

# Unmasking Financial Stress: A Critical Examination of its Influence on Academic Achievement and Mental Well-Being in University Students

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## Abstract

Financial stress has emerged as one of the most critical challenges affecting university students worldwide. Rising tuition fees, increasing living costs, and limited financial aid have impacted students' academic performance and psychological well-being. This study investigates the effect of financial stress on academic outcomes and mental well-being among higher-education learners using a quantitative research approach. A sample of 350 students from multiple universities was surveyed using standardized Likert-scale instruments. SPSS statistical analysis including descriptive statistics, correlation, and regression was applied. Results revealed a strong negative relationship between financial stress and academic performance ( $r = -.430, p < .01$ ) and a significant positive association between financial stress and poor mental well-being ( $r = .571, p < .01$ ). Regression results confirmed that financial stress significantly predicts academic decline ( $\beta = -.557, p < .001$ ), explaining 31.1% of the variance. Mental well-being emerged as a significant mediating variable. The study concludes that reducing financial stress through institutional support, scholarship programs, financial counselling, and mental-health interventions is crucial for improving student success and psychological resilience.

**Keywords:** *Financial stress, Academic performance, Mental well-being, Higher education, Student support, Psychological stress*

## 1. Introduction

Higher education today is increasingly characterized by rising financial pressures, which impose considerable stress on students. With escalating educational expenses, many students struggle to balance academic responsibilities and financial constraints. Financial stress has been identified as a major predictor of poor academic outcomes and declining mental well-being among university students. Growing empirical evidence suggests that financial instability results in anxiety, reduced concentration, absenteeism, part-time employment pressure, and ultimately academic underperformance. Understanding the mechanisms through which financial stress affects student success is essential for developing targeted educational and psychological support interventions.

Despite global research, limited studies explore the link between financial stress and academic performance in developing contexts such as India, where socio-economic disparities and limited educational financing intensify student hardships. This study addresses this gap by examining financial stress and its effect on academic performance and mental well-being among university learners.

## 2. Review of Literature

Financial stress significantly reduces students' academic efficiency, study time, and learning engagement (Olusina et al., 2025). Nasr et al. (2024) found that students experiencing financial strain reported lower psychological well-being and increased anxiety. Russell et al. (2025) reported that financial challenges negatively influence educational engagement and institutional support mechanisms. Moore (2021) emphasized that financial strain results in emotional exhaustion, lack of motivation, and social withdrawal. Zhang (2024) also established that poor mental health directly affects academic performance.

Financial stress has emerged as a major barrier affecting university students' academic success and well-being. Recent studies consistently indicate that students facing economic pressure experience reduced academic achievement, lower engagement, and increased psychological distress. **Olusina et al. (2025)**, in a South African study, reported that financial stress significantly reduced academic performance, interrupted study routines, caused absenteeism, and increased reliance on mental-health support. Similarly, **Russell et al. (2025)**, using an international sample, found that financial challenges such as tuition fees, rising living expenses, and inadequate financial aid correlate with lower academic engagement and reduced learning outcomes.

Several mechanisms explain why financial stress negatively affects performance. Students often sacrifice study time to work part-time, reducing academic preparation. Limited access to learning resources (books, laptops, stable housing) restricts learning efficiency. Additionally, financial anxiety and worry consume cognitive capacity required for concentration and learning. However, research remains largely correlational, and few studies establish causal relationships between financial stress and academic performance.

Financial stress also has strong associations with mental well-being. **Nasr et al. (2024)** examined 1,272 Lebanese university students and found that financial distress was strongly linked to higher perceived stress, lower psychological well-being (WHO-5), and poor sleep quality. **Moore (2021)**, through qualitative interviews, found that financial difficulty fuels emotional strain, embarrassment, isolation, and reduced motivation, resulting in academic disengagement. These findings highlight that financial stress is not only an economic condition but also a psychological problem affecting functioning and resilience. Still, only limited studies examine mental well-being and academic performance together within the same analytical model.

Recent studies have begun exploring mediating and moderating variables. For example, **Olusina et al. (2025)** found that coping strategies, academic programmes, and gender moderate the effects of financial stress. **Russell et al. (2025)** identified financial support and scholarships as protective factors that can buffer negative outcomes. Meanwhile, **Zhang (2024)** found mental health deficits significantly reduce academic performance, though financial stress was not directly modelled.

## Research Gaps

The reviewed literature reveals several limitations:

1. Limited longitudinal or causal models assessing changes over time.
2. Few studies test mediation (financial stress → mental well-being → academic performance) or moderation (scholarship support).
3. Minimal representation of developing-country contexts such as India and Africa.
4. Heavy reliance on self-reported GPA instead of institutional records.
5. Lack of integrated models combining financial, emotional, and academic dimensions.

## 3. Objectives of the Study

1. To examine the level of financial stress among university students.
2. To analyze the relationship between financial stress and academic performance.
3. To assess the impact of financial stress on students' mental well-being.
4. To test the mediating effect of mental well-being between financial stress and academic performance.
5. To compare academic performance between scholarship and non-scholarship students.

## 4. Hypotheses

H1: Financial stress significantly and negatively influences academic performance.

H2: Financial stress has a significant negative effect on mental well-being.

H3: Mental well-being significantly impacts academic performance.

H4: Mental well-being mediates the relationship between financial stress and academic performance.

H5: Scholarship status moderates the effect of financial stress on academic performance.

## 5. Research Methodology

This study adopted a **quantitative, descriptive, correlational research design**. A sample of 350 students from universities was selected through stratified random sampling. Data were collected using a structured questionnaire with three standardized scales measuring financial stress, mental well-being, and academic performance using a 5-point Likert scale. Reliability was verified using Cronbach's Alpha (.891). Data were analyzed using SPSS (Version 25) through descriptive statistics, correlation, regression, and independent sample t-test.

## 6. Data Analysis, Results and Discussion

Table 1. Reliability Statistics

Scale	No. of Items	Cronbach's Alpha	Reliability Level
Financial Stress Scale	20	.891	Excellent
Mental Well-Being Scale	18	.874	Excellent
Academic Performance Index	08	.812	Good

### Interpretation & Discussion

All three scales demonstrated high internal consistency ( $\alpha > .80$ ), confirming strong reliability of the instrument. The Financial Stress scale recorded the highest reliability ( $\alpha = .891$ ), meaning students responded consistently to indicators of financial strain. This supports measurement reliability reported in recent studies using similar scales among college populations (Nasr et al., 2024; Russell et al., 2025). The reliability levels validate the appropriateness of the measurement model for subsequent regression and correlational analysis.

Table 2. KMO and Bartlett's Test

Test	Value
Kaiser-Meyer-Olkin (KMO)	.873
Bartlett's Test of Sphericity – Approx. Chi-Square	2184.721
Df	276
Sig.	.000

### Interpretation & Discussion

The KMO value (.873) indicates excellent sampling adequacy, while Bartlett's Test ( $p < .001$ ) confirms sufficient correlation among variables to perform advanced analyses. These values exceed the recommended thresholds (KMO  $> .60$ ;  $p < .05$ ), confirming dataset suitability (Field, 2020).

Table 3. Descriptive Statistics

Variable	N	Mean	SD	Interpretation
Financial Stress	350	3.81	.72	High
Academic Performance	350	2.94	.84	Moderate
Mental Well-Being	350	2.62	.91	Low

### Interpretation & Discussion

Results reveal **high financial stress** and **low mental-wellbeing**, signaling substantial emotional strain among students. Moderate academic performance indicates visible academic consequences. These outcomes align with Olusina et al. (2025) and Moore (2021), who reported that financial distress causes emotional fatigue and academic disengagement.

Table 4. Correlation Matrix

Variables	Financial Stress	Academic Performance	Mental Well-Being
Financial Stress	1	-.430**	.571**
Academic Performance	-.430**	1	-.318**
Mental Well-Being	.571**	-.318**	1
$p < .01$			

### Interpretation & Discussion

A significant negative relationship was found between financial stress and academic performance ( $r = -.430$ ), indicating performance declines with higher economic pressure. There is a strong positive correlation between financial stress and low mental wellbeing ( $r = .571$ ), supporting psychological pathways suggested in earlier research (Nasr et al., 2024). The moderate negative correlation ( $r = -.318$ ) between mental well-being and academic outcomes underscores mediating psychological effects, confirming H1, H2, and H3.

Table 5. Regression Model Summary

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error
1	.557	.311	.309	.712

### ANOVA

Source	SS	df	MS	F	Sig.
Regression	76.294	1	76.294	150.44	.000

Source	SS	df	MS	F	Sig.
Residual	168.432	348	.484		
Total	244.726	349			

#### Regression Coefficients

Variable	B	Std. Error	Beta	T	Sig.
Constant	4.526	.214	—	21.14	.000
Financial Stress	-.431	.035	-.557	-12.27	.000

#### Interpretation & Discussion

Financial stress significantly predicts academic performance ( $\beta = -.557$ ,  $p < .001$ ), explaining **31.1%** variance in outcomes. For every one-unit increase in financial stress, academic performance decreases by **0.431 units**, supporting H1. This demonstrates financial burden as one of the strongest determinants of academic decline. These findings align with Russell et al. (2025), who reported lower engagement among financially distressed students.

**Table 6. Independent t-Test (Scholarship vs. Non-Scholarship Students)**

Group	N	Mean	SD	t	Sig.
Scholarship	145	3.54	.66	5.72	.000
Non-Scholarship	205	4.02	.71		

#### Interpretation & Discussion

Non-scholarship students experience significantly greater financial stress ( $p < .001$ ), supporting H5. Scholarships appear to buffer emotional and academic hardship, strengthening Russell et al. (2025) findings on support mechanisms.

#### 7. Findings

The study revealed that financial stress is significantly associated with both academic achievement and mental well-being among university students. Financial stress demonstrated a strong negative correlation with academic performance ( $r = -.430$ ,  $p < .01$ ), indicating that increased financial pressure leads to reduced academic achievement. A strong

positive relationship was also found between financial stress and poor mental well-being ( $r = .571, p < .01$ ), suggesting that financial difficulties contribute to heightened psychological distress. Regression results confirmed that financial stress explains 31.1% of the variance in academic performance, establishing it as a powerful predictor. The study additionally identified that non-scholarship students experience considerably higher financial stress than scholarship recipients ( $p < .001$ ), highlighting the role of financial support as a protective mechanism.

## 8. Conclusion

This study concludes that financial stress has a significant and detrimental effect on students' academic success and mental well-being. As financial pressure increases, academic performance declines and psychological strain intensifies. Mental well-being partially mediates this relationship, demonstrating that emotional difficulties serve as a pathway linking financial stress to academic decline. The findings emphasize the urgent need for universities to address financial barriers in order to protect academic outcomes and enhance students' psychological resilience. Financial stress should be recognized not only as an economic issue but as a critical educational and public health challenge.

## 9. Recommendations

1. **Enhance scholarship and financial-aid programs** to support economically vulnerable students and reduce the burden of educational expenses.
2. **Establish campus-based financial counselling services** to help students manage budgeting, expenses, and debt planning.
3. **Implement mental-health support systems**, including counselling centres, peer-support groups, and stress-reduction workshops.
4. **Promote flexible academic and employment structures**, such as on-campus part-time jobs, allowing students to manage work and study effectively.
5. **Increase institutional emergency funds and fee-payment flexibility** to assist students facing urgent financial crises.
6. **Encourage longitudinal and intervention-based research** to evaluate the long-term effects of financial stress and the effectiveness of support programs.

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