Bridging Macroeconomics and Personal Finance Perspectives: A Conceptual Exploration of Debt Management and Financial Well-Being

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ABSTRACT

The growing complexity of household financial management amid economic uncertainty highlights the urgent need for integrated theoretical models that link macroeconomic factors and personal financial behaviour. This review paper revisits the ABCD–XYZ Resource Management Model of Crisis or Stress and modernizes it for application in personal finance. By incorporating factors such as gross domestic product, debt-to-income, interest rate, financial literacy and personality, this paper proposes a conceptual framework explaining how these variables affect debt management behaviours and financial well-being. Clear conceptual propositions and a recommended empirical framework are outlined to guide future research. Practical implications for financial educators and policymakers are also discussed.

Keywords: Financial stress, crisis management, resource management, financial well-being, ABCD-XYZ model.

INTRODUCTION

Financial well-being has become an important topic in academic study and policy discussions due to its substantial effects on individual quality of life and overall economic stability (Nanda and Banerjee, 2021). Historically, macroeconomics and personal finance have evolved concurrently, each focussing on different but interconnected features of financial systems (Challoumis and Eriotis, 2024). According to Goodwin et al., (2022), macroeconomics examines national and global economic indicators, including inflation, interest rates, and employment, while personal finance pertains to individual practices of saving, borrowing, and financial resource management. Despite the evident intersections between these two areas, less academic attention has been devoted to the direct impact of macroeconomic circumstances on personal financial well-being, especially on debt management (Kurowski, 2021). This paper seeks to integrate different approaches by analysing the interplay between debt management techniques and macroeconomic variables in shaping financial well-being, using the ABCD–XYZ Resource Management Model of Crisis or Stress as its theoretical framework.

The increasing levels of household debt worldwide, especially in developing countries such as Malaysia, have raised apprehensions over individual financial stability and overarching systemic risk. Malaysia's household debt-to-GDP ratio, among the highest in Asia, exemplifies how individual financial vulnerabilities may culminate in possible macroeconomic issues (Sieng et al., 2020). When effectively handled, debt functions as a financial instrument that may enhance well-being and support long-term objectives (Jumady et al., 2024). Furthermore, Aleke (2024) poorly managed or excessive debt induces financial stress, limits financial options, and jeopardises household resilience and national economic stability. Comprehending this dynamic requires a conceptual framework that integrates both individual and systemic factors of financial performance (Yenni et al., 2023).

In addition, financial well-being is often described as the capacity to fulfil present financial responsibilities, possess confidence about future financial stability, and retain the autonomy to make financial decisions that improve life pleasure, nevertheless, most of the current research tends to use a limited, micro-level perspective (Hageman et al., 2021). Research often highlights personal characteristics such as financial literacy, financial behaviour, and demographic variables, while neglecting the impact of macroeconomic factors such inflation patterns, monetary policy changes, and economic cycles (Mawad et al., 2022). Due to the interdependent relationship between personal financial management and the external economic surroundings, a more holistic approach is essential to comprehend the factors influencing financial well-being in contemporary, debt-dependent countries (Umoh, 2025).

The paper utilises the ABCD–XYZ Resource Management Model of Crisis or Stress, a theoretical framework that defines how people and families react to financial pressures by leveraging resources and coping strategies within a specific environmental setting (Bondarchuk et al., 2024). This model, applied to the nexus of debt management and financial well-being, provides a systematic framework to analyse how macroeconomic forces and individual financial choices together influence financial outcomes (Norizan et al., 2025). This conceptual synthesis enhances the literature by addressing three critical gaps the inadequate incorporation of macroeconomic factors into financial well-being research, the insufficient examination of debt's dual function as both a personal financial strategy and a macroeconomic variable, and the lack of a cohesive theoretical framework that integrates personal finance behaviours with macro-level economic influences. This paper presents an integrated framework that enhances theoretical development in financial well-being research and provides practical insights for financial educators and policymakers focused on fostering comprehensive financial security in a fluctuating economic landscape.

Abcd – Xyz Resource Management Model of Crisis or Stress

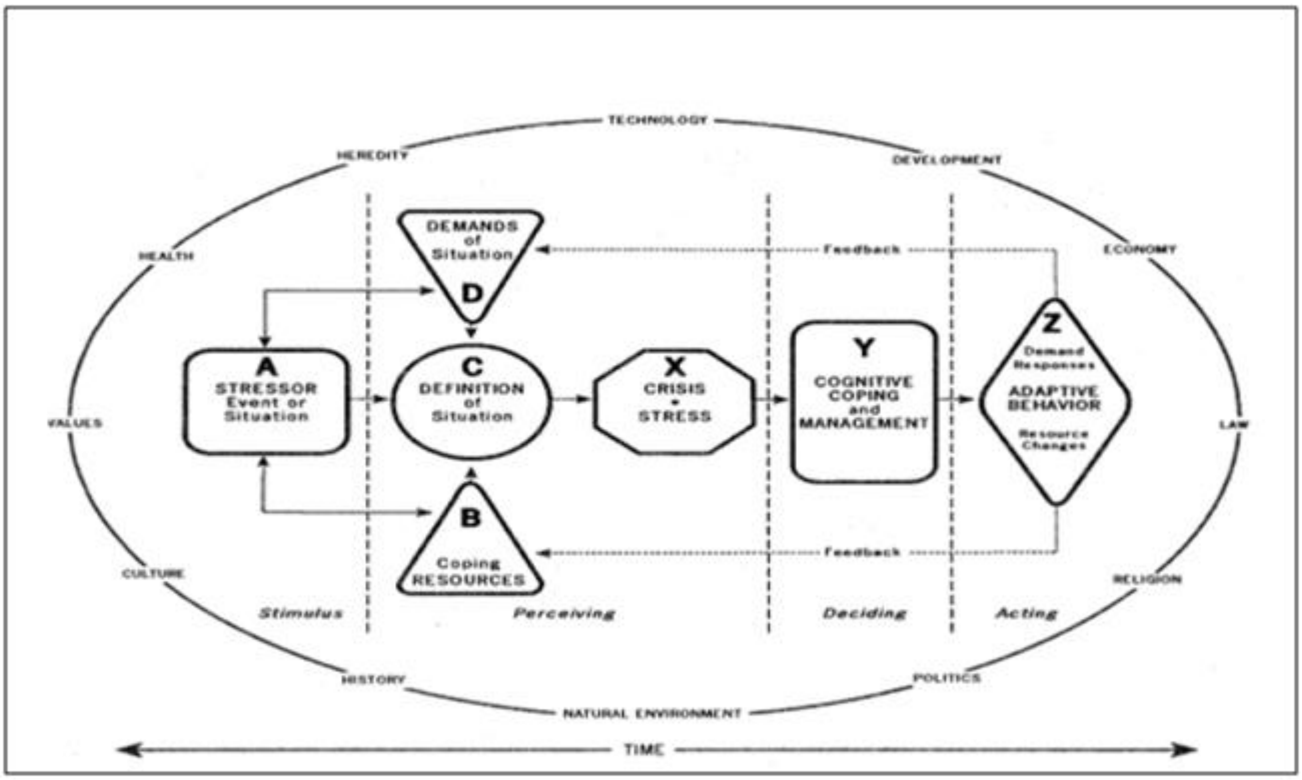

Figure 1: ABCD – XYZ Resource Management Model of Crisis / Stress

Figure 1 shows the ABCD–XYZ Resource Management Model of Crisis or Stress that provides a significant theoretical framework for comprehending how individuals and households react to financial difficulties, especially debt-related stress, in both personal and macroeconomic situations (Abdullah et al., 2023). This model, derived on basic family stress and resource management theories, enhances Hill's standard ABC–X framework by integrating decision-making processes, coping strategies, and result evaluations (Wu and Xu, 2020). Nelly and Oluwatosin (2024) determined its application to financial well-being research provides a

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thorough framework to examine the interaction of financial pressures with personal, societal, and institutional resources, affecting financial outcomes and behaviours throughout time.

This model consists of numerous essential components. The process starts with a financial stressor event (A), such as increasing debt, inflation, unemployment, or an economic recession, which disturbs financial stability (Mathieu et al., 2022). Ansong et al., (2023) said the immediate effect of this stressor is influenced by the resources available to the individual or household (B), which may be tangible such as savings, debt restructuring options, and financial products or intangible including financial literacy, social support, and access to institutional support. The perception of the stressor (C) is equally significant, as it pertains to how people evaluate and interpret the financial situation whether they see it as manageable and short-term (Badrudin et al., 2025). This perspective is influenced by prior experiences, financial assurance, macroeconomic forecasts, and the transparency of accessible financial information (Trombetta, 2022).

The model subsequently integrates decision-making processes (D), whereby people choose methods to address or mitigate the financial stressor (Sarmiento et al., 2024). Decisions may include modifying expenditure patterns, strengthening savings, refinancing debts, obtaining financial guidance, or investigating supplementary revenue options (Bracke et al., 2025). These choices, shaped by resource availability and situational perception, directly determine the immediate result (X), which might vary from successfully restoring financial stability to descending into a financial crisis (Gudgeon et al., 2020). Subsequently, individuals use several coping strategies (Y) that include adjusting to the altered financial circumstances, whether via behavioural modifications, proactive financial planning, or using support networks (Castellanza and Woywode, 2024). The model incorporates assessment (Z), the evaluation of decision-making efficacy and applied coping mechanisms, which subsequently affects future financial behaviours, resource mobilisation, and resistance to future financial stresses (Obrenovic et al., 2020).

The ABCD–XYZ Resource Management Model provides a comprehensive knowledge of the factors influencing financial well-being by including both micro-level financial behaviours and macro-level economic effects (Bashir and Qureshi, 2023). It emphasises the significance of recognising that debt management techniques are influenced by individual behaviours and resources, while also being restrained or facilitated by overarching economic patterns and policy frameworks (Ibn-Mohammed et al., 2021). Oprisan et al., (2023) examined the application of this model in financial well-being research facilitates a deeper analysis of the development of personal financial resilience, the prevention or mitigation of financial crises, and the design of financial education and public policy interventions to promote sustainable financial well-being across varied economic conditions.

Conceptual Framework

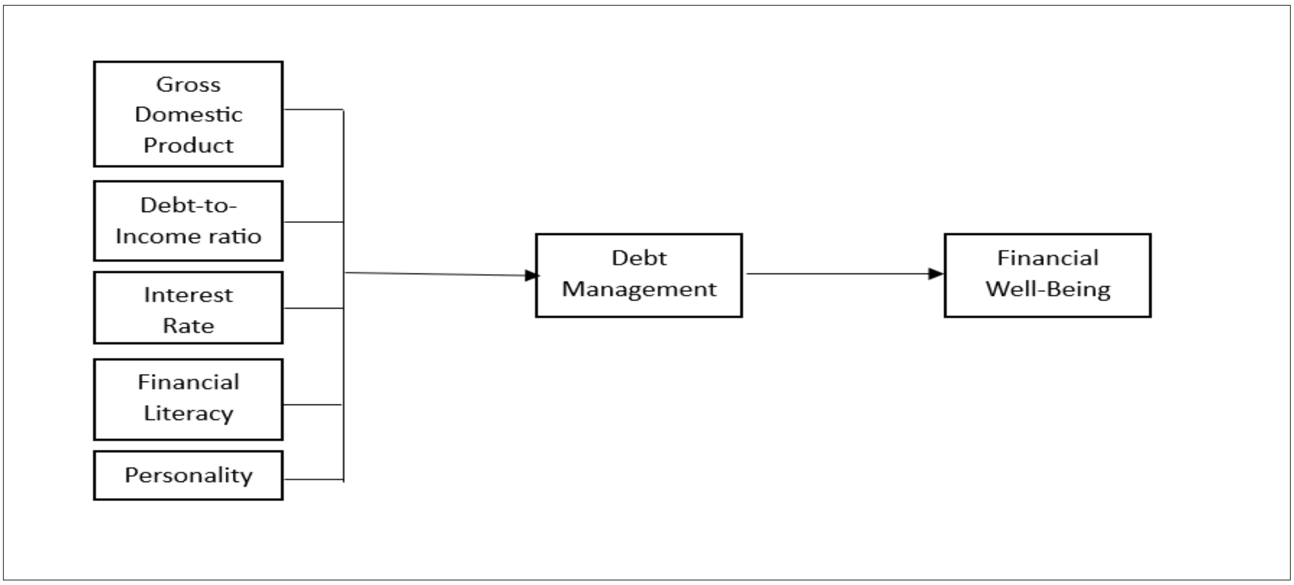

Figure 2: Conceptual Framework

This paper conceptual framework defines the relationship between macroeconomic variables, personal finance determinants, debt management techniques, and financial well-being results. Figure 2 illustrates that debt management serves as a mediating variable between independent variables and financial well-being. The independent variables include macroeconomic and individual-level characteristics, including Gross Domestic Product (GDP), debt-to-income ratio, interest rate, financial literacy, and personality traits. These characteristics jointly impact how individuals and households handle their debts, which in turn impacts their overall financial well-being.

Gross Domestic Product (GDP), debt-to-income ratio, and interest rates are macroeconomic factors that influence financial prospects, loan accessibility, and economic stability (Dumitrescu et al., 2022). Financial literacy and personality represent individual resources and characteristics that affect personal financial decision-making, debt management practices, and reactions to financial stress (Anthony et al., 2021). This framework emphasizes that successful debt management techniques serve as an important mediator in pertaining whether these external and internal variables result in positive or negative financial well-being results.

This conceptual model highlights the multifaceted nature of financial well-being by including both macroeconomic and personal aspects into a debt management framework. It corresponds with the theoretical framework of the ABCD–XYZ Resource Management Model of Crisis or Stress, which highlights the interplay of financial stresses, resources, perceptions, decision-making processes, and financial consequences. The suggested approach provides a basis for further empirical investigation into the enhancement of financial well-being via specific debt management measures and supporting macroeconomic policies.

METHODOLOGY

While this paper adopts a conceptual approach, it also lays the groundwork for future empirical studies to validate and extend the proposed framework. Future investigations could operationalize key constructs such as financial well-being, debt management practices, and macroeconomic influences using established and validated measurement scales. For example, financial well-being can be measured using instruments like the Consumer Financial Protection Bureau (CFPB) Financial Well-Being Scale, while debt management behaviour may be assessed through self-reported financial management behaviour scales or financial stress inventories (Howat-Rodrigues et al., 2021).

Macroeconomic variables such as Gross Domestic Product (GDP), debt-to-income ratios, and interest rates can be sourced from national financial reports, central bank publications, and international financial databases such as World Bank Data or OECD Economic Outlook reports. Individual-level factors like financial literacy and personality traits may be measured using tools such as Big Five Personality Traits (Buecker et al., 2020). Alam and Siddiqui (2021) said to test the proposed conceptual framework empirically, future researchers might employ quantitative methods such as structural equation modelling (SEM) or hierarchical regression analysis to examine the direct and mediating effects of debt management on financial well-being. Alternatively, qualitative approaches such as in-depth interviews, focus groups, or financial life histories could provide rich insights into the lived experiences of individuals managing debt under different macroeconomic conditions (Ataro, 2020).

This paper not only contributes a theoretical foundation but also offers a practical roadmap for future empirical research aimed at strengthening the evidence base on financial well-being and debt management in varying economic contexts by proposing these possible measurement tools, data sources, and methodological strategies.

Implications

Bashir and Qureshi (2023) did a systematic review and future research regarding financial well-being provided a new perspective on theories, mediators, and moderators. Parallel to that, debt management in this study acts as a mediator that provides a new perspective on how individuals' financial well-being by both external economic conditions and personal traits. Moreover, this conceptual model can serve as a foundation for future empirical studies to test the relationships between these variables (Kaur et al., 2023).

Practically, this study can have an impact on personal finance education. Aboagye and Jung (2018), further explained that financial knowledge plays a crucial role, suggesting the need for more targeted educational programs that enhance individuals' debt management skills. Besides that, Zemtsov and Osipova (2016) stated that understanding personality traits can help financial advisors tailor strategies for individuals with different financial behaviours. Jumady et al. (2024) highlight the role of debt management, financial institutions can develop better financial products and advisory services to support responsible borrowing and repayment habits. This gives a behavioural insight into financial planning and debt management strategies.

This proposed conceptual model can contribute to policy implications. Policymakers can utilize consumer protection and financial literacy programs to design regulations that promote responsibility for lending and financial literacy (Duncan, 2024). Adjacent to that, policymakers might consider interventions such as loan restructuring or interest rate adjustments for vulnerable populations in interest rate and debt policies (Sandberg, 2024). Financial educators should integrate macroeconomic context with personal finance skills, emphasizing debt literacy, behavioural insights, and policy awareness (Mancone et al., 2021). Finally, this study would balance economic growth with sustainable household debt management to improve overall financial well-being macroeconomic stability, and household debt management (Toader et al., 2021).

CONCLUSION

Even though the ABCD – XYZ Model has been introduced for three decades, its adoption is scarce. Even though, the integration of Stress Theory and Resource Management Model, past researchers were inclined to study it separately. This might be due to the field of stress and resources that widen that gap in research. Thus, this study would like to fill in the gap and contribute to the body of knowledge via a comprehensive understanding of financial well-being (Garcia-Mata & Zeron-Felix, 2022).

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