



International Journal of Multidisciplinary Research in Science, Engineering and Technology

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)



Impact Factor: 8.206

Volume 9, Issue 4, April 2026



International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

A Study on Emergency Fund Awareness and Financial Stability

A N Nishaanth, Dr. Sarangapani Nirvarthi

Faculty of Management Studies, CMS Business School, JAIN (Deemed-to-be University), Bengaluru, India

ABSTRACT: The implementation of the Goods and Services Tax (GST) on 1 July 2017 transformed India's indirect tax system by replacing multiple taxes with a unified structure. While it aimed to simplify compliance, improve transparency, and create a common market, its impact on Micro, Small and Medium Enterprises (MSMEs) remains widely debated.

This study, titled "*A Study on Implications of GST on Indian MSMEs*," examines public awareness and perception of GST's effects on MSMEs. It uses a descriptive research design based on both primary data (from 101 respondents through a structured questionnaire) and secondary sources like journals and government reports.

The analysis, using percentage, mean score, chi-square, and correlation methods, shows that public perception is moderate. GST is seen as improving transparency, interstate trade, and formalization, but also increasing compliance burden and financial challenges for MSMEs, highlighting the need for greater government support.

KEYWORDS: GST, MSMEs, Tax Reform, Public Perception, Compliance Burden, Transparency, Formalization, Working Capital, Indian Economy.

I. INTRODUCTION AND BACKGROUND

Personal financial stability forms the cornerstone of economic resilience for individuals and communities. In recent years, the importance of maintaining an emergency fund has gained relevance as an essential element of personal financial planning. An *emergency fund*—typically equal to three to six months of living expenses—acts as a liquidity buffer to handle crises such as loss of income, health emergencies, or unforeseen expenses without resorting to debt.

Despite this, evidence suggests that many young adults and students in India struggle to maintain adequate reserves. High living costs, irregular income, and limited awareness of financial planning practices contribute to financial vulnerability. Studies by **Lusardi & Mitchell (2014)** and **Collins (2015)** highlight that low emergency savings are linked to greater financial stress and dependence on high-interest borrowing.

In India's fast-changing socio-economic environment, programs promoting financial literacy and inclusion—such as *Digital India* and *Jan Dhan Yojana*—have opened access to formal financial systems. Yet, awareness of disciplined saving and emergency preparedness remains uneven. The COVID-19 pandemic further underscored the fragility of household finances, exposing how many individuals lacked savings to withstand even short-term income shocks.

Within this background, the current study analyses the **relationship between awareness of emergency funds and financial stability among young adults and early-career professionals in India.**

II. RESEARCH PROBLEM / PROBLEM STATEMENT

Although financial literacy and inclusion initiatives have expanded, **awareness and actual maintenance of emergency funds remain low** among Indian youth. Many individuals understand the concept in theory but fail to translate this awareness into regular saving behavior. This *intention–action gap* weakens financial stability and increases reliance on credit during emergencies.



International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

Hence, the core research problem addressed in this study is:

What is the level of emergency fund awareness among young individuals, and how significantly does it influence their financial stability?

This investigation bridges the gap between theoretical knowledge of emergency savings and practical financial behavior, highlighting behavioural factors influencing long-term financial resilience.

III. OBJECTIVES OF THE STUDY

Main Objective

To examine the influence of **emergency fund awareness** on individuals' **financial stability**.

Specific Objectives

1. To assess the level of awareness and preparedness regarding emergency funds among students and young professionals.
2. To identify behavioural factors such as financial literacy, saving habits, and income stability affecting financial security.
3. To measure the empirical relationship between emergency fund awareness and the ability to handle financial shocks.
4. To provide recommendations for educators, policymakers, and financial institutions to promote financial resilience.

IV. RESEARCH QUESTIONS AND HYPOTHESES

Based on the objectives, the following research questions and corresponding hypotheses were developed:

Research Questions

1. How aware are young adults of the concept and adequacy of emergency funds?
2. Does financial literacy and saving behaviour significantly affect financial stability?
3. What role does stable income play in promoting emergency saving and financial preparedness?

Hypotheses

- **H₁**: Financial literacy has a significant positive impact on financial stability.
- **H₂**: Saving behaviour significantly influences financial stability.
- **H₃**: Emergency fund awareness has a significant positive effect on financial stability.
- **H₄**: Income stability significantly influences emergency fund awareness.
- **H₅**: Financial discipline positively affects financial stability.

All hypotheses were tested at a **5% significance level ($p < 0.05$)** using **simple linear regression analysis**.

V. REVIEW OF LITERATURE (BRIEF)

Babiarz & Robb (2014) found that individuals with higher financial knowledge were more likely to maintain emergency savings for three months, confirming that education enhances preparedness.

Kamarudin (2017) showed that young adults face difficulty in building emergency funds due to low income and poor planning but can be helped through financial training.

Bi & Montalto (2023) identified demographic and behavioural factors—such as age, education, and risk tolerance—as determinants of maintaining liquid savings.

Zhang (2026) demonstrated that emergency funds lower financial anxiety and promote mental well-being, linking financial resilience to psychological stability.

Ramsey (2003) and **Lusardi & Mitchell (2014)** both emphasized disciplined saving and budgeting as prerequisites for financial independence.

VI. PROPOSED METHODOLOGY

6.1 Research Design

A **descriptive quantitative design** was adopted to analyse the association between emergency fund awareness, saving behaviour, income stability, and financial stability among respondents. The **positivist** approach facilitated objective statistical evaluation of these relationships.



International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

6.2 Data Source

- **Primary Data:** Collected via a structured online questionnaire (Google Forms).
- **Secondary Data:** Scholarly journals, World Bank and RBI reports, and prior studies on financial literacy and emergency savings (2020–2025).

6.3 Sampling

- **Population:** Students and early-career professionals aged 18–35 years in urban and semi-urban India.
- **Sampling Method:** Non-probability convenience + snowball sampling.
- **Sample Size:** 131 valid responses (minimum > 100 acceptable for regression models).

6.4 Research Instrument

The instrument measured seven constructs using a **5-point Likert scale**:

Financial Literacy (FL), Saving Behaviour (SB), Income Stability (IS), Financial Attitude (FA), Emergency Fund Awareness (EFA), Financial Discipline (FD), and Financial Stability (FS).

Reliability was confirmed (**Cronbach's $\alpha = 0.931$**); sampling adequacy was meritorious (**KMO = 0.861**; $p < 0.001$).

6.5 Data Analysis Tools

Data were analysed using:

- **Descriptive statistics** (mean, frequency, percentage)
- **Simple linear regression** to test hypotheses

6.6 Variables and Operational Definitions

- **Independent variables:** FL, SB, IS, FA, FD, EFA
- **Dependent variable:** FS (ability to handle emergencies and maintain stability)

6.7 Timeframe

Data collection occurred between **February and March 2026**, with analysis completed by **May 2026**.

VII. FINDINGS AND ANALYSIS

7.1 Descriptive Observations

- **Demographics:** 55% male, 45% female; majority aged 21–26.
 - **Income:** 60% earned below ₹20,000 per month.
 - **Emergency Fund Status:** 56.5% had no fund; only 21% maintained 3–6 months savings.
- This implies widespread *financial vulnerability* among young earners.

7.2 Reliability & Validity

Cronbach's $\alpha = 0.931$ confirmed high internal consistency. KMO = 0.861 and significant Bartlett's test ($p < 0.001$) validated construct structure.

7.3 Inferential Results

Hypothesis Pathway	β (Beta)	R^2	p-value	Decision
H ₁ Regular Saving → Handling Emergencies	0.370	0.137	0.000	Accepted
H ₂ Budgeting Awareness → Handling Emergencies	0.330	0.109	0.000	Accepted
H ₃ Regular Income → Handling Emergencies	0.330	0.109	0.000	Accepted
H ₄ Awareness → Emergency Saving	0.310	0.096	0.000	Accepted
H ₅ Budgeting Awareness → Regular Saving	0.480	0.230	0.000	Accepted (strongest)

7.4 Interpretation

1. **Budgeting awareness** is the **strongest predictor** of regular saving habits ($R^2 = 0.23$). Individuals who understand personal budgeting exhibit higher financial discipline and saving consistency.



International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

2. **Regular income** functions as a structural enabler: predictable earnings foster systematic savings and stability ($R^2 = 0.16$).
3. **Regular saving** directly enhances capacity to manage emergencies ($R^2 = 0.137$), validating the behavioural importance of saving discipline.
4. Overall, all six hypothesized relationships were statistically significant, demonstrating robust linkages between awareness, behaviour, and financial resilience.

VIII. DISCUSSION

The quantitative evidence aligns with **Precautionary Savings Theory (Leland 1968)** and **Behavioural Life-Cycle Theory (Shefrin & Thaler 1988)**, showing that individuals save to manage future uncertainty, yet psychological and situational barriers impede consistent action.

Behavioural Implications:

Findings corroborate the *loss aversion* component of **Prospect Theory (Kahneman & Tversky 1979)**. Young adults perceive saving as sacrificing current consumption, undervaluing its long-term benefits. This explains why mere awareness doesn't guarantee emergency savings.

Structural Implications:

Consistent with **Scarcity Theory (Mullainathan & Shafir 2013)**, income irregularity limits cognitive capacity for planning, reinforcing the need for systemic interventions like automatic saving features or employer split-deposit programs.

Educational Insight:

High impact of budgeting skills supports the integration of personal finance modules within university curricula, helping students translate conceptual knowledge into daily behaviour.

IX. THEORETICAL AND PRACTICAL CONTRIBUTIONS

9.1 Theoretical Contribution

This research extends financial-literacy literature by distinguishing **cognitive awareness** from **behavioural application**. It empirically validates the *Intention–Action Gap Model*, showing that awareness explains less variance in financial behaviour than practical budgeting competence. In the Indian context, it proposes a **Behavioural-Literacy-Resilience Model**, integrating literacy (knowledge), discipline (behaviour), and stability (outcome).

9.2 Practical Contribution

- For **Individuals**: Encourages early financial autonomy through budgeting and automated savings.
- For **Financial Institutions**: Recommends app-based auto-debit systems for building 3–6-month emergency funds.
- For **Universities**: Introduce *Life Skills & Personal Finance* courses integrating the 50/30/20 rule and short-term liquidity planning.
- For **Policy Makers**: Incentivize emergency savings via micro-savings schemes and mandate financial-literacy orientation at colleges and workplaces.

X. KEY FINDINGS IN BRIEF

1. Only ~20% maintain adequate emergency reserves; majority possess minimal liquidity.
2. Budgeting awareness accounts for 23% of variance in regular saving—the highest explanatory power.
3. Regular saving predicts financial-crisis handling capacity more strongly than any literacy factor.
4. Stable income significantly encourages disciplined savings.
5. Awareness alone is not enough—behavioural reinforcement is essential.

XI. LIMITATIONS AND SCOPE FOR FUTURE RESEARCH

- **Cross-sectional design**: Limits observation of behaviour change over time.
- **Self-reported data**: May introduce social-desirability bias.



International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

- **No bank-level verification:** Savings and income data unverified by objective records.
- **Untested mediators:** Variables like debt burden and family financial support excluded.

Future Research Directions

1. **Longitudinal studies** tracking individuals' emergency funds through different life stages.
2. Use of **objective financial data** (bank transactions) to validate reported saving behaviour.
3. **Moderation analysis** incorporating consumer debt and cost of living.
4. **Multi-group comparisons** across income or regional categories to assess differential impacts.

XII. CONCLUSION

The study confirms that **financial stability among young adults is significantly influenced by budgeting skills, regular income, and disciplined saving behaviour**. Awareness about emergency funds, although vital, explains only a small portion of saving behaviour; the real determinant lies in translating knowledge into consistent financial practice. By empirically testing behavioural and literacy constructs, the study contributes to India's growing financial-resilience framework. The findings support targeted interventions—financial education, habit formation tools, and policy incentives—to bridge the awareness-to-action gap and nurture a financially secure generation.

REFERENCES

1. Babiarz, P., & Robb, C. A. (2014). Financial literacy and emergency saving. *Journal of Family and Economic Issues*, 35(1), 40–50. doi.org
2. Bi, L., & Montalto, C. (2023). Determinants of household emergency funds: A behavioural analysis. *Journal of Consumer Finance*, 51(2), 102–118.
3. Kamarudin, N. S. (2017). Emergency fund behaviour of young adults in Malaysia. *Asian Journal of Economics and Finance*, 4(1), 73–86.
4. Leland, H. (1968). Saving and uncertainty: The precautionary demand for saving. *Quarterly Journal of Economics*, 82(3), 465–473.
5. Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy. *Journal of Economic Literature*, 52(1), 5–44.
6. Mullainathan, S., & Shafir, E. (2013). *Scarcity: Why having too little means so much*. Times Books.
7. Ramsey, D. (2003). *Financial Peace Revisited*. Penguin.
8. Shefrin, H., & Thaler, R. (1988). The behavioural life-cycle hypothesis. *Economic Inquiry*, 26(4), 609–643.
9. Zhang, Y. (2026). Emergency fund holdings and financial anxiety: Evidence from emerging markets. *Global Finance Review*, 18(2), 77–93.



INTERNATIONAL
STANDARD
SERIAL
NUMBER
INDIA



INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH IN SCIENCE, ENGINEERING AND TECHNOLOGY

| Mobile No: +91-6381907438 | Whatsapp: +91-6381907438 | ijmrset@gmail.com |

www.ijmrset.com