Journal of Ecohumanism
2024
Volume: 3, No: 7, pp. 2373 – 2380
ISSN: 2752-6798 (Print) | ISSN 2752-6801 (Online)
https://ecohumanism.co.uk/joe/ecohumanism
DOI: https://doi.org/10.62754/joe.v3i7.4644

Factors Influencing Household Economic Welfare: A Systematic Literature Review

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Abstract

The article aims to systematically analyze the concept of household economic welfare and identify driving factors of household economic welfare. This study involved a systematic literature review to answer the research questions. The 18 most seminal were included and relevant to this study. The findings indicate that the theme of household economic welfare has been a major concern in various countries because of its impact on economic development. In addition, the findings show that income level, education, household access to credit, and social capital are the determinants of household economic welfare. This study provides implications to consider these determinants to promote household economic welfare and gives avenue for future scholars to elaborate on these variables.

Keywords: *Household Economic Welfare, Economy, Income, Education, Social Capital.*

Introduction

Household economic welfare is an important indicator of social and economic development (Alex, 2023). A prior study stated that economic well-being covers the ability of families to meet basic needs, access quality education and health, and maintain a decent standard of living (Bilan et al., 2020). In addition, some studies stated that understanding the factors that influence household economic well-being can have a direct impact on poverty alleviation, social mobility, and economic growth (Cheng et al., 2021). In developing countries like Indonesia, the large population is the main problem of unemployment and poverty, thus, enhancing household economic well-being is essential (Mehraban et al., 2021).

Previous research has built a robust foundation for understanding household economic well-being. Several theories such as the household production theory by Becker (1965), and human capital income by Mincer (1974) have provided theoretical frameworks for analyzing household economic well-being. Empirical studies consistently show a positive impact of education on income. In addition, De Schutter et al. (2023) noted how asset poverty traps can perpetuate economic disadvantage. While research on social capital by Putnam (2001) indicated how social networks and community ties can influence economic opportunities.

Despite the wealth of research on household economic well-being, significant knowledge gaps remain, primarily in the context of a rapidly changing global economy. Most existing research focuses on specific geographic regions or economic segments and limits the generalizability of findings (e.g., Asfaw et al., 2019; Mehraban et al., 2021; Cheng et al., 2021). Few studies have used a systematic literature review approach to integrate findings. Therefore, this study aims to answer these research questions: RQ1- How does the trend of research on the theme of household economic welfare in the last five years? RQ2-What are the determinants of household economic welfare?

This systematic literature review contributes to existing knowledge in several key ways. First, it provides a comprehensive and up-to-date synthesis of the factors influencing household economic well-being. Second, it identifies emerging trends and factors that have gained attention in recent years. Furthermore, it examines the strengths and limitations of existing research as well as provides a balanced perspective on the current state of knowledge.

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This study is provided as follows. The first section introduces the essentials of household economic welfare and the gaps in studies. The next section provides a methodology section detailing the systematic literature review process, including the search strategy, inclusion criteria, and analytical framework. The results and discussion section critically examines the findings. The last section provides conclusions, implications, and suggestions for scholars.

Materials and Methods

This paper uses the systematic literature review method to answer the questions that have been asked. In conducting this systematic review, the study adopted a preferred reporting system for systematic reviews and meta-analyses. In addition, using this method can provide systematic views and flow charts to improve the review and accuracy of the literature review. The advantage is that it can produce elements of high transparency, consistency, and high standards to produce research reports through a detailed process.

Search Criteria and Database

The search criteria adopted included possible terms for the concept of green entrepreneurship. The search term involved for use in this study was "household economic welfare" or "household economic well-being". In this case, a search was conducted in the leading database, which is Scopus.

Selection Process and Inclusion

The protocol for selection and inclusion papers this study is to ensure quality and transparent output. Therefore, inclusion and exclusion criteria have been provided. The criteria are as follows: (a) papers related to the concepts and factors affecting household economic welfare published in academic journals, (b) papers with empirical findings, and (c) papers written in international languages and at least 10 years.

Results and Discussion

In this study, there were 242 articles filtered from Scopus data searches conducted between 2018-2023. The writing of this paper uses the PRISMA strategy with WATASE UAKE *software* to identify relevant articles in addressing previous research problems. Of the 242 articles that have been filtered, there are 18 papers that qualify for data analysis related to household economic welfare.

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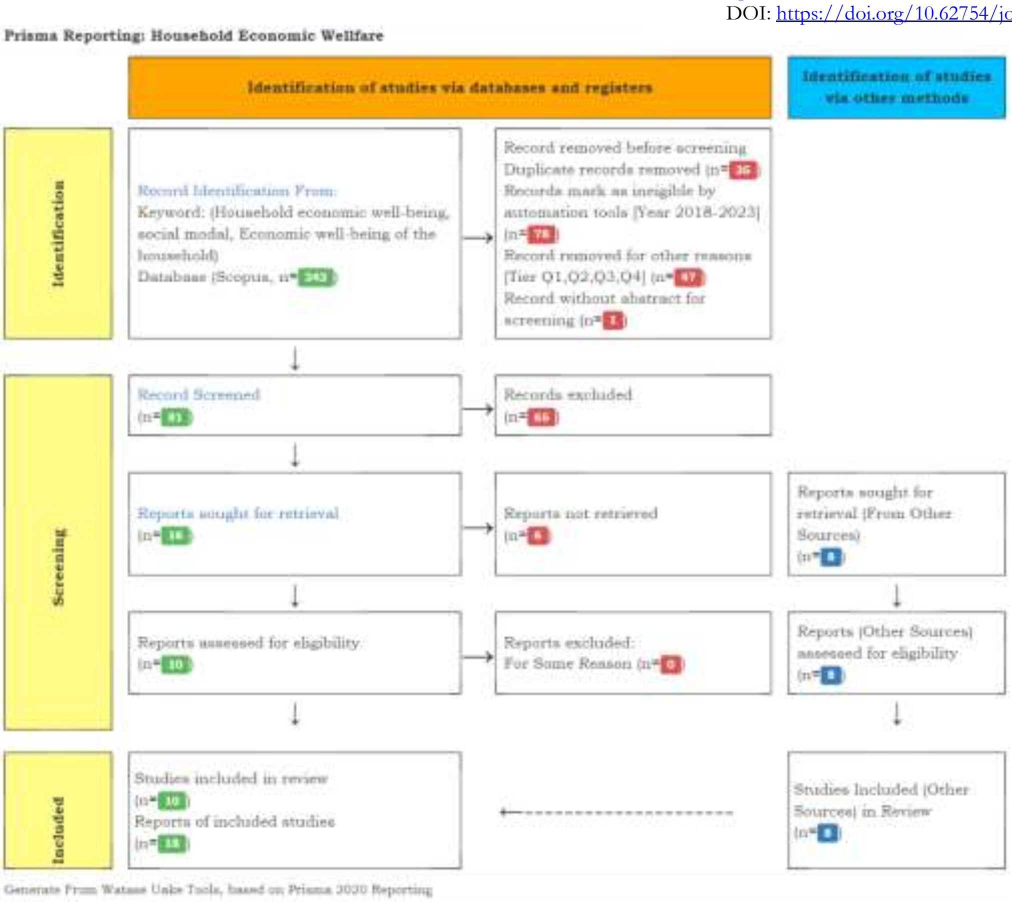

Figure 1. PRISMA Strategy with WATASE UAKE Software

As illustrated in Figure 1, the first step is filtering article titles identified by Scopus by applying filters in accordance with the keywords used to analyze data related to household economic welfare, resulting in 242 articles. Then, 242 articles were filtered with several criteria such as duplicate articles. Only 10 articles explaining the factors that can influence household economic welfare passed the screening test. However, the author also added several articles that fit the criteria from other sources, with the same screening method. From the addition of articles from other sources. Thus, in this study, there are 18 articles that will be examined to determine the concept of household economic welfare. The detailed papers included for review are illustrated in Table 1.

Table 1. Articles That Have Met the Criteria

No.	Authors	Year	Title
1.	Hong et al.	2018	Is deregulation of forest land use right transactions associated with economic well-being and labor allocation of farm households? Empirical evidence in China.
2.	Wan Mustapa et al.	2018	The effect of economic vulnerability on the participation in development programs and the socio-economic well-being of low-income households
3.	Niankara	2019	Gender inequality in literacy status and its effects on household economic well-being in Burkina Faso: a semi-parametric bivariate sample selection modeling approach.
4.	Salnikova	2019	Factors of subjective household economic well-being in transition countries
5.	Liu et al	2019	Household debt and happiness evidence from the China Household Finance Survey

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6.	Ma et al.	2019	Impact of Internet use on economic well-being of rural households: Evidence from China
7.	Thanh et al.	2019	Impact of microcredit on rural household welfare and economic growth in Vietnam
8.	Bilan et al.	2020	Impact of income distribution on social and economic well-being of the state
9.	İzmen and Gürel	2020	The importance of linking social capital in unequal and fragmented societies an analysis of perceived economic well-being in Turkish rural and urban households
10.	Karimli et al	2020	Integrated graduation program and its effect on women and household economic well-being: Findings from a randomized controlled trial in Burkina Faso
11.	Kumar et al.	2020	Access to credit and economic well-being of rural households: Evidence from Eastern India
12.	Friedline et al.	2020	Families' financial stress & well-being: The importance of the economy and economic environtments
13.	Comelli	2021	The Impact of welfare on household debt
14.	Mahmud et al.	2021	Household response to an extreme shock: Evidence on the immediate impact of the Covid-19 lockdown on economic outcomes and well-being in rural Uganda
15.	Chetty et al.	2022	Social capital: Determinant of economic connectedness
16.	Prayitno, et al	2022	Social capital and household economic welfare: Do entrepreneurship, financial and digital literacy matter
17.	Raghunathan et al.	2022	Scale and sustainability the impact of a women's self-help group program on household economic well-being in India
18	Jha and Kelly	2023	Return to relationships social capital and household welfare in India

Paper Distribution

Table 2 informs the paper distributions that consist of 11 countries. Of these 18 articles, the year range that matches the criteria of the author is 2018 - 2022 with article years dominated by 2019 and 2020 with a total of five articles. Also, 2018 and 2021 have the same number of articles, namely two articles. In addition, in the research conducted by the author, there are 11 countries with a focus on household economic welfare that match the existing criteria. The countries that dominate the nine countries are India, China, and the USA with the number of articles that match the criteria are three articles. In this study, Malaysia contributed two articles and the other seven countries contributed one article that passed several screenings that had been carried out by the author.

Table 2. Countries and Number of Studies

Country	Number of studies conducted
India	3
China	3
USA	3
Malaysia	2
Russian	1
Turkey	1
Ukraine	1
United Arab Emirates	1
United Kingdom	1
Hungary	1
Vietnam	1

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Determinants of Household Economic Well-being

Income and Expenses

Several articles explain that a fair level of income distribution (no inequality) as a whole at the household level will positively influence the possibilities of achieving economic welfare (Bilan et al. 2020). This is in line with the statement from Ma (2019), that household economic welfare is proxied by income and expenditure in one year. The experience of the head of the family in the work affects the income contribution given. The income contribution is greater from the coefficient of male family heads than female family heads. This is because men tend to migrate in search of high-income job opportunities rather than women who have jobs according to their skills, so the income provided for household welfare contributes greatly (Ma, 2019). The financial stress felt by households has a significant effect on household economic well-being. When financial stress affects changes in the family economy and welfare in households, they will have to decide on a policy to overcome gaps and families experience economic downturns as evidence of different impacts (Friedline et al. 2020). Wealth owned by families is a buffer that allows households to survive when experiencing shocks (Mahmud & Riley, 2020).

Access to Credit

According to the included article, access to credit is one of the factors affecting household economic welfare, as it can be used in the selection of operational land, awareness of loan forgiveness schemes, and social safety nets (Kumar et al, 2020; Comelli, 2020). The provision of microcredit has a positive impact on income so that it will minimize economic vulnerability, but this is excluded for group members or someone who does not have an understanding of credit loans, because it will make households economically vulnerable (Wan Mustapa et al, 2018). Households facing shocks must choose between trading assets and selling, and if everyone tries to use the same coping strategy at the same time, it will be less effective as asset markets collapse and savings are withdrawn, leaving them without access to credit (Mahmud & Riley, 2020). However, many households choose to retain their assets in times of trouble and choose to borrow to survive.

Access to credit provides convenience to households experiencing shocks in livelihoods and economic welfare, provided that households have other sources of income that can be used to alleviate credit constraints (Kumar et al., 2020). Thanh et al (2019) explained that credit for households is one of the effective means to achieve the goals of welfare improvement and poverty alleviation through job creation, income generation, and consumption. Older household heads tend to avoid the risk of borrowing because households with savings tend not to borrow. This is in contrast to younger household heads who are more willing to take risks in taking credit. This explanation is in line with the statement of Prayitno et al (2022) that financial literacy will provide an increase in household economic welfare because households have the ability to manage financial management.

Education

Education is a basic access that must be accessed by households and education is one of the investments for the future in improving household economic welfare (Liu et al, 2019). Education plays an important role in improving household economic welfare. As explained in previous research, education has a positive impact on economic growth and household economic welfare. Education here has very significant results. Moreover, one additional year of schooling for an educated adult member of the household can increase welfare by 3.8 percent on average. In Nigeria, higher educational attainment, especially at the tertiary level, leads to a substantial increase in total household per capita expenditure. Moreover, investments in education have provided evidence of leading to increased income across all households, reducing inequality and ultimately contributing to economic development and household welfare (Abubakar et al, 2023).

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Social Capital

Several studies explain that social capital is one of the factors in creating household economic welfare, because of a bond of trust between group members and a shared commitment. Then, İzmen and Gürel (2020) explained that the influence of social capital is considered to improve economic outcomes and bonding effects, and can help in better understanding the social dimension and welfare shifts. Well-utilized social capital will have a good impact, such as getting fast and accurate information that can help households make better and more profitable economic decisions. Social capital is basically described as multidimensional with various forms determined by the general function that will realize the social structure and facilitate the actions of agents in the structure (Jha & Kelly, 2023). Social capital in the economy can be said to be an interpersonal trust more feasible than trust in formal institutions, so with high trust, it will strengthen connections in the group so that it will give rise to distinctive attributes and can improve household economic welfare (Salnikova, 2019). Through existing groups, individuals and even households can share knowledge and skills that can increase productivity and income.

Conclusion and Implication

This study aims to identify the determinants of household economic welfare using a systematic literature review. Based on the findings, household economic welfare is an important aspect of overall community development and individual well-being. It is influenced by several factors that have been extensively studied through systematic reviews. These factors are income level, education, household access to credit, and social capital. The income level of a household is a key determinant of household economic welfare. This is influenced by the employment prospects that households have if the availability of stable employment will have an influence on the economic welfare of households.

In addition, household access to credit influences the economic welfare of the household in order to minimize household economic vulnerability, but if households experience difficulties in gaining access to credit, it will be negative because it will make households economically vulnerable. Good access to credit also does not necessarily mean that households' economic welfare is always good, but it can also have a negative impact if households cannot manage their finances. In addition, social capital also plays a role in household economic welfare. The strong relationships that households have will have a positive impact on individuals and even households sharing knowledge and skills that can increase productivity and income.

Based on this research, the author can provide the following implications. First, the government and private sector need to work closely together to develop local industries that can create stable and sustainable employment. As well as providing vocational training and education programs that match the needs of the job market to improve the skills of the workforce. Second, provide special subsidies for education, especially for low-income families so that they can access quality education. It can also develop continuing education programs to improve skills and knowledge throughout life. Third, improving access to credit. Increase access to inclusive financial services to make it easier for households to obtain credit on reasonable terms. Also, provide financial education programs to help households manage their loans and finances effectively and avoid over-indebtedness.

Fourth, to strengthen social capital in communities, it is necessary to encourage the formation of strong communities and social networks that can be a source of support and exchange of information and skills. In this case, collaborative programs involving various parties such as the government, private sector, and NGOs can also be developed to strengthen social capital at the community level. Lastly, achieving prosperity is closely related to income, which should not come from one source alone. This can be done by encouraging the development of micro and small enterprises that provide training, mentoring, and access to markets. It can also be done by helping households identify and utilize additional sources of income such as the digital economy and part-time work.

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