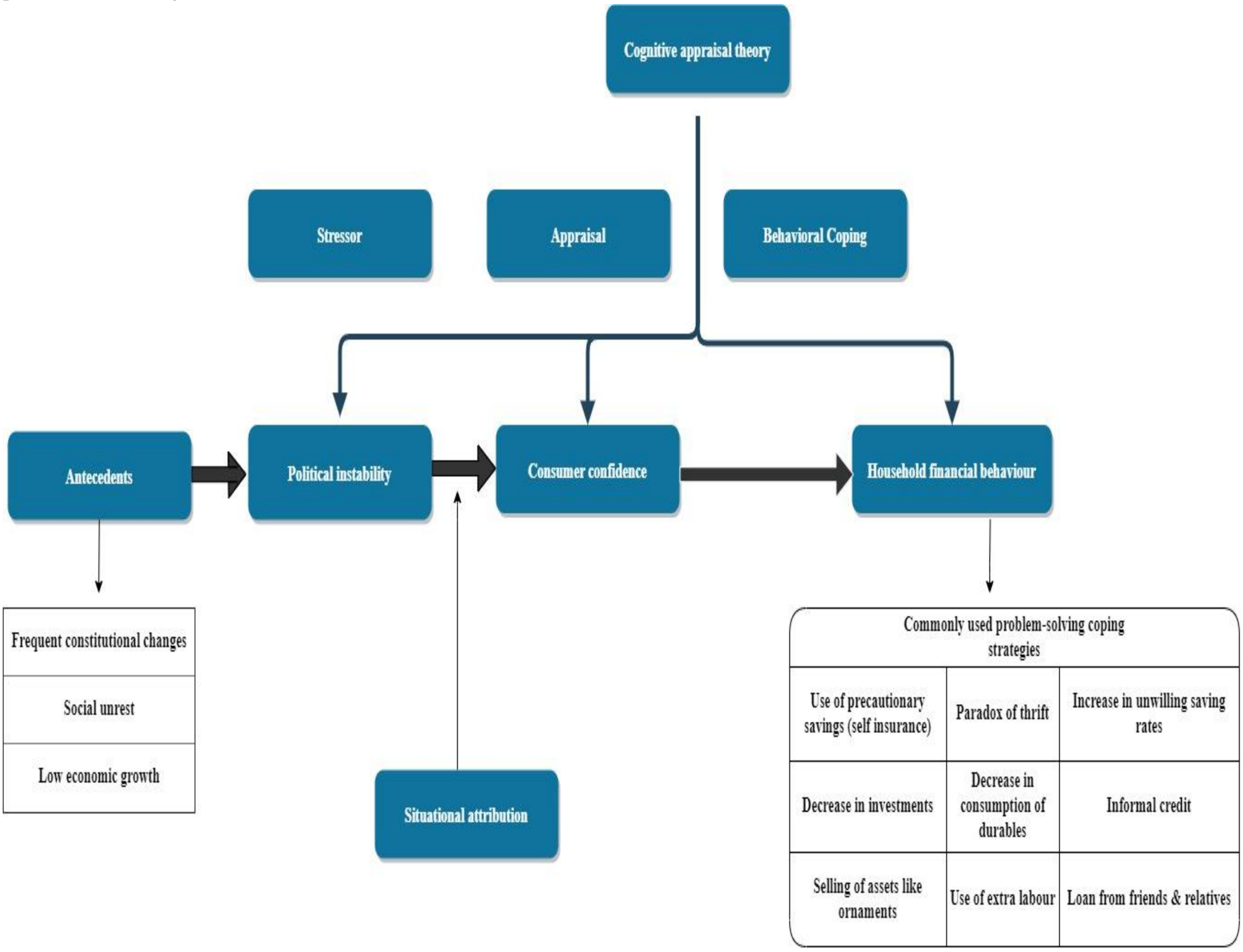

Fig. 4. Integrative Theoretical Framework

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5.1. Research propositions

5.1.1 Antecedents

PI works as a constraint in economic models altering some critical elements in the household financial decision-making process. Antecedents represent the factors that cause PI. Some of the obvious economic factors like falling GDP growth rates affect the stability of governments which may lead to PI. This direct connection between GDP growth rates and PI may be dissected and indirect connections of other macro-economic variables such as savings, investments, and technical progress via low economic growth on PI may be considered. The relationship between the GDP growth (direct or indirect) and political instability was analyzed in the past, but causality ran from political instability to economic growth (*e.g.*, Alesina et al., 1996, Aaberge et. al., 2017) and a strong negative relationship was found between them. Alesina & Perotti (1994) have provided a detailed and comprehensive review of this literature. In all fairness, however, some authors pointed to the possible problem of joint endogeneity of economic growth and political instability (Alesina et al., 1996, Alesina and Perotti, 1996). Based on the approaches used to define PI e.g. one approach emphasized the instability in the executive organ of the government (Özler and Tabellini, 1991; Alesina & Perotti, 1996) while the other is based on some of the basic indicators of social unrest or violence (Giesing & Musić, 2019; El-Mallakh et al., 2018), low economic growth, social unrest, and frequent constitutional changes work as antecedents of political instability. Therefore, we propose:

Proposition 1: Economic growth and political stability have a positive relationship.

5.1.2. PI and CC

Households/individuals possessing higher economic expectations happen to take fewer precautionary measures. A study by Brown et al. (2005) in the UK, demonstrated that individuals' own financial position and optimism about the future increased the demand for debt. Consumer confidence is strongly associated with uncertain events as it is the mechanism which explains the changing financial behaviour of households most often the precautionary motive. So CC shares a strong relationship with the level of uncertainty in the economy as it is able to predict changes in household financial decision making. This notable domination of increased uncertainty on households' financial decisions has been established in the literature (Browning and Lusardi, 1996, Guiso et al., 1992, Hall, 1978). Therefore, we propose

Proposition 2: PI works as an external stressor on individuals whose cognitive evaluation (consumer confidence) of the self-relevance works as a mediator between PI and the individual financial behaviour. This proposition is consistent with cognitive appraisal theory.

5.1.3. PI and household financial behaviour

Households' financial behaviour is usually determined by a nexus of cultural, demographic, social, economic, and political factors. Any change or instability in any of these factors affects their psychological, cognitive, and emotional state which in turn can trigger uncertainty in the minds, affecting the CC of these people leading to a behavioural change that has a varied impact on the economy as a whole. Literature suggests that CC is a reasonable tool to make predictions about household financial behaviour. A low value on CC scale is a sign of expected decline in household consumption further dependent on their perceived financial risk (a subjective feeling) which could lead them to financial trouble (O'Connor et. al., 2019). The reduced expectations about future earnings lead to precautionary savings and the profitable opportunities to invest get compromised (Halbesleben et. al., 2014). In some cases, households might be forced to use their precautionary savings to maintain their welfare level (Bayer et. al., 2019). Consequently, the ability to buffer stock during unforeseen financial shocks is reduced leading to even more conservative behaviour.

Proposition 3: PI negatively affects CC which leads to consumer vulnerability and conservative household/individual financial behaviour.

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5.1.4. Behavioural coping

Some of the most common behavioural coping strategies used by households are, use of precautionary savings, selling of durable assets, livestock, use of child labour or use of self-insurance, informal credits, and decrease in expenditure on health and education. Households are found to employ risk minimizing strategies to downsize possible losses and focus more on cash earning for survival (Korf, 2003). Besides, the behavioural response is consistent with the cognitive model, the coping strategies can be explained by theory of liquidity preference (Keynes, 1937) and life cycle theory. Liquidity preference theory states that there is an increased preference for additional liquidity in the event of unexpected events e.g. postponing the purchase of durables; while as life cycle theory of economics describes that individuals seek to smoothen their consumption over their life time by saving a part of their income as a self-insurance to be utilized later (Ando & Modigiliani, 1963). Besides, households/individuals increase their savings during the uncertainty, which essentially leads to a fall in aggregate demand and hence in economic growth. This phenomenon is known as the paradox of thrift (Keynes, 1937). This situation is damaging to all as it lowers the interest rate on investments leading to low returns than normal. Consequently, we propose:

Proposition 4: PI has a negative effect on households' financial behaviour forcing them to shift towards the paradox of thrift along with employing problem-solving coping strategies (mostly usage of precautionary savings) to maintain their welfare level.

6. Discussion and future research

This review provides a systematic overview of the interrelationship between political instability, consumer confidence, and household financial behaviour, develops a theoretical framework integrating the research findings with four propositions, and then identifies directions for future research from a marketing, finance, and economic perspective. The identified future research directions are discussed below.

6.1. Consumer confidence as a psychological construct

Consumer confidence is defined as "a psychological construct that measures customers' perceptions about their recent and future financial situation and economic climate" (Ou et al., 2014, p. 339). Both microeconomic (Yiannis & Gupta, 1986, Aaberge et al., 2017; Verwimp et al., 2013) as well as macroeconomic evidence (Jens, 2017; Morikawa, 2016; Korf, 2003, Alesina & Perotti, 1996, Tsintzos & Dergiades, 2011; Gholipour, 2019) pointing towards a significant impact on household financial behaviour due to political uncertainty, but the sequence of cognitive and affective responses that affect households' financial behaviour have not been accounted for. Albeit, some studies have partially identified CC (e.g. Białowolski, 2019; and Kapounek, 2016) as one of the psychological factors mediating the relationship between political uncertainty and households' behaviour in some studies but no study has been conducted, dealing exclusively with the comprehensive measures of CC & its mediating role between PI and household financial behaviour. Future research should address this gap and comprehensively measure and analyse the role of CC to better understand the mechanism and sequence of cognitive and affective responses that affect households' financial behaviour. The research in this direction seems more relevant and practical which would determine the explicit use of CC.

6.2. In-direct effects (Mediating and Moderating factors)

As shown in Table 4, extant studies have not examined factors that mediate the relationship between consumer confidence and household financial behaviour. This gap is important because understanding the sequence of cognitive and affective responses to changes in consumer confidence might better help explain the nature of its relationship with behavioural adjustments and identify specific avenues for practitioner intervention. For example, financial vulnerability, defined as the likelihood that an individual will experience financial hardship (i.e., a state of distress in which an individual is unable to maintain their standard of living) (O'Connor et al., 2019) could be one potential factor mediating the relationship between CC and household financial behaviour. Given its various social and economic consequences, including low emotional and

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material well-being and long-term money management problems, financial vulnerability is of practical interest to policymakers, healthcare providers, and businesses. Further, there are recent calls for research that examines how such conditions affect individuals' experiences of financial vulnerability (O'Connor et al., 2019). Moreover, the recent COVID-19 pandemic-induced financial crisis, which exposed the financial vulnerability of many individuals and households, has generated interest from both researchers and policy makers. Financial vulnerability is a status variable that can be used as a background factor to predict financial behaviour.

Again as evident from the literature, extant studies have not examined factors that moderate the relationship between consumer confidence and household financial behaviour. Analysing the potential moderators is essential for better comprehension of the mechanism involved, for it significantly impacts the strength of the relationship. For example, "financial literacy" could be one such important moderator affecting the strength of the relationship between consumer confidence and the financial behaviour of individuals or households. Evidence from literature shows, that financial literacy level is positively linked to households' financial outcomes (Vörös et al., 2021). As per Lusardi and Mitchell (2014), financial literacy is "the knowledge of basic financial concepts and ability to do simple calculations". The Organization for Economic Cooperation and Development (OECD) defines "financial literacy as a combination of awareness, attitude, skill, knowledge, and behaviour necessary to make healthy financial decisions leading to financial well-being of an individual". Lacking personal-finance knowledge hampers the ability of households/individuals to bear short and long-term financial vicissitudes (Allgood & Walstad, 2016). In the recent past, financial literacy has become the focus in examining the financial behaviour of households because of its importance in disclosing financial decisions or behaviours. Financial literacy enables individuals to make accurate and balanced financial decisions in the short and long term thanks to their knowledge of basic financial concepts, financial products, and services, and correct financial attitude and behaviour. Most studies reveal that individuals do not have the level of financial literacy they need to make the right financial decisions (Ateş *et al.*, 2016; Janor *et al.*, 2016; Lusardi and Mitchell, 2017). Low financial literacy makes it difficult for people to find appropriate products and services for their situation and keep away from abusive practices (Angew & Szykman, 2005). These unwanted financial losses to individuals have spurred growing interest among researchers and practitioners in financial literacy besides enhancing the value of financial literacy for citizens from young to old (Allgood & Walstad, 2016).

Various studies suggest that financial literacy can have a strong influence on investment perceptions. Diacon (2004) shows that the risk appetite of individuals differs based on their financial knowledge. Financial experts tend to invest in risky investment options as compared to laypeople with low financial awareness. Financial literacy has a positive influence on participation in the stock market (Van Rooij et al., 2011), the selection of mutual funds (Müller & Weber, 2010). Mutlu & Özer (2021) also confirmed the positive effect of financial literacy on the financial behaviour of individual investors. We thus expect the level of financial literacy (low/high) to have an impact on the strength of the relationship between consumer confidence and the financial behaviour of individuals or households. Therefore, empirically testing the moderation effect of financial literacy in explaining the relationship is critical. This gap is in line with the gap identified by Hampson et.al., 2020.

Further, personality and individual difference constructs, revealing heterogeneity about household/individual response to PI would be another interesting topic of study. Studies in this direction would help in understanding the households' shock-coping capacity and designing social safety net programs that are appropriate for them in such difficult times (Khan et al., 2015). In this direction, examining the households' risk forecast in order to find whether forecasting helps to recover from a shock better or not, could be studied. Both financial literacy and positive financial behaviour can be used to form financial capability (Xiao et al., 2014).

6.3. Measuring PI

The measures used in the literature as compiled and presented in Table 1 suffer from certain limitations. There are claims that political instability used as a variable is measured with error i.e. the commonly used political indicators sometimes have a strikingly low correlation with political instability (De Haan, 2007). In that scenario, the reliability of the obtained results or estimates come under the scanner. The first and the most commonly used measure given by Alesina and Perotti (1996) popularly known as socio-political instability (SPI) index has been most commonly used by the researchers and practitioners and is being considered one of the most trusted, reliable and accepted measures of political instability, it is not immune from limitations. Due to the changing dynamics of political instability all over the world in recent years and new dimensions being uncovered, this measure seems to have lost its relevance in the contemporary world and seems to be of limited use.

Another measure of political instability designed by Switzerland-based International Institute for Management Development (IMD'S) World Competitive Yearbook (WCY) by conducting surveys on business executives. This measure to a certain extent overcame the time limitation as found in Alesina et al. (1996) as this index focused on more recent years. Similar to this, the World Economic Forum's Global Competitive Report (GCR) also developed a measure of political instability, almost identical to IMD's WCY. But both these measures haven't penetrated the political measurement fit yet.

More recently, Roe and Siegel (2011) built a measure by constructing an index with the Cross-National Time series (CNTS) database. The relative advantage of this measure lies in its easier applicability and is indexed on more recent years. This measure of political instability along with SPI index are more comprehensive in incorporating the diversity and the intensity of political instability across countries and are the most widely recognized and used measure. However, due to certain limitations in all these measures (for example, single or few-dimensional based indexes (SPI), high collinearity, indicators having a high unique variance, and indexes based on old data; thereby lacking relevance in the contemporary world.

Besides, the appropriate number of dimensions of political instability is also not clear which may cause measurement errors and lead to biased results. There may still be some hidden sources of measurement errors present in the data, making the dimensions derived unreliable and unrealistic. Further, it is hard to test the quality of data used in these studies. Also, the missed observations may also potentially bias the results and the dimensions identified. Besides these limitations, the studies have hinted toward political instability possessing even more dimensions (extended multidimensionality). This implies that a consensus about the appropriate number of dimensions is still far away. Enhancement of these measures or developing new ones remains a pertinent issue.

6.4. Behavioural coping in the long run

Our analyses of the literature review reveal that most of the studies have worked with short-term political shocks and the household behavioural coping after the shocks; but the regions where instability and unrest are prolonged, are not studied and could possibly reveal different results. How these prolonged unstable periods affect the households' financial strategies, savings or investments avenues, and the sustainable strategies if any, for a prolonged period of time is yet to be addressed. For example, prolonged political unrest seen in regions like Indian-administered Kashmir and Palestine which are known for prolonged instability periods could reveal different results. To the best of our knowledge, literature has completely ignored such regions so far. Along the same lines, the literature is yet to study how higher intensity conflict impacts the resilience capacity and is yet to examine the lowest critical threshold of resilience capacity, from which households would be unable to recover without any external assistance. Besides the behaviour theories reviewed in this paper have been applied in various scientific research studies. Researchers in consumer finance could make use of this line of research to inform financial educators and consumers (Goyal et al., 2020). Further, the relationship between financial education, financial behaviour, and quality of life could be examined.

The research in this direction would provide some detailed insights into households' behaviour and would help businesses and marketers to redesign their marketing strategies according to the situation. Further, it would certainly add value to the literature and at the same time, help governments and the policymakers to design appropriate policies for the people to aid them in coping with such unforeseen conditions.

7. Conclusion

This study is aimed at providing a comprehensive review of the diverse but interrelated fields of PI, CC, and households' financial behaviour and identifying the relationship and the mechanism involved between them. We do this by heedfully aiming to explain how the knowledge in one field can be extended to another. Previous studies have consistently opted for a more empirical methodological approach to study PI and its impact on household/consumer behaviour. Our review helps in the advancement of current knowledge of PI, CC and its impact in three ways. First, we encapsulate the range of disciplines where PI is studied, shedding light on the various interpretations of the phenomenon, further highlighting the growing interest in this topic. Second, the identified dimensions detect the conceptualisations discussed in the literature and their interrelationships which we further summarize through our integrative theoretical framework. This study postulates the importance and the interdependence of these three fields and highlights it as an emerging field in the economics, finance, business and marketing fields. Therefore, this study helps in providing an extensive contribution while comprehending the opportunities for theoretical development. Besides, a number of research gaps are identified which demand attention, providing a more substantial contribution to the development of all three domains (i.e. PI, CC, and households' financial behaviour). Finally, this review highlights the importance of carrying out interdisciplinary research for a broad vision. In particular, it is aimed to aid business consultants, marketing researchers and practitioners in comprehending the impact that PI can have on their business more accurately and accordingly formulate the appropriate marketing strategies. In addition to this, this review provides a more holistic understanding of the PI and its impact on households' behaviour which should assist governments and policy-makers to design some appropriate policies for people to quickly cope up in such situations or approaches to curb such phenomenon.

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