



Impact of Financial Pressures on Mental Health in Young Adults in Bangalore

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Abstract: This study has been undertaken to investigate the determinants of stock returns in Karachi Stock Exchange (KSE) using two assets pricing models the classical Capital Asset Pricing Model and Arbitrage Pricing Theory model. To test the CAPM market return is used and macroeconomic variables are used to test the APT. The macroeconomic variables include inflation, oil prices, interest rate and exchange rate. For the very purpose monthly time series data has been arranged from Jan 2010 to Dec 2014. The analytical framework contains.

Index Terms - Financial stress, mental health, young adults, anxiety, depression, Bangalore, stress, urban population.

I. INTRODUCTION

1.1 Background

Mental health is increasingly understood as a central component of individual functioning, social participation, productivity, and overall quality of life. It is no longer viewed only as the absence of psychological illness, but as a state of emotional, cognitive, and social well-being that enables individuals to cope with life demands, build meaningful relationships, work productively, and contribute to society. In recent years, the determinants of mental health have been examined not only from biological or individual psychological perspectives, but also from social, economic, and cultural frameworks. Among these determinants, financial pressure has emerged as a significant and persistent source of stress, particularly among young adults who are navigating the transition into economic independence. Young adulthood, typically between the ages of 20 and 35, is marked by rapid personal, social, educational, and occupational change. Individuals in this stage are expected to complete higher education, establish careers, manage relationships, and plan for long-term financial security. These simultaneous demands make this period both productive and vulnerable. Financial pressure refers to the perceived strain associated with managing financial obligations such as income inadequacy, debt, rent, and job insecurity. Importantly, financial stress includes both objective and subjective dimensions, with perceived financial strain playing a crucial role in influencing mental health outcomes.

1.2 Why this study matters

Financial pressure is not merely an economic concern, it is a psychological and public health issue. Research has consistently shown that financial difficulties are associated with increased levels of depression, anxiety, stress, and reduced well-being. Young adults are particularly vulnerable due to limited financial resources, unstable employment, and high developmental expectations. Additionally, social comparison through peer groups and social media further intensifies perceived financial inadequacy. In urban settings such as Bangalore, these challenges are amplified by rising living costs, housing demands, and competitive work environments. Understanding financial stress in this context is crucial for developing targeted mental health and financial interventions.

1.3 Statement of the problem

Despite increasing awareness of mental health issues, the role of financial pressure as a key determinant of psychological distress among young adults remains underexplored, particularly in urban Indian contexts. Young adults in Bangalore face significant financial challenges related to education, employment, housing, and family expectations. However, there is limited research examining how perceived financial stress influences mental health outcomes such as depression, anxiety, and stress in this population. This study seeks to address this gap by examining financial pressure as a multidimensional psychosocial stressor and its impact on mental health among young adults.

1.4 Research questions

This study attempts to answer the following questions:

- What is the level of perceived financial stress among young adults?
- What are the levels of depression, anxiety, and stress among young adults?
- Is there a relationship between perceived financial stress and mental health outcomes?
- How does financial stress influence psychological well-being in an urban context like Bangalore?

1.5 Objectives of the study

The objectives of this study are as follows:

- To identify primary sources of financial pressure (e.g., rent, educational expenses, job insecurity) among young adults in Bangalore.
- To assess the relationship between financial pressures and mental health outcomes (anxiety, depression, stress).

1.6 Hypotheses

- H1: Young adults in Bangalore experience significant financial pressure from rent, educational expenses, and job insecurity.
- H2: Higher financial pressure is positively associated with higher levels of anxiety, depression, and stress among young adults.

1.7 Significance of the study

This study contributes to the existing literature by examining financial stress and mental health among young adults in Bangalore. It integrates theoretical perspectives such as the Stress Process Model, Cognitive Appraisal Theory, and Conservation of Resources Theory. The findings can assist mental health professionals and counselors in identifying financial stress as a key contributor to psychological distress and incorporating it into assessment and intervention. It can help reduce stigma by framing financial stress as a psychosocial issue rather than a personal failure, encouraging awareness and help-seeking. The findings can also inform the development of financial literacy programs, workplace wellness initiatives, and student support services.

1.8 Scope and limitations

The present study focuses on young adults aged 20–35 residing in Bangalore and examines the relationship between perceived financial stress and mental health outcomes, specifically depression, anxiety, and stress. The study primarily emphasizes psychological variables and subjective experiences of financial strain rather than objective economic indicators. While the study provides valuable insights, certain limitations must be acknowledged. The research adopts a cross-sectional design, which limits the ability to establish causal relationships between financial stress and mental health outcomes. Additionally, the data is based on self-reported measures, which may be influenced by response biases such as social desirability or inaccurate self-assessment. The sample is restricted to young adults in Bangalore, which may limit the generalizability of the findings to other populations or geographical contexts. Furthermore, the study focuses on perceived financial stress and does not incorporate detailed objective financial data such as income levels, debt amounts, or expenditure patterns.

II. REVIEW OF LITERATURE

A substantial body of research highlights the strong association between financial stress and mental health outcomes. Timothy Richardson, Paul Elliott, and Richard Roberts (2013) conducted a systematic review of 65 studies and found that individuals with personal debt were significantly more likely to experience depression, anxiety, and stress. Their findings established debt as both a financial and psychological burden affecting overall well-being.

Similarly, Bridges and Disney (2010) found that individuals facing debt-related problems reported higher psychological distress and lower life satisfaction. Importantly, their study emphasized that the subjective experience of financial difficulty may be more impactful than the objective amount of debt.

Guan et al. (2022), through a systematic review of 40 studies, confirmed a consistent positive relationship between financial stress and depressive symptoms. The authors identified multiple dimensions of financial stress, including income hardship, financial dissatisfaction, and inability to meet basic needs.

Further supporting this, Ryu and Fan (2023) demonstrated that financial worry significantly predicts psychological distress, highlighting that financial stress operates as a psychological experience rather than merely an economic condition.

Walsemann, Gee, and Gentile (2015) reported that student loan debt significantly impacted psychological functioning, even after controlling for socio-economic factors. Their findings suggest that educational debt may create long-term stress during early adulthood.

Murthy (2017) and Gautham et al. (2020) highlighted the widespread prevalence of mental health conditions and the need for context-specific interventions. Suresh et al. (2025) further reported high levels of psychological distress among young adults in urban educational settings.

Archuleta et al. (2013) reported that financial anxiety and satisfaction are closely linked to financial behaviours, suggesting that financial education and counselling can reduce stress.

Overall, the literature indicates a strong and consistent relationship between financial stress and mental health outcomes. Key themes include the role of perceived financial strain, the impact of debt, the influence of urban environments, and the importance of financial behaviour.

However, there is limited research focusing specifically on young adults in Bangalore, particularly examining perceived financial stress and its relationship with depression, anxiety, and stress. The present study aims to address this gap by providing context-specific insights into financial stress and mental health.

2.1 Theoretical frameworks

Overall, the literature indicates a strong and consistent relationship between financial stress and mental health outcomes. Key themes include the role of perceived financial strain, the impact of debt, the influence of urban environments, and the importance of financial behaviour. However, there is limited research focusing specifically on young adults in Bangalore, particularly examining perceived financial stress and its relationship with depression, anxiety, and stress. The present study aims to address this gap by providing context-specific insights into financial stress and mental health.

- Stress Process Model

The Stress Process Model proposed by Leonard I. Pearlin (1981) provides a comprehensive framework for understanding how social stressors affect mental health. According to this model, stress is not a single event but a process that develops through the interaction of stressors, mediators, and outcomes. In the context of the present study, financial pressure functions as a primary

stressor, arising from factors such as insufficient income, debt, job insecurity, and high living costs. Over time, these primary stressors may lead to secondary stressors, including reduced self-esteem, interpersonal conflict, and uncertainty about the future. These stressors contribute to psychological outcomes such as depression, anxiety, and stress, which are measured using the DASS-21 scale in this study. The model also emphasizes the role of mediating resources such as coping strategies, social support, and financial management skills. Individuals with better coping mechanisms and financial planning behaviours may experience lower levels of psychological distress despite financial strain. Thus, the Stress Process Model supports the study's focus on financial pressure as a chronic psychosocial stressor influencing mental health outcomes among young adults.

- **Cognitive Appraisal Theory**

The Cognitive Appraisal Theory developed by Richard Lazarus and Susan Folkman (1984) emphasizes that stress is determined not only by external situations but by how individuals interpret and evaluate those situations. According to this theory, an event becomes stressful when it is perceived as threatening or overwhelming, and when individuals believe that their coping resources are insufficient. This perspective is particularly relevant to financial stress, as individuals with similar financial conditions may experience different levels of stress depending on their perceptions, expectations, and sense of control. In the present study, the focus on perceived financial stress (PFSS) aligns directly with this theory. Young adults may experience stress not only due to actual financial hardship but also due to perceived inadequacy of income, fear of future instability, and comparison with peers. This theory helps explain why subjective financial strain is a stronger predictor of mental health outcomes than objective financial measures, supporting the study's emphasis on perception-based variables.

- **Conservation of Resources Theory**

The Conservation of Resources (COR) Theory proposed by Stevan E. Hobfoll (1989) posits that individuals strive to obtain, maintain, and protect valuable resources such as money, employment, social support, and psychological well-being. Stress occurs when these resources are threatened, lost, or insufficiently gained. Financial pressure represents a significant threat to economic and psychological resources, particularly among young adults who may have limited financial reserves. In the context of this study, financial stress may arise from perceived or actual loss of resources, such as income instability, debt accumulation, or inability to meet expenses. This resource loss can lead to further negative outcomes, including reduced productivity, poor mental health, and increased vulnerability to stress. The theory also suggests that resource gain (e.g., financial planning, savings, support systems) can buffer the effects of stress. This supports the inclusion of financial behaviour as a potentially protective factor in the study.

By integrating these perspectives, the present study conceptualizes financial stress as a multidimensional psychosocial construct, influenced by both objective conditions and subjective interpretations, and linked to mental health outcomes such as depression, anxiety, and stress.

III. METHODOLOGY

The present study adopts a quantitative research design to examine the relationship between perceived financial stress and mental health among young adults. The study focuses on assessing levels of financial stress and psychological distress and analyzing the association between these variables.

3.1 Sample and sampling techniques

The population for the study consists of young adults aged 20–35 years. The sample was selected using a purposive sampling method, where participants who fit the inclusion criteria were approached. Further, a process of randomization was applied to refine the dataset, and the final sample was used for analysis. The participants included individuals from diverse educational and professional backgrounds to capture a broader representation of young adults.

3.2 Sources of data

The study is based on primary data, which was collected through a structured questionnaire. The questionnaire was administered using an online platform and distributed among participants through various social networks. The data collection method allowed for efficient gathering of responses from individuals across different backgrounds while ensuring accessibility and convenience.

3.3 Instruments used

The study employed standardized psychological scales to measure the variables.

- **Perceived Financial Stress Scale (PFSS):** The Perceived Financial Stress Scale was used to assess the level of financial stress experienced by participants. The scale measures subjective perceptions of financial strain, including concerns related to income, expenses, debt, and financial security.
- **Depression Anxiety Stress Scale (DASS-21):** The Depression Anxiety Stress Scale (DASS-21) was used to measure mental health outcomes. The scale consists of three subscales:
 - Depression
 - Anxiety
 - Stress

Each subscale assesses different dimensions of psychological distress, providing a comprehensive measure of mental health.

3.4 Variables of the study

The study includes the following variables:

- Independent Variable: Perceived financial stress
- Dependent Variables: Depression, anxiety, and stress

3.5 Procedure

Data was collected through an online survey form. The questionnaire was shared across different groups, and participants were requested to fill the form and further circulate it among individuals who met the study criteria. Participation was voluntary, and respondents were informed about the purpose of the study. Confidentiality and anonymity of responses were maintained throughout the process.

3.6 Statistical analysis

The collected data was analyzed using descriptive statistics and correlation analysis.

- Descriptive statistics such as mean, standard deviation, minimum, and maximum values were used to examine the distribution of depression, anxiety, and stress levels.
- Correlation analysis was used to examine the relationship between perceived financial stress and mental health outcomes.

These statistical methods helped in understanding both the levels of psychological distress and the association between financial stress and mental health.

3.7 Ethical consideration

Ethical considerations were maintained throughout the study. Participation was voluntary, and informed consent was obtained from all participants. The confidentiality of the data was ensured, and responses were used solely for academic purposes.

IV. ANALYSIS AND INTERPRETATION

4.1 Descriptive analysis

Descriptive statistics were used to examine the levels of perceived financial stress, depression, anxiety, and stress among the participants.

Table 1 shows the mean and standard deviation for perceived financial stress and the DASS-21 subscales: depression, anxiety, and stress.

Statistics	Perceived Financial Stress (PFSS)	Depression	Anxiety	Stress
N	200	200	200	200
Mean	20.3	19.4	14.2	17.4
Standard deviation	9.1	8.3	8.6	10.1

The mean score of perceived financial stress among the participants was 20.3. This indicates that, on average, young adults in the sample experience a moderate level of financial stress. The relatively high standard deviation ($SD = 9.1$) suggests considerable variability in financial stress levels across participants. This indicates that while some individuals report lower levels of financial strain, others experience significantly higher levels of financial pressure.

These findings highlight that financial stress is not uniform among young adults and may depend on individual circumstances such as income, financial responsibilities, employment stability, and financial management practices. The presence of moderate financial stress within the sample supports the relevance of examining its relationship with mental health outcomes.

The descriptive findings for the DASS-21 indicate that participants experience varying levels of psychological distress. The mean score for depression is 19.4 suggests moderate levels of depressive symptoms among the participants. Similarly, the mean score for anxiety is 14.2 indicates moderate anxiety levels, while the mean score for stress is 17.4 reflects a noticeable level of stress within the sample.

The relatively high standard deviation values across all three variables indicate variability in participants' psychological experiences. This suggests that while some individuals experience lower levels of distress, others report significantly higher levels, pointing to individual differences in coping and stress perception.

Overall, these findings suggest that mental health concerns are present to varying degrees among young adults, supporting the need to examine their association with financial stress.

4.2 Correlation analysis between financial stress and mental health

The findings from the correlation analysis are presented as follows:

Table 2 shows the correlation matrix for perceived financial stress and the DASS-21 subscales: depression, anxiety, and stress.

Variables	1	2	3	4
PFSS	1	.59***	.49***	.58***
Depression	-	1	-	-
Anxiety	-	-	1	-
Stress	-	-	-	1

The correlation analysis revealed significant positive relationships between perceived financial stress and all three mental health variables.

A strong positive correlation was observed between financial stress and depression ($r = 0.59, p < .001$), indicating that individuals experiencing higher levels of financial stress are more likely to report increased depressive symptoms. This finding supports the hypothesis that financial stress is significantly associated with depression.

Similarly, a moderate positive correlation was found between financial stress and anxiety ($r = 0.49, p < .001$), suggesting that higher financial stress is associated with elevated anxiety levels. This may reflect concerns related to financial uncertainty, instability, and future security.

A strong positive relationship was also observed between financial stress and stress ($r = 0.58, p < .001$), indicating that financial strain acts as a significant stressor affecting individuals' ability to cope with daily demands.

Overall, the findings indicate that perceived financial stress is significantly associated with psychological distress across all three dimensions, depression, anxiety, and stress, thereby supporting all the proposed hypotheses.

V. CONCLUSION

The findings of this study indicate that financial stress is positively associated with depression, anxiety, and stress, thereby supporting all the proposed hypotheses. The results of the Pearson correlation analysis revealed a strong positive relationship between financial stress and depression, a moderate positive relationship with anxiety, and a strong positive relationship with stress. These findings suggest that higher levels of financial stress are associated with increased psychological distress, highlighting financial stress as a significant determinant of mental health. The study underscores that financial difficulties are not merely economic concerns but have substantial psychological implications, affecting emotional stability and overall well-being. The variability in financial stress levels further suggests that young adults experience financial challenges differently, influenced by individual circumstances such as income, employment stability, and personal responsibilities.

However, the study has certain limitations. The use of purposive and snowball sampling techniques may limit the generalizability of the findings, and the reliance on self-reported data may introduce response bias. Additionally, the cross-sectional design restricts the ability to establish causal relationships. Future research should focus on larger and more diverse samples and adopt longitudinal designs to better understand causal relationships over time. Further studies may also examine additional factors such as financial literacy, coping mechanisms, and intervention strategies to provide a more comprehensive understanding of financial stress and its impact on mental health.

In conclusion, the study contributes to the growing body of research emphasizing the importance of financial well-being in shaping mental health outcomes and highlights the need for financial education and psychological support systems to help young adults effectively manage financial stress.

VI. REFERENCES

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