International Journal on Science and Technology (IJSAT)

E-ISSN: 2229-7677 ● Website: www.ijsat.org ● Email: editor@ijsat.org

Economic Crisis and Financial Behaviour: Ripple Effect of Uncertainty and Risk

Basanti Tudu[1], Amita Tudu[2], Dr. Parikshita Khatua[3], Dr. Liji Panda[4]

[1,2]Research scholar, Commerce, Kiss Deemed to Be University, Bhubaneswar
[3,4]Assistant professor, Commerce, Kiss Deemed to Be University, Bhubaneswar

ABSTRACT

Economic crises have a significant impact on consumer decision-making by reshaping purchasing priorities, financial behaviour, and brand preferences. During the times of financial uncertainty, consumers often alter their spending habits, becoming more price-sensitive and adjusting their shopping behaviours to maximize savings. This study investigates the roles of financial anxiety, risk perception, and shifting market dynamics in influencing these purchasing decisions of tribal peoples. It also explores the effects of brand loyalty, promotional strategies, and digital transformation on changes in consumer behaviour. The findings aim to offer businesses insights on how to adapt their marketing and pricing strategies to align with the evolving needs of consumers during economic downturns. Also, the research examines the psychological, economic, and social factors driving these changes, highlighting the shift towards essential goods and heightened price sensitivity during crises. This study also investigates how economic crises affect consumer decision-making in rural Odisha, specifically focusing on changes purchasing priorities, spending habits, and brand preferences. It considers factors such as income uncertainty, financial anxiety, and limited access to credit, along with the influence of government aid, local markets, and digital adoption in alleviating financial stress.

Keywords: Economic crisis, decision making, consumer behaviour, social and psychological.

INTRODUCTION

Economic crises have long been a defining characteristic of financial markets, influencing consumer behaviour, investment decisions, and policy responses. Whether caused by financial system collapses, geopolitical instability, or global pandemics, these crises create an environment of uncertainty and risk that impacts economies and societies. The resulting shifts in financial behaviour such as increased risk aversion and changes in consumption and saving patterns can have significant and lasting effects on economic recovery and stability. Uncertainty, a major driver of financial behaviour during crises, affects how individuals, businesses, and governments respond to economic shocks. Market volatility often results in panic-driven decisions, speculative activities, or precautionary measures, which can further exacerbate the crisis. Investors may gravitate toward safer assets, households may reduce discretionary spending, and businesses may postpone expansion plans, all contributing to prolonged economic downturns. This paper examines the complex relationship between economic crises and financial behaviour, focusing on how uncertainty and risk influence decision-making at both individual and systemic levels. By analysing past crises, behavioural finance theories, and policy interventions, this study seeks to enhance understanding of the economic ripple effects that arise during crises. Ultimately, recognizing these patterns can aid policymakers and market participants in developing more resilient strategies to mitigate future financial disruptions.

The purpose of this study is to investigate the significant impact of economic crises on financial behaviour, focusing on how uncertainty and risk influence decision-making at both individual and institutional levels. Economic crises whether resulting from financial market failures, global recessions, or external shocks disrupt economic stability and change how people engage with financial systems. Understanding these behavioural changes is essential for predicting market reactions, developing effective policy measures, and improving financial resilience. By analysing past crises and their effects, this study aims to identify patterns in financial behaviour that arise during uncertain times. It seeks to clarify why individuals often become more risk-averse, why markets experience increased volatility, and how governments and financial institutions adjust their strategies in response to economic disturbances. Additionally, this research emphasizes the broader economic consequences stemming from shifts in saving, investment, and consumption behaviours, ultimately affecting economic recovery and long-term stability. This study is especially pertinent in today's interconnected global economy, where crises in one region can quickly impact others. By illuminating the psychological and structural factors that drive financial behaviour during crises, this research can aid in the creation of more effective financial policies, risk management strategies, and economic frameworks that help mitigate future crises and promote sustainable economic growth.

According to Schippers, M. C. (2020) The Covid-19 pandemic caused significant disruptions that extended beyond public health, affecting economies, education, and social structures. Although policies were enacted for the greater good, they resulted in unintended consequences, such as economic decline, mental health crises, and social inequalities. This paper explores these ripple effects, including government mandates, strains on healthcare, and shifts in society, to underscore the trade-offs between emergency responses and their long-term consequences. The goal is to offer insights for more balanced crisis management in the future. **Burns, W. J.,** Peters, E., & Slovic, P. (2012) This study explores how risk perception evolves during economic crises, focusing on the ways individuals' perceived risks change over time in response to economic instability. Utilizing longitudinal data, we analyse the factors that influence these fluctuations in risk perception, such as media coverage, government policies, and personal financial experiences. Our findings identify distinct phases in the trajectory of perceived risk, emphasizing periods of increased anxiety and gradual adaptation. By examining these patterns, we offer insights into the impact of risk perception on consumer behaviour, financial decision-making, and overall economic recovery. This study enhances the broader conversation about crisis management and economic resilience. **Hosseini,** S., & Ivanov, D. (2020) Supply chain disruptions have grown increasingly complex, necessitating robust risk assessment and resilience strategies. Bayesian networks (BNs) have emerged as a powerful tool for modelling uncertainties, dependencies, and cascading effects in supply chain risk management. This literature review explores the application of Bayesian networks in analysing supply chain risks, resilience, and the ripple effects of disruptions. We examine key methodologies, case studies, and recent advancements in BN-based modelling, highlighting their effectiveness in scenario analysis, decision support, and risk mitigation. By synthesizing existing research, this review identifies gaps and future research directions, offering insights for enhancing supply chain resilience through the use of Bayesian networks.

Economic crises create uncertainty that affects financial behaviour among individuals, businesses, and markets. **Heightened risk perception** prompts changes in spending, saving, and investment patterns, often leading to diminished consumer confidence and increased market volatility. In response, businesses tend to adopt conservative measures, such as cost-cutting, while individuals prioritize liquidity over long-term investments. These shifts have far-reaching consequences for financial institutions, policymaking, and global trade, further exacerbating economic instability. Understanding these behavioural changes is crucial for developing policies that promote stability and resilience. By examining financial responses to crises, policymakers and stakeholders can devise strategies to mitigate risks and support economic recovery during uncertain times.

Mansoor, D., & Jalal, A. (2011). This study explores how global economic crises influence consumer behaviour in Bahrain, a key financial hub in the Gulf region. By analysing spending patterns, purchasing priorities, and consumer sentiment during financial instability, the research highlights key adaptations. Using a mixed-methods approach, including surveys and interviews, the study finds that economic uncertainty increases price sensitivity, shifts consumer preferences toward essential goods, and boosts reliance on digital platforms for cost-effective shopping. Additionally, it underscores the role of government policies and financial institutions in mitigating crisis effects. The findings offer valuable insights for businesses in Bahrain to enhance economic resilience and navigate financial downturns effectively.

Review of literature

Nakpodia, F., Ashiru, F., You, J. J., & Oni, O. (2024). This study examines the role of **digital** technologies and social entrepreneurship in enhancing economic resilience in Nigeria during times of crisis. By analysing digital platforms, fintech solutions, and entrepreneurial initiatives, it highlights strategies that foster economic adaptability and promote community well-being. Through surveys and interviews, the research indicates that digital tools empower entrepreneurs, sustain small businesses, and support vulnerable communities by enhancing financial inclusion and market access. Additionally, social enterprises are instrumental in tackling societal challenges with technology-driven solutions. The study concludes with policy recommendations aimed at strengthening digital infrastructure and supporting social entrepreneurship to bolster economic resilience in Nigeria and other developing countries.

Basev, S. E. (2014). This study investigates how economic crises affect food consumption behavior among British consumers. It analyses changes in spending patterns, a growing reliance on budget-friendly alternatives, and shifts in grocery shopping habits as households cope with financial uncertainty. Through surveys and interviews, the research reveals that economic downturns result in heightened price sensitivity, a preference for discount retailers and private-label products, and a greater emphasis on home-cooked meals. Financial constraints also impact nutritional choices, with affordability taking precedence over premium or organic foods. The study emphasizes the influence of government policies and supermarket strategies on consumer responses and provides recommendations for supporting households during economic crises.

Gabriela, S. (2010). This study investigates the impact of economic crises on consumer behavior, specifically focusing on changes in spending patterns, purchasing priorities, and shopping habits. It emphasizes how individuals and households respond to financial uncertainty by modifying their financial decisions. Through surveys and interviews, the research reveals that economic downturns heighten price sensitivity, lead to a greater reliance on budget-friendly options, and push consumers towards discount retailers and online shopping platforms. Additionally, consumers tend to prioritize essential goods over luxury items and adjust their financial strategies in response to reduced income. The study also examines the role of businesses and government policies in alleviating the effects of crises, providing recommendations for policymakers, businesses, and marketers to better meet the evolving needs of consumers.

Loxton, M.,et al (2020) This study explores the impact of the COVID-19 pandemic on consumer behaviour, specifically examining panic buying, herd mentality, shifts in discretionary spending, and the media's role in shaping responses. Through surveys and interviews, the research reveals that panic buying was driven by uncertainty and fear, leading to the stockpiling of essential goods. Additionally, herd mentality influenced consumer choices, as individuals followed social cues in response to perceived shortages. Discretionary spending experienced a shift, with a decrease in expenditures on luxury items and an increase in spending on health, hygiene, and digital services. The media played a significant role in amplifying consumer anxiety and shaping perceptions of scarcity. These findings offer valuable insights for managing consumer behaviour in future crises.

Mensah, K., Madichie, N., and Mensah, G. (2023) This study investigates the impact of uncertainty in crisis situations on consumer buying behaviour, with a particular emphasis on panic buying. It seeks to identify the factors that influence consumer decisions amidst uncertain circumstances, such as those experienced during a crisis. The authors utilize mediation analysis to explore how uncertainty shapes panic buying behaviors. Their findings enhance our understanding of consumer psychology during crises and provide valuable insights for businesses and policymakers aiming to manage consumer demand and behaviour in emergencies.

Tung, R. K. et al (2023). This study investigates the impact of financial inclusion on the socio-economic status of tribal communities in the Mayurbhanj district of Odisha, India. It focuses on how access to financial services—such as banking, credit, savings, and insurance—affects the income, livelihoods, and overall quality of life of the region's tribal populations. Using a mixed-methods approach, data were gathered through surveys, interviews, and focus group discussions with tribal households in Mayurbhanj. The findings reveal that financial inclusion has improved economic stability, increased access to credit, and enhanced financial literacy, which collectively contribute to better income generation and poverty reduction among these communities. However, challenges such as low financial awareness, geographical barriers, and inadequate infrastructure continue to impede full financial participation. The results indicate that while financial inclusion programs have positively impacted socio-economic conditions, further efforts are needed to address these challenges and ensure broader access to financial services. The study concludes with policy recommendations aimed at enhancing financial literacy, improving access to banking infrastructure, and tailoring financial products to meet the unique needs of tribal communities.

Chen, Z. (2025). This study examines how financial innovations contribute to the amplification of financial crises. While innovations such as derivative products, securitization, and digital financial services enhance market efficiency and drive economic growth, they also pose significant risks for increasing financial instability during crises. By analysing historical data and case studies from previous financial downturns, this research investigates how complex financial instruments can magnify systemic risk, heighten market volatility, and facilitate the spread of economic downturns. The study emphasizes the dual nature of financial innovations: they serve as both catalysts for growth and potential amplifiers of financial distress. Through a blend of theoretical analysis and empirical evidence, the findings reveal that, although financial innovations can enhance liquidity and provide opportunities for risk-sharing, their misuse or inadequate regulation may lead to excessive risk-taking and worsen crises. The paper concludes with policy recommendations aimed at better regulating financial innovations, enhancing transparency, and ensuring the resilience of financial systems during economic turmoil.

Rohanaraj, T. T. A. (2023). This study examines how economic crises affect consumer purchasing behaviour in the Middle East, a region characterized by unique socio-economic dynamics. By utilizing survey data, market trends, and case studies, it analyzes shifts in spending patterns, brand loyalty, and price sensitivity during financial downturns. The findings reveal a trend toward necessity-driven purchases, an increased preference for private-label and discounted products, and a heightened focus on value for money. Additionally, cultural and economic factors—such as government subsidies, social norms, and financial resilience—significantly influence consumer choices. The study offers valuable insights for businesses and policymakers to adapt their strategies to meet changing consumer needs during periods of economic instability. Understanding these behavioural shifts can assist companies in optimizing pricing, product offerings, and marketing strategies, thereby sustaining growth and consumer trust in challenging economic times.

Idoko, C. U., & Ochidi, E. A. (2016). This study investigates the impact of the 2007-2008 global financial crisis on household consumption behavior in Kogi State, Nigeria. The crisis caused significant economic disruptions, affecting inflation, exchange rates, and overall growth. This research explores how these changes influenced household spending on essential goods, savings, and income sources in both rural and urban areas of Kogi State. The findings indicate that reduced disposable income resulted in cuts to discretionary spending, particularly on luxury items. Households increasingly turned to remittances and informal economic activities to supplement their income. Additionally, the study highlights coping strategies such as adopting more frugal lifestyles and decreasing investments in long-term assets. The research concludes that the crisis had a profound and lasting impact on household consumption in Kogi State, with significant implications for the local economy. Recommendations are provided to enhance financial resilience and promote income diversification to better withstand future economic shocks.

Theodoridou, G., Tsakiridou, E., Kalogeras, N., & Mattas, K. (2019). The Greek economic crisis significantly altered consumer behaviour, especially in food consumption. Factors such as financial constraints, rising unemployment, and decreased disposable income prompted consumers to become more cost-conscious. This shift resulted in a greater preference for private-label products and a decline in dining out. Consumers began to prioritize essential goods over luxury items, thereby reshaping market trends. This change underscores the necessity for policymakers and businesses to adapt their strategies to address evolving consumer priorities. By understanding these behavioural shifts, stakeholders can gain valuable insights into economic resilience and sustainable consumption patterns during periods of financial instability. This knowledge can inform the development of policies and business models that support consumers while ensuring market stability in challenging economic conditions.

Krishnamurthy, A., & Li, W. (2025). Financial crises result from the interaction between financial intermediation and market sentiment. This paper examines how liquidity constraints, leverage cycles, and changes in investor confidence contribute to these crises. Disruptions in financial intermediaries, such as banks and shadow banks, exacerbate downturns through credit contractions and asset fire sales. Additionally, sentiment-driven behaviors, including herding and sudden losses of confidence, further destabilize the market. By combining theoretical models with empirical evidence, we propose policy measures aimed at reducing systemic risk and improving stability. Our findings underscore the importance of regulatory frameworks that address both institutional weaknesses and behavioural factors to avert future financial crises.

Deb, M., & Chavali, K. (2010). This study explores the impact of trust and loyalty on customer behavior during financial crises, with a focus on Indian banks. It emphasizes that trust—rooted in a bank's reliability, stability, and honesty—plays a crucial role in preserving customer loyalty in times of economic uncertainty. Through surveys and interviews, the research identifies key factors that influence customer decisions regarding retention, switching, and satisfaction. The findings indicate that customers are more likely to remain loyal to trustworthy banks during periods of financial instability. The study underscores the significance of transparent communication, past experiences, and the bank's response to crises. It concludes with recommendations for banks to enhance customer trust and loyalty by implementing effective strategies during challenging times.

RESEARCH GAPS:

1. How uncertainty impacts the marginal propensity to consume and saving rates across various income groups.
2. Barriers to risk management.

RESEARCH OBJECTIVES:

1. To analyse the impact of economic crises on consumer spending.
2. To examine the role of consumer confidence in economic recovery.
3. To know the effective marketing strategies during economic crises.

RESEARCH METHODOLOGY:

This study examines the impact of economic crises on financial behaviour and the ripple effects of uncertainty and risk. Data collection consists of **primary sources**, including personal interview with respondents from the 128 respondents in the Keonjhar district of Odisha and **secondary sources**, A **random sampling** approach ensuring in data collection technique. The study analyses the demographic data through the frequency and percentage and other data has been analyse by the Likert 5-point scales. This approach ensures a comprehensive understanding of financial behaviour under economic uncertainty.

DATA ANALYSIS AND INTERPRETATION:

1. Frequency and percentage distribution of Gender

Gender	Frequency	Percentage
Male	46	35.93
Female	82	65.07
Total	128	100

In research table 1 shows the percentage and frequency distribution of the gender which includes with both the male and female, male respondents are the 35.93% and female respondents are 65.07 of total respondents.

2. Age distribution

Age	Frequency	Percentage
18-30	22	17.18
31-40	58	45.31
41-50	35	27.34

51-60	**11**	**8.59**
Above 60	**02**	**1.56**

Above table shows the age distribution on the basis of frequency and percentage, the different age groups are included in this research. In the above five age groups, 31-40 age groups of respondents are highest and age groups of above 60 are very less in comparison to whole groups.

3. Qualification

Qualification	Frequency	Percentage
Up to 10th	**87**	**67.96**
12th	**27**	**21.09**
Graduate	**13**	**10.15**
Above graduate	**01**	**0.78**
Total	**128**	**100**

Table 3 illustrate the qualification distribution of the respondents which includes the different groups. The 67.96% respondents having up to matric levels educated and the above graduate respondents having vary less which showing 0.78% respondents and higher secondary levels showing the 21.09% of the total respondents.

4. Income distribution

Income	Frequency	Percentage
Up to 50000	**21**	**16.40**
50000-100000	**43**	**33.59**
100000-150000	**37**	**28.90**
150000-200000	**24**	**18.75**
Above 2 lakhs	**03**	**2.34**
Total	**128**	**100**

Table shows the income distribution of the respondents, which are distributed in the different age groups and showing the income levels. In this table obtaining the highest income groups is 33.95% (50000-1 lakh) and the above 2 lakhs income groups are very less which is2.34% of whole groups.

5. Perception towards uncertainty and risk

Perception	Frequency	Percentage
Positive	**35**	**27.34**
Negative	**93**	**72.65**
Total	**128**	**100**

The perception table illustrate the prevailing attitudes within the sample of 128 individuals towards a particular subject, where a majority of 72.65% hold a negative perception in other hands the positive perceptions hold 27.34% of the respondents.

6. Consumer facing financial crises

Facing financial crises	Frequency	Percentage
Strongly disagree	**05**	**3.90**

Disagree	**13**	**10.15**
Neutral	**26**	**20.31**
Agree	**54**	**42.18**
Strongly agree	**30**	**23.43**
Total	**128**	**100**

Above table analyse by the Likert 5-point scales to know the opinion of the respondents towards the ripple effect and economic crises. The respondents showing the 3.90% are strongly diss agree,10.15% respondents expressed opinion is disagree, 20.31 respondents are showing neutral, 42.18% respondents are showing positively agree and 23.43% are strongly agree.

7. Awareness level on economic recovery through saving and investment.

Awareness levels	Frequency	Percentage
Strongly disagree	**57**	**44.53**
Disagree	**42**	**32.81**
Neutral	**10**	**7.81**
Agree	**12**	**9.37**
Strongly agree	**07**	**5.46**
Total	**128**	**100**

Economic recovery through saving and investment showing in this table**,** Above table analyse by the Likert 5-point scales to know the opinion of the respondents towards the ripple effect and economic crises and uncertainty. The respondents showing the 44.53% are strongly diss agree,32.81% respondents expressed opinion is disagree, 07.81% respondents are showing neutral, 09.37% respondents are showing positively agree and 05.46% are strongly agree.

Findings:

- Study is basically based on the economic crises and uncertainty in consumer decision making in rural region of keonjhar District. Study includes 128 respondents for collecting information, both male and female. Male respondents are 35.93% and female are 65.07%, showing the highest in comparison to male.
- In levels of qualification 67.96% is highest in secondary levels and majority income groups are between the 50000-1 lakh and above 2 lakh is 2.34%.
- **Pe**rception towards uncertainty, majority of 72.65% hold a negative perception in other hands the positive perceptions hold 27.34% of the respondents.
- Opinion of the respondents towards the facing financial crises, 42.18% respondents are showing agree, 23.43% are strongly agree and 3.90% are strongly diss agree.
- Awareness level on economic recovery through saving and investment which are 9.37% respondents are showing agree and 5.46% are strongly agree which is very less impacting.

Conclusion:

- Economic crises significantly impact financial behaviour by amplifying uncertainty and risk.
- It leading to reduced spending, increased savings, or a preference for safer investments.

- This heightened risk aversion can hinder economic recovery, as both consumption and investment activities decline.
- Over the long term, the consequences may include shifts in consumer habits, the adoption of more conservative financial strategies, and a greater emphasis on stability.
- Recognizing these changes is crucial for policymakers and businesses to effectively navigate the unpredictable landscape during and after an economic crisis.

References

1. **Schippers,** M. C. (2020). For the greater good? The devastating ripple effects of the Covid-19 crisis. *Frontiers in Psychology*, *11*, 577740.
2. **Burns,** W. J., Peters, E., & Slovic, P. (2012). Risk perception and the economic crisis: A longitudinal study of the trajectory of perceived risk. *Risk Analysis: An International Journal*, *32*(4), 659-677.
3. **Hosseini, S.,** & Ivanov, D. (2020). Bayesian networks for supply chain risk, resilience and ripple effect analysis: A literature review. *Expert systems with applications*, *161*, 113649.
4. Mansoor, D., & Jalal, A. (2011). The global business crisis and consumer behavior: Kingdom of Bahrain as a case study. *International Journal of Business and Management*, *6*(1), 104.
5. **Nakpodia,** F., Ashiru, F., You, J. J., & Oni, O. (2024). Digital technologies, social entrepreneurship and resilience during crisis in developing countries: evidence from Nigeria. *International Journal of Entrepreneurial Behavior & Research*, *30*(2/3), 342-368.
6. **Basev, S**. E. (2014). Effect of economic crisis on food consumption behavior of British Consumers. *International Journal of Education and Research*, *2*(10), 289-316.
7. **Gabriela, S**. (2010). Changes in consumer behaviour during an economic crisis. *Ovidius University Annals, Economic Sciences Series*, *10*(2), 784-787.
8. **Loxton,** M., Truskett, R., Scarf, B., Sindone, L., Baldry, G., & Zhao, Y. (2020). Consumer behaviour during crises: Preliminary research on how coronavirus has manifested consumer panic buying, herd mentality, changing discretionary spending and the role of the media in influencing behaviour. *Journal of risk and financial management*, *13*(8), 166.
9. **Mensah,** K., Madichie, N., & Mensah, G. (2023). Consumer buying behaviour in crisis times: uncertainty and panic buying mediation analysis.
10. **kumar T**ung, R., Mishra, S., Mahanta, B., Mohanty, T., & Barik, B. (2023) The Impact in Financial Inclusion on Socio-economic Status among Tribe of Odisha: A case study on Mayurbhanj district.
11. **Chen, Z**. (2025). The Impact of Financial Innovations on the Amplification of Financial Crises. *Advances in Economics, Management and Political Sciences*, *160*, 68-73.
12. **Rohanaraj,** T. T. A. (2023). The purchase behaviour towards consumer goods during economic crisis– A Middle Eastern perspective. *ECONOMICS-Innovative and Economics Research Journal*, *11*(1), 85-106.
13. Deb, M., & Chavali, K. (2010). Significance of trust and loyalty during financial crisis: A study on customer behavior of Indian banks. *South Asian Journal of Management*, *17*(1), 43.
14. **Idoko**, C. U., & Ochidi, E. A. (2016). the effect of global financial crisis on consumption behaviour of households in kogi state, nigeria. *European Journal of Business, Economics and Accountancy*, *4*(5), 1-9.

15. **Theodoridou**, G., Tsakiridou, E., Kalogeras, N., & Mattas, K. (2019). The impact of the economic crisis on Greek consumer behaviour towards food consumption. *International Journal on Food System Dynamics*, *10*(3), 298-314.
16. **Krishnamurthy, A**., & Li, W. (2025). Dissecting mechanisms of financial crises: Intermediation and sentiment. *Journal of Political Economy*, *133*(3), 000-000.
17. **Quoc**, H. N., Le Quoc, D., & Van, H. N. (2025). Assessing digital financial inclusion and financial crises: The role of financial development in shielding against shocks. *Heliyon*, *11*(1).