

## A Study on Impact of Financial Stress on Students' Academics

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*Over the last few decades, the cost of attending colleges in India have been rising steadily and students who enrol for various courses are forced to rely on some form of financial aid to finance their cost of tuition fees. The main forms of financial aids available are grants and loans that can be sourced through government or financial institutions. The main difference between the two sources is grants need not be repaid, whereas loans need to be. For families and students, it is more important for to pass/complete school and college in the same year, otherwise it increases the financial burden of the family. The students who are vulnerable to financial stress were found to earn lower grades and fewer credit hours. The students who experienced such interruption in academics have to consider reducing their course loads or dropping for a semester due to financial issues/concerns and reported higher stress from their personal finances. Students who perceived that worrying about money/ academic funding affected their academic performance were found to have poorer academic performances. In this study, the data was collected from samples by a set of research tools and analyzed using SPSS, and resulted in research findings and interpretations. The sampling technique used in this study is non-probability sampling. Convenient sampling was used to select the respondent from the samples. Accordingly, the sample size is 100 college students which were chosen by random sampling and further responses were analysed and interpreted.*

**Keywords:** Financial stress, Debt, Personal Finance, Financial- Aid, Performance.

### **Introduction**

Student life is the most vibrant phase in an individual's life with experiences that they can cherish and enjoy. The various academic, cultural and co-curricular activities nurture students and prepare them for the challenges of adulthood. Viewing this scenario from a deeper perspective, one can understand the predicament of college students in their daily life. The entire idea of an exciting college life is rife with concerns which, in turn, contribute to stress. If these are not dealt with, they may escalate and disrupt their academic performance as well as their emotional and social well-being.

Over the last few decades, financing higher education has changed dramatically. This could be owing to various factors arising from numerous elements ranging from cost of education, curriculum and workloads combined with economic deprivation. Factors that trigger stress affecting like academics, social, emotional and financial has an impact on the academic achievements of a college student. Poor academic performance of students can be a consequence of poor time management, economic hardships, lack of sleep and societal engagements. Various studies indicate that stressors like social, emotional and financial conditions at large, affect the academic performance of students although academics is a stressor all by itself.

Higher Education is a very important driving force for economic development of the country and important for financial movement in the economic growth. (Eric A. Hanushek And Dennis D. Kimko\*(2000),( Alan B. Kruegerand Mikael Lindah\*( 2000); (Hanushek Eric A.& Woessmann& Ludger(2007)have proven in their research that investing in higher education is of high value for economic development and growth. Studies done in a diverse set of countries show that the returns on college education have been increasing compared to the primary education. The governments are trying to boost higher education by providing various loan schemes and making it available by various financial institutions. Education loan is an effective tool for financing graduation and post-graduation.

The education loans by financial institutions is a common practice in developed nations but in India, education loans have earned peak in recent years, particularly after the launch of education loan scheme in 2012 by the Reserve Bank of India (the central bank of India) in collaboration with the Indian Banks' Association. National Sample Survey (NSS) data shows that participation in higher education has been diverted in favor of consumption expenditure. Well drafted loans make educational loans affordable and accessible to the common man. Financial inclusion by means of education loans help in financial upliftment by getting returns out of higher education.

The college students' stressors include internal and external pressures exerted by the environment to thrive and success, economic hardships, worries about future, societal problems and opportunities. The average student is financially vulnerable as they typically have few assets and partly incomes. Studies has also demonstrated that students have little financial knowledge. Consequently, it is not surprising that financial stress is the leading stressor among college students.

### ***Review of Literature***

Abreedy (2015)observed that being financially literate would mean that an individual would benefit from a palette of abilities and attitudes such as a comprehension of money management concept, knowledge of financial institutions and attitudes which enable effective and responsible management of financial affairs.

(Guan, 2015)opines that college students with financial difficulties refer to those whose families can hardly afford their high tuition fees in universities, and should be supported by modern funding system. Dobria (2016) found that college students (Kevinofosnacht, 2013)frequently cite financial difficulties among the top reasons for dropping out. From a financial standpoint, student attrition can be contextualized in terms of personal circumstances and beliefs. Keenamer (2010) observed that the most obvious cause of financial stressor is the cost of due to attending college and most students rely upon substantial loans to cover their tuitions fees. He further established that student financial aid acts as a retention tool, it may in fact serve low-income college students whose access is more vitally important than for choice.Valadez (2012) in their study implied that tuition fees increases significantly affects low-income students compared to those not of low-income background. This poses another issue for low-income borrowers as they now find high debt amounts discouraging, or as a barrier, to pursue a college degree.

(Joo So-Hyun Durband Dorothy Bagwell Grable John (2008); (Ross S. Cleland J. & Macleod M. J (2006); have proposed their research findings as academic failure is associated with financial stress.(Melissa C. Nelson Katherine Lust Mary Story Ed Ehlinger ( 2008) found that financial stress creates adverse health issues. Thus they clarified that stress creates problems like anxiety, insomnia and short temper etc. Joo SO-Hyun et al ( 2008) identified various factors affecting the college students. They describes various factors as reducing expenses, increasing income, improving management skills, borrowing money, employing psychological means to reduce stress, and seeking help.

### ***Purpose Statement***

Every research has a main vision behind it on which the whole framework is based. Keeping in mind the vision of the study ,the main purpose of this paper is to explore the relationship between financial stressors and its effect on college students. In addition, the paper attempts to identify factors relating to college student's perception towards financial stressors, and identify negative effects of financial stress on their well-being in terms of academic performance, health issues, and financial practices. Thus the purpose will help in defining the research objectives and laying down framework for analysis and interpretation.

### ***Objectives of the Study***

Based on the above mentioned purpose and objective the research will include two objectives on the basis of which two hypothesis are to be formulated.

1. To analyse how student'sstudents' financial wellness is influenced by financial literacy.
2. To analyse the relation between financial wellness and education loan.

### ***Hypothesis***

A) A Student's Personal Financial Wellness is not influenced by their Financial Literacy

H1: A Student's Personal Financial Wellness is influenced by their Financial Literacy.

B)A Student's Financial Wellness is not associated with Education Loan

H1: A Student's Financial Wellness is associated with Education Loan.

### ***Limitations***

1. Sample size is small so it may be possible that the desired level of accuracy does not exist.

2. This study is conducted only in small area so there may be chance of inaccuracy of the result.
3. In selecting the Sample, there are chances of sampling error.

**Research Methodology**

The research to be conducted is descriptive in nature. Secondary and primary data were collected for the study. Secondary data were collected from articles in various online and offline journals related to stress. Primary data was collected by a well-designed questionnaire, comprising of two sections. The first section consists of questions on the demographic profile of the respondents, while the second section consists of question related to effect of Financial Literacy ,Expected Family Contribution, financial Wellness Tuition Costs Student Financial-Aid and Loan. The students’ opinion about the 23 statements were collected in a Likerts five point scale and the data collected were represented in tabular forms. The SPSS package has been used to analyse the data using the statistical tools of Mean, ANOVA, Chi-square, Correlation and Regression Analysis.

**Data Collection:**

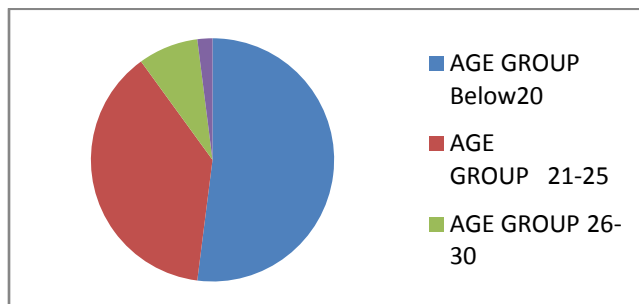
The data is collected by the using closed ended questionnaires. A total of 23 questions are there in questionnaire which isdesigned using 5 point Likert scale. These questions are used to analyseand test hypothesis based on variablesusing different statistical tools. The research is done to find out the Impact of Financial Stress on Students by collecting questionnaire from 100 samples and analysed the factors with SPSS software.

**Data Analysis and Presentation:**

**Table No 1 .Interpretation**

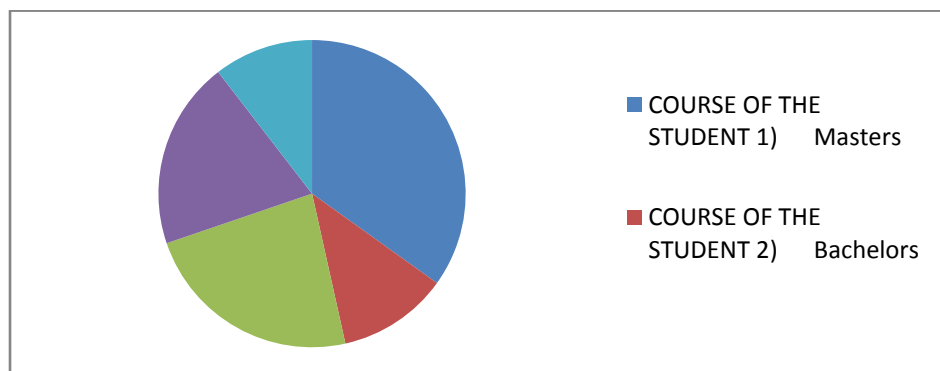
**Age of the Respondents**

This research is carried out by selecting 100 samples by convenient sampling method. Out of responses collected 52% of the respondents are in the age group below 20, 38% of the respondents are in the age group of 21-25, 8% of the respondent’s age is 26-30 and remaining 2% of the respondents are in age above 30.



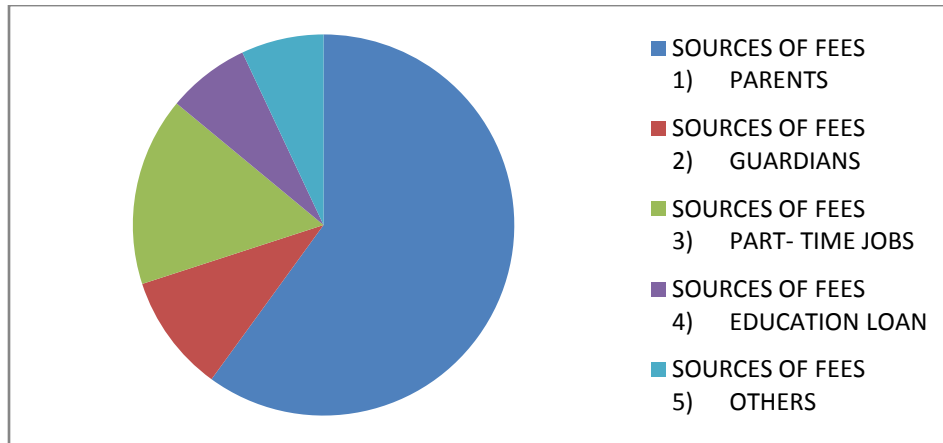
**Courses opted for study by Respondents**

In the data collected, 30% of the respondents are in the course of MBA/PGDM, 10%of the respondents belong to M.COM, 20% of the respondents belong to M.C.A, 17%of them belong to B.COM course, B.B.A course having 9%, and the rest 14% belong to BE/BCA/OTHERS. Thus to give more precision to the study and making the study more inclusive graduation and post- graduation students were selected to give more clarity to various dimensions of the study.



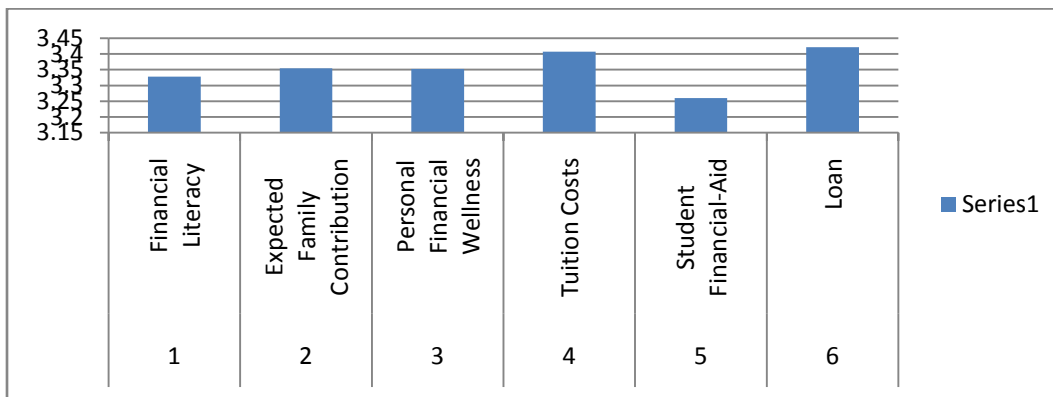
Sources of Fees

In the data collected,60% of the respondents source their fees from parents, 10% from guardians, 16% from part-time jobs, 7% from education loan and rest 7% from others. Thus 7% of students are dependent on education loans to continue their studies.



**Table 2: Table Showing The Mean Of Variables And Ranking**

**Interpretation:** From the above table the variable loan is having the highest mean with the mean value 3.4217 and given rank1 thus students have shown maximum positive responses for questions relating to loan and they rely on education loan for bearing their tuition fee costs, Tuition Costs with mean value 3.4075 with rank given 2 ,thus this is second important factor which is considered by students while taking admission and taking loans, Expected Family Contribution having mean value 3.3546 with rank 3 which means the students are able to bear their financial costs by means of family contribution, Personal Financial Wellness with mean value 3.3525 with given rank 4, Financial Literacy having mean value 3.3275 given the rank 5 and the least Student Financial Aid having mean value 3.2600 given rank 6.



**TABLE 3:**

**Model Summary**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .320 <sup>a</sup> | .102     | .093              | .66720                     |

a. Predictors: (Constant), Personal\_financial\_wellness

b. Dependent Variable: Financial\_Literacy

**ANOVA<sup>a</sup>**

| Model |            | Sum of Squares | Df | Mean Square | F      | Sig.              |
|-------|------------|----------------|----|-------------|--------|-------------------|
| 1     | Regression | 4.962          | 1  | 4.962       | 11.147 | .001 <sup>b</sup> |
|       | Residual   | 43.625         | 98 | .445        |        |                   |
|       | Total      | 48.587         | 99 |             |        |                   |

- a. Dependent Variable: Financial\_Literacy  
 b. Predictors: (Constant), Personal\_financial\_wellness

| Coefficients |                             |            |                           |      |       |      |
|--------------|-----------------------------|------------|---------------------------|------|-------|------|
| Model        | Unstandardized Coefficients |            | Standardized Coefficients | T    | Sig.  |      |
|              | B                           | Std. Error | Beta                      |      |       |      |
| 1            | (Constant)                  | 2.167      | .354                      |      | 6.120 | .000 |
|              | Personal_financial_wellness | .346       | .104                      | .320 | 3.339 | .001 |

a. Dependent Variable: Financial\_Literacy

### Regression

**Table 3: Table showing Analysis how a student's Personal Financial wellness is influenced by their Financial Literacy.**

**Level of significance=5%**

**Test of Hypothesis:** Regression gives us r squared value. The values range from 0 to 1, with 0 being a terrible model and 1 being a perfect model.

### Interpretation

Linear Regression was used to prove the degree of influence of Financial Wellness of students on Financial literacy, the test result shows p-value =0.01 and r-square value=0.093. Since the p-value is lesser than  $\infty$ 0.05 therefore the result is not significant therefore  $H_0$  is rejected. There is influence of Financial Wellness on a student's Financial Literacy.

**Table 4: Table showing Analysis if Personal Financial Wellness is associated with Education Loan.**

**Level of significance=5%**

**Test Statistic=** DV is ordinal. It is not normally distributed. Since DV is ordinal we use Chi-square test.

### Interpretation

Since the p value=0.066 is greater than level of significance  $\infty$  0.05 result is in significant hence so the null hypothesis is accepted. Personal Financial Wellness and Education Loan is not associated.

### 3.1 Findings

| Table No | Method used               | Analysis  | Interpretation   |
|----------|---------------------------|---|--|
| 1        | Mean variance             | 1)Age groups<br>2)Course Opted<br>3)Source of tuition fees      | Loan has the highest mean value and given rank 1   |
| 2        | Liner Regression Analysis | Degree of influence of financial wellness to financial literacy | Null Hypothesis got rejected thus Financial wellness is influenced by financial literacy |
| 3        | Chi Square test           | Association of financial wellness and loans taken               | Null Hypothesis is accepted so Financial wellness is not associated with education loans |

1) From Table 1, we can see that 52% of the respondents are in the age group below 20, 38% of the respondents are in the age group of 21-25, 8% of the respondent's age between 26-30 and remaining 2% of the respondents are in age above 30. We can see that 30% of the respondents are in the course group MBA/PGDM, 10% of the respondents belong to M.COM, 20% of the respondents belong to M.C.A, 17% of them belong to B.COM course, B.B.A course having 9%, and the rest 14% belong to BE/BCA/OTHERS, we can see that 60% of the respondents are source of fees is from parents, 10% from guardians, 16% from part time jobs, 7% from education loan and the rest others forms 7%.

2) From Table 2, we find out that Loan has the highest mean value of 3.4217 and with the highest rank 1. So can be treated as highest value variable for test and analysis.

3) From the Table 3, Linear Regression Analysis is used to prove the degree of influence of Financial Wellness of students on financial literacy. The test result shows p-value =0.01 and r-square value=0.093.

4) From the Table 4, Chi-square was used to prove the association of Personal Financial Wellness and Education Loan, the p value=0.066 is greater than level of significance  $\infty$  0.05.

**Recommendations:**

1. Given the widespread occurrence of financial stress, financial administrators and policymakers may consider the implications of student loans accounting for an increasing proportion of educational funding.
2. Debt burden may be of serious negative impact on student wellness; a holistic and gradual approach in managing money related problems must be practised.
3. Possible options to lower financial stress on students must be looked at, like internships and governments OJTs to complete course and earn some money to overcome financial stress. Meditation and yoga can be made as part of curriculum to make student stress free.

**Limitations:**

This study does not cover other aspects of financial wellness and the stress. Stress can also cause depression which is serious resultant of negative effects of financial stress. The study does not also cover aspects of government scholarship and its effect on students. The study does not also include the positive aspects of stress which can help students to score good marks and get a good job driven/prompted by a strong desire to repay the loan which serves to be motivator. Lower income is associated with the depression (Blazer et al., 1989). (O'Hara et al., 1985) in their study revealed after collecting data of 2100 elderly community residents, (Kennedy, 1989) and his colleagues found a "highly significant" inverse relationship between income and depression. Students give a great importance of to grades. (Greenberg, 1996) and (Abouserie, 1994) have found in their study about the positive impact of students' efforts to achieve good grades and thereby overcome? stress levels.

**Conclusion**

In the statistical tests performed, regression showed a significance level of 0.001 resulting in stating there is influence of Financial Literacy on Personal financial well-being. The finding is backed by the r-squared value of 0.98 indicating confidence in the business model used. Another test performed to find out the association of Personal Financial Wellness and Education Loan, resulted in rejecting the null hypothesis indicating there was no association between the two variables of p-value 0.066. The test was performed using chi-square.

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## Appendices

**Table 1: Table Showing The Demographic Profile Of The Respondents**

| Demographic details          |                 | Frequency  | Percentage   |
|------------------------------|-----------------|------------|--------------|
| <b>AGE</b>                   | Below20         | 52         | 52           |
|                              | 21-25           | 38         | 38.0         |
|                              | 26-30           | 8          | 8.0          |
|                              | Above 30        | 2          | 2.0          |
|                              | <b>Total</b>    | <b>100</b> | <b>100.0</b> |
| <b>COURSE OF THE STUDENT</b> | Masters         | 30         | 30.0         |
|                              | Bachelors       | 10         | 10.0         |
|                              | Diploma         | 20         | 20.0         |
|                              | BBA             | 17         | 17.0         |
|                              | BE/BCA/OTHERS   | 9          | 9.0          |
|                              | <b>TOTAL</b>    | <b>100</b> | <b>100.0</b> |
| <b>SOURCES OF FEES</b>       | PARENTS         | 60         | 60.0         |
|                              | GUARDIANS       | 10         | 10.0         |
|                              | PART- TIME JOBS | 16         | 16.0         |
|                              | EDUCATION LOAN  | 7          | 7.0          |
|                              | OTHERS          | 7          | 7.0          |
|                              | <b>TOTAL</b>    | <b>100</b> | <b>100.0</b> |

**TABLE NO 2**

| Variables                    | Mean   | Rank |
|------------------------------|--------|------|
| Financial Literacy           | 3.3275 | 5    |
| Expected Family Contribution | 3.3546 | 3    |
| Personal Financial Wellness  | 3.3525 | 4    |
| Tuition Costs                | 3.4075 | 2    |
| Student Financial-Aid        | 3.2600 | 6    |
| Loan                         | 3.4217 | 1    |

**TABLE NO 4**  
**Chi-Square Tests**

|                              | Value   | df  | Asymp. Sig. (2-sided) |
|------------------------------|---------|-----|-----------------------|
| Pearson Chi-Square           | 148.176 | 156 | .660                  |
| Likelihood Ratio             | 109.854 | 156 | .998                  |
| Linear-by-Linear Association | 2.036   | 1   | .154                  |
| N of Valid Cases             | 100     |     |                       |