

The Role of Financial Instability, Socioeconomic Status and Financial Hardships on Financial Anxiety in University Students

Khadija Abid

Khadijamalik406@gmail.com

MPhil scholar, University of Management and Technology (UMT), Sialkot Campus

Sahar Rasheed

Saharrasheed290@gmail.com

MPhil scholar, University of Management and Technology (UMT), Sialkot Campus

Rizwan Ali

rizwanamjad755@gmail.com

MPhil scholar, University of Management and Technology (UMT), Sialkot Campus

Aqsa Shabbir

aqsa.shabbir@skt.umat.edu.pk

Lecturer, University of Management and Technology (UMT), Sialkot Campus

Corresponding Author: Khadija Abid Khadijamalik406@gmail.com

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ABSTRACT

While fears about financial problems have become a well-documented challenge to academic achievement and mental health for university students. This study examines how financial instability, socioeconomic status and financial hardship influence financial anxiety among University students in Pakistan and assesses the perceived stress as a mediator between these financial stressors and financial anxiety. The research employed a quantitative, cross-sectional design with structured questionnaires adapted from validated questionnaires which were distributed through Google Forms and 400 questionnaires were received from valid questionnaires. To test the measurement and structural models, data analysis was conducted in line with the two-step approach of (PLS-SEM) software: The results showed good reliability and convergent validity in most constructs. The study provides theoretical insights in the student financial well-being literature in developing countries and practical policy implications for universities, Higher Education Commission and policy makers on the design of targeted financial and psychological support interventions for vulnerable student groups.

Keywords: financial anxiety, financial instability, socioeconomic status, financial hardship, perceived stress

INTRODUCTION

University students' financial worries have become an important concern in recent years in many countries around the world. It is described as continuous concern, anxiety and fear about money and has been associated with depression, academic difficulties and less wellbeing (Archuleta, Dale, & Spann, 2013) (Norvilitis & Mendes-Da-Silva, 2013). Although research in developed countries has focused on the role of tuition fees, debt and cost of living on financial anxiety, there has been little research on the experiences of students in developing countries, specifically in rural settings. Financial pressures are growing stronger due to the rising inflation rates, income instability and hiked up tuition fees in Pakistan. Asghar, Ahmad, and Khan (2021) stated that some of the other challenges are faced by rural students, especially those from non-English speaking backgrounds and those who are first-generation learners, include being less financially literate, encountering cultural barriers, and having

less access to institutional support. These factors render them particularly vulnerable to financial stress which has a negative impact on their perseverance in school and mental well-being.

Although there has been increasing awareness of the various mental health problems among the students, there is a lack of empirical studies in Pakistan that focus on the impact of financial instability, socioeconomic status and financial hardship on financial anxiety. While there are some existing studies that have identified individual factors like low financial literacy, debt burden, or unemployment, there are only a few studies that have brought these factors together in a holistic model (Negash, Swiecka, & Iqbal, 2024). Furthermore, although it is known that financial issues impact anxiety through the stress process, the role of perceived stress has not been studied. This is a special challenge in rural Pakistan where students are unable to avail scholarships, campus jobs, financial counseling services and where cultural and structural barriers to education make it even harder for female students. This issue is critical to the issues of equity in higher education and to the protection of the mental health and well-being of vulnerable student groups.

This study aimed at analyzing the financial instability, socioeconomic status and financial hardships leading to financial anxiety of the university students living in villages of Pakistan and further analyze the mediating role of perceived stress in this regard. First, the study will examine the relationship between financial instability, socioeconomic status, financial hardship and perceived stress, and second, the direct and indirect relationships between these factors and financial anxiety as well as the role of perceived stress as a mediator in these relationships. In this way, the study aims to uncover the full range of ways in which financial stressors can impact student mental health. The central questions that shaped this study will be: Do financial instability factors relate to perceived stress? Does socioeconomic status relate to perceived stress and financial anxiety? Does financial hardship relate to perceived stress and financial anxiety? And, does perceived stress mediate financial factors and financial anxiety?

There are several stakeholders and this study is relevant to them. It makes students aware of the psychological impact of economic instability, and provides some strategies for survival. It offers a means for universities to prove the effectiveness of their support measures, like financial literacy courses and counselling. It highlights the importance of scholarships, fee waivers and interventions for the rural students for policymakers and Higher Education Commission (HEC). It informs the broader discussions on equity in higher education and the mental health policy for the government. The research will seek to tackle these challenges with the aim of fostering inclusive education and minimising inequalities in terms of access to financial and psychological resources.

The research was limited to the university students of rural cities of Pakistan and data was collected by using quantitative, cross sectional design. The study uses structured questionnaires and data is analyzed with a Partial Least Squares Structural Equation Modeling (PLS-SEM) method that is both methodologically sound and recognizes that the results might not be more widely applicable to other parts of Pakistan. The articles are focused on rural Punjab giving contextual relevance and showcasing rural students' issues and problems.

To aid in the clarity of the study key terms are defined. Financial instability is the insecurity of income, tuition fees and living expenses that compromises financial security. Socioeconomic status is defined as a combination of family income, social class and family resource. Financial hardship is defined as financial burden, difficulty paying bills and financial insecurity. Perceived stress is the subjective or mental evaluation of stressors as too much or out of one's control (Cohen et al., 1983). Financial anxiety is defined as a persistent worry, fear or unease about financial matters which is separate from general anxiety (Archuleta et al., 2013). These definitions are useful for providing conceptual clarity, and consistency in the measurement and analysis of the study.

LITERATURE REVIEW

The problem of financial anxiety has become one of the most important among the university students, thereby bringing up the problem of financial worry and fear among them. It has been associated to poor academic standard, depression and decreased well-being. Inflation, uncertain income sources and less institutional support are the added financial burden for the students in developing countries especially Pakistan (Qamar, Shahzadi, & Hussain, 2022). Theoretical frameworks like Behavioral Finance Theory (Lusardi & Mitchell, 2014) and the Life Cycle Hypothesis (Modigliani & Brumberg, 1954) can be used to understand the interactions between financial behaviors of individuals and their life stage constraints to create financial anxiety. These guidelines imply that students living in an affordable low-income, high-expense phase, are particularly susceptible to financial instability and stress. Financial instability (income, tuition fees and living costs uncertainty) has been found to be a consistent factor affecting perceived stress. In Germany and the UK, a decline in financial status during a crisis has been shown to significantly increase anxiety and depression (Iqbal, Negash, & Khan, 2025); in Pakistan, the precarious financial situation of the family during crises has been associated with heightened levels of anxiety and depression and poor academic performance (Hussain, Nadeem, & Sharif, 2025). The results confirm the hypothesis that the financial instability is one of the main antecedents of perceived stress.

H1: There is positive relationship between financial instability and perceived stress of university students.

Another important factor of student well-being is socio-economic status (SES). With lower family income and reliance on family to help pay their bills, students from lower income families face greater stress and anxiety (Howard, Howard, & Nitzl, 2022) (Houle, 2014). The social-economic gap is more evident in semi-urban and rural regions of Pakistan where students may not receive a scholarship or be able to take up part-time jobs. The recent studies conducted in universities of Bahawalpur revealed that low SES is a strong predictor of stress and academic problems (Hussain, Nadeem & Sharif, 2025). Students from a minimum socioeconomic background worry about covering academic expense, travel cost and other daily life necessities. These financial struggles can reduce to focus on academic activities and can increase their feeling of uncertainty regarding their future. Additionally a lack of financial resources may prevent students to taking part in the academic and extracurricular activities, further contributing financial stress. As a result, students with lower socioeconomic status are more feel to like greater stress compared to those well settled families. Thus socioeconomic status has a significant effect on financial anxiety among university students.

H2: Socio-economic status effects on perceived stress of university students is significant.

Financial problems – from debt burden to lack of funds to cover expenses – have been correlated with psychological distress in almost every study conducted. International research has found that a lack of debt literacy and debt practices are associated with anxiety and diminished mental health (Lusardi & Tufano, Debt literacy, financial experiences, and overindebtedness, 2015) (Broton & Goldrick-Rab, 2018). Students are more likely to experience stress and less persistent with their studies when they come from a financially disadvantaged background in Pakistan (Shahzadi, 2025). Prior researches indicate that financial difficulties can elevate stress in the students. These changes create uncertainty regarding their future and minimize their capabilities to satisfy academic and personal needs. Students in financial hardship is difficult to manage tuition fee, academic material charges and daily expenses. This situation can affect their concentration on studies and academic achievements. Continuous stress can reduce student motivation and may lower their mental health and also can increase the risk of emotional exhaustion. Therefore financial hardship are a major significant contributor raising stress level in university students.

H3: University students' perceived stress is positively related to financial hardship.

The stress that people feel is an important factor in determining financial anxiety. In studies to show that the appraisal of stress increases financial worries and triggers anxiety symptoms, the Perceived Stress Scale (Cohen, Kamarck, & Mermelstein, 1983) has been widely used. Lebanon, Malaysia, and Germany have all been studied with similar results: perceived stress and anxiety and depression predict each other and financial stress is related to increase perceived stress. (Swiecka, Negash, & Iqbal, 2020) The studies carried out recently reveal that perceived stress has a significant association with psychological distress and academic underachievement in students in Pakistan (Shahzadi, 2025). Students report high level of perceived stress often struggle to cope with financial obligations the uncertainty around their future. As rises the stress, students worried about paying educational expenses, managing every day living cost, and ensuring stability after graduation.as a result perceived stress can intensify financial anxiety, impacting negatively on student's mental health, academic success and over all quality of life. Thus, perceived stress has a significant positive effect on financial anxiety among university students.

Financial instability also directly impacts financial anxiety, and is not just limited to mediation. The study carried out in Bangladesh revealed that financial stress and anxiety are directly related to financial literacy and the management of debts among the people (Khan & Rabbani, 2025).Likewise, systematic reviews have identified the income instability as one of the important factors that cause financial anxiety (Archuleta, Dale, & Spann, 2013) (Swiecka, Negash, & Iqbal, 2020). Financial anxiety is a critical issue among the unstable income group students who are residing in rural areas in Pakistan (Hussain et al., 2025). Students face uncertain and unpredictable financial resources often worry about affording tuition fees, accommodation cost, travel expenses and other daily life expenses. This financial unpredictability create a sense of insecurity, making it difficult for students to focus on their academic and future professional aspirations. As financial instability persists, students are more inclined to experience higher level of financial anxiety, which can adversely affect their mental health and academic performance. That's why financial instability significantly increase financial anxiety among university students.

H4: The perceived stress positively affects the university students' financial anxiety.

Financial anxiety also is directly linked to socioeconomic status. Access to institutional support and financial resources are likely responsible for students' increased anxiety from disadvantaged backgrounds (Howard, Howard, & Nitzl, 2022).The findings from the universities in Pakistan corroborate that poverty of the SES negatively impacts psychological well-being and financial stress (Shahzadi, 2025). Students from low socioeconomic status face difficulties to cover their educational cost and living expenses, leading to more concerns about their financial stability. Insufficient financial support from their families and limited access to economic opportunities, further increase their feeling of insecurity and financial uncertainty. Consequently students more likely suffer from ongoing financial anxiety which can adversely affect their mental health, academic performance and overall quality of life. Therefore socioeconomic status will have a significant direct impact on the financial anxiety experienced of university students.

Financial stress also has an effect on financial anxiety. Research indicates that for a range of student groups, financial stress as a result of debt burden and financial experiences are significant predictors of overindebtedness (Lusardi & Tufano, Debt literacy, financial experiences, and overindebtedness, 2015) (Brotton & Goldrick-Rab, 2018).The students in Pakistan who face financial problems state higher level of anxiety and lower academic persistence (Hussain, Nadeem, & Sharif, 2025). Financial hardship often force students to anxious about paying tuition fees, study material, and covering their daily living cost. These ongoing financial concerns can lead to feeling of uncertainty, insecurity and fear about future and present financial situation. As rises financial pressure, students may struggle more to concentrate on their studies. This can cause emotional distress and reduce their academic performance. financial hardship can contribute to increase financial anxiety and harm students overall psychological well-being. Financial hardship expected to be a strong predictor of financial anxiety among university students.

In some studies, the importance of perceived stress as the mediator role has been stated. Financial instability's effects on mental health outcomes were found to be mediated by hardship both in Germany and the UK (Iqbal, Negash, & Khan, 2025). The Financial hardship has been found to indirectly impact academic performance via perceived stress in Pakistan (Shahzadi, 2025). This pathway which serves as a mediator is further substantiated with direct empirical evidence from undergraduate populations. Also, in a study with undergraduate students, financial strain did not have a significant direct effect when other factors such as perceived stress were controlled but had a significant indirect effect via perceived stress, suggesting that perceived stress was the mechanism that mediated the effects of financial strain on psychological symptoms, including anxiety (Adams, Meyers, & Beidas, 2016). Theoretically, this finding is important as it implies financial instability does not have a direct and automatic effect on student's well-being as it first needs to be cognitively appraised as threatening or uncontrollable and then result in anxiety.

H5: The perceived stress plays a mediating role between financial instability and financial anxiety in university students.

In a similar way, socioeconomic status, indirectly affects financial anxiety via perceived stress. Financial stress tends to be greater among students from lower socioeconomic status (SES) background, and high financial stress, coupled with higher stress levels, increases financial anxiety for students in these groups (Howard, Howard, & Nitzl, 2022) (Hussain, Nadeem, & Sharif, 2025). This pathway highlights the stress as a mediator in the SES–anxiety relationship. This trend in the linkage that connects socioeconomic disadvantage to anxiety via perceived stress has been documented, not only in the financial literature in its limited scope. In two waves of studies, family socioeconomic status was found to be negatively related to perceived stress, and perceived stress was also found to be a serial mediator that transmitted the influence of low family socioeconomic status to anxiety and depression that adolescents experienced, together with their trait mindfulness (Yuan et al., 2023). Such a cross-cultural convergence, between East Asian adolescents and South Asian university students, indicates that the SES–stress–anxiety pathway is not the product of any particular culture or measurement instrument, but a more general phenomenon that disadvantages are internalized as chronic stress, which then become manifest as anxiety.

H6: The relationship between the SES and financial anxiety among the university students is mediated by perceived stress.

Lastly, financial hardship also has an indirect effect on financial anxiety as a result of perceived stress. Debt has been shown to lead to higher stress levels in international studies, which in turn are associated with higher anxiety symptoms (Lusardi & Tufano, Debt literacy, financial experiences, and overindebtedness, 2015) (Swiecka, Negash, & Iqbal, 2020). In Pakistan the first psychological reaction of students having financial difficulties is stress followed by financial anxiety (Shahzadi, 2025). The findings from large-scale survey studies support this mediating explanations of financial stressors. A nationwide survey of the United States found that stress dose–response was evident with increasing odds of moderate to severe anxiety symptoms and increasing perceived stress scores in response to the six concrete measures of stress—debt, lost income, unmet expenses, unmet healthcare costs, housing insecurity, and food insecurity (Alhomsy, et al., 2023). Conceptually, the dose–response pattern found in that study is crucial for the present research because it suggests that financial stress is not strictly binary (i.e., having or not having stress) but rather the addition of each domain of financial stress likely further increases financial stress.

H7: There is a mediating effect between financial hardship, perceived stress and financial anxiety of university students.

The present study has based on the above literature the following theoretical framework has been developed as shown in Figure 1.

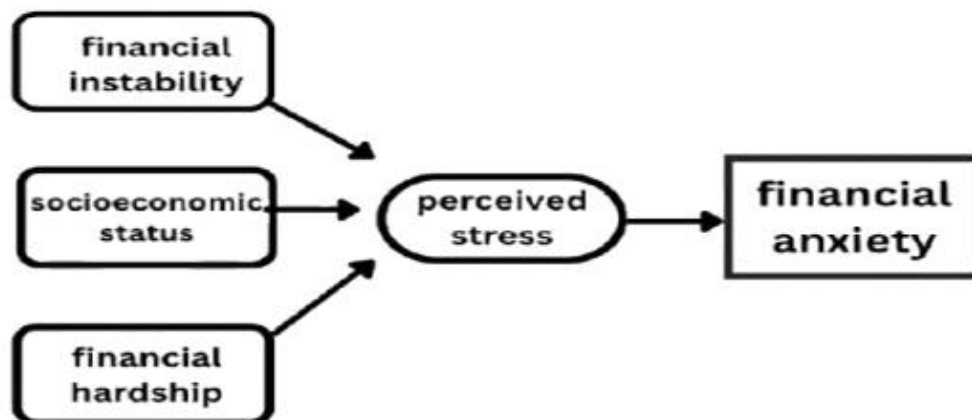


Figure 1: Theoretical model

RESEARCH METHODOLOGY

The effect of financial hardship, socioeconomic status and debt burden on financial anxiety of university students in Punjab, Pakistan with perceived stress as a mediator was investigated. The design of the research is quantitative and cross sectional, using data obtained from surveys, structured data, distributed using Google Forms. The population in this study includes on university students who are at the end of their academic courses and have increased financial obligations. The respondents comprised the most significant cities such as Lahore, Islamabad, Faisalabad, Gujranwala and Sialkot of the Punjab having more than 2000 students per university. The cities were chosen to have diversity in socioeconomic characteristics and institutional structures.

The sampling technique and sample size is provided, Sampling technique and sample size is given. Since the study needed responses from students who were suffering from financial difficulties and anxiety, non-probability purposive sampling was used. Sample size was calculated according to Cochran's formula, which is a standard method used in survey research, setting the 95% confidence level, 5% margin of error, and 50% response distribution with a minimum of 384 respondents. Since not everyone responded to the survey, 720 surveys were sent out using Google Forms. The 400 valid questionnaires left after screening for incomplete responses yielded a 54.4% response rate. Sample size is adequate for the application of PLS-SEM analysis including direct, indirect and mediating relationships.

The data was collected only from the Google forms which gave easy accessibility to students from different universities. This was a voluntary effort and informed consent was electronically obtained. The respondents were assured of both confidentiality and anonymity. The questionnaire was prepared in English as it is the medium of teaching at the universities in Pakistan and was pre-tested on 30 students to check its clarity and reliability. A few changes were made prior to mass distribution.

The variables are measured using 5-point Likert scale (1 = strongly disagree to 5 = strongly agree). These scales are adopted from the previous studies such as financial hardship (FS) use as the independent variable and have five items taken from Northern, O'Brien & Goetz (2010).these are given below in Table 1.

Table 1: Financial Hardship

items	Questions	source
FS1	I feel stressed about my current financial situation.	Northern, O'Brien & Goetz (2010)
FS2	I worry about not having enough money for daily expenses	
FS3	I feel pressure due to my financial condition.	
FS4	I find it difficult to manage my expenses.	
FS5	I feel burdened by financial responsibilities.	

In addition the study has used socioeconomic status (SES) as independent variable and measured with four items taken from Adler et al. (2000). These are given below in Table 2.

Table 2: Socioeconomic Status

items	questions	source
SES1	My family's financial condition is strong	Adler et al. (2000)
SES2	I have enough financial resources to meet my needs.	
SES3	I often face financial limitations in my daily life.	
SES4	Compared to others, my financial status is low.	

In addition, the study has also used Debt Burden / Financial Instability as independent variable and measure with four items taken Marjanovic et al. (2013). these are given below in Table 3.

Table 3: Financial Instability

items	questions	source
FIN1	I feel anxious about my financial future.	Marjanovic et al. (2013)
FIN2	I feel threatened by my current financial situation	
FIN3	I am worried about debts or financial obligations.	
FIN4	My financial situation makes me feel insecure	

Moreover, the study has used Perceived Stress (PS) as a mediating variable and measured with five items taken from Cohen, Kamarck & Mermelstein (1983). These are given below in Table 4.

Table 4: Perceived Stress

items	questions	source
PS1	I feel unable to control important things in my life.	Cohen, Kamarck & Mermelstein (1983)
PS2	I feel nervous and stressed.	
PS3	I feel difficulties are piling up so high that I cannot overcome them.	
PS4	I feel confident in handling personal problems.	
PS5	I feel overwhelmed by my responsibilities	

Finally, the study has used financial anxiety (FA) as a dependent variable and measured with five items taken from Archuleta, Dale & Spann (2013). These are given below in Table 5.

Table 5: Financial Anxiety

items	questions	source
FA1	I feel anxious when thinking about my financial situation	Archuleta, Dale & Spann (2013)
FA2	I worry about my financial future	
FA3	I feel uneasy about managing money	
FA4	Thinking about finances makes me stressed	
FA5	I feel insecure about my financial stability	

SmartPLS software was used for data analysis, where the two-step method suggested by Hair et al., (2022) was followed. The first was assessment of the measurement model, including reliability and validity, and the second was assessment of the structural model, which was used to test the hypotheses and mediation relationship.

The reliability of indicators was determined by the outer loadings and the values of 0.70 or higher were deemed acceptable. Cronbach's alpha and composite reliability was used to test internal consistency reliability; reliability was considered satisfactory when Cronbach's alpha value is above 0.70. Convergent validity was tested by Average Variance Extracted (AVE), with scores exceeding 0.50 showing that the constructs have more than 50% of the variance of their indicators when tested. The discriminant validity was evaluated using the Fornell-Larcker criterion, cross-loadings, and HTMT ratio, with the values of the HTMT below 0.85 being acceptable.

The structural model was analyzed after verifying reliability and validity and to test the direct and indirect relationships between variables. The bootstrapping procedure with 5,000 resamples was performed in SmartPLS to obtain the path coefficients, t-statistics, and p-values. A p value of < 0.05 was deemed as statistically significant. The mediating role of perceived stress in the relationships between financial hardship, socioeconomic status, and debt burden was also explored in the model. The

model also explored the role of perceived stress as a mediator between financial hardship, socioeconomic status, and debt burden on financial anxiety.

Research Findings

The findings showed fairly good measurement reliability and convergent validity for the constructs. Factor Loadings are generally acceptable, a number of the items are close to or above the recommended value of 0.70 and in exploratory research they are tolerable even if below this value. The Cronbach alpha are satisfactory internal consistency reliability with values between 0.705 and 0.808, that surpassed the recommended value of 0.70 for all constructs. The range of the composite reliability (CR) values is from 0.803 to 0.894 and all values are higher than the recommended value of 0.70, indicating good construct reliability. The Average Variance Extracted (AVE) values lie between 0.542 and 0.598, all exceeding the minimum acceptable value of 0.50. In general, the measurement model has good internal consistency and good convergent validity, which facilitates further analysis of the structural model. The results are presented in tabular form, Table 6.

Table 6: Convergent Validity

Constructs	Items	Factor Loadings	Alpha	CR	AVE
Financial anxiety	FA1	0.644	0.794	0.803	0.550
	FA2	0.675			
	FA3	0.691			
	FA4	0.670			
	FA5	0.674			
Financial instability	FIN2	0.795	0.705	0.891	0.559
	FIN3	0.724			
	FIN4	0.721			
Financial hardship	FS1	0.596	0.808	0.806	0.556
	FS2	0.723			
	FS3	0.757			
	FS4	0.615			
	FS5	0.672			
Perceived stress	PS1	0.686	0.780	0.860	0.542
	PS2	0.649			
	PS3	0.680			
	PS5	0.644			

Socioeconomic status	SES1	0.656	0.714	0.848	0.598
	SES2	0.683			
	SES4	0.772			

The discriminant validity of constructs was assessed by following the Fornell–Larcker criterion. As per this criterion, the square root of Average Variance Extracted (AVE) for the constructs should be higher than the correlations between the constructs. As can be seen from the results, the diagonal values (square roots of AVE) are higher than the corresponding inter-construct correlations, which means that they have acceptable discriminant validities. For example, Financial Anxiety has a higher square root of AVE (0.671) than Financial Instability and Financial hardship. Likewise, Financial Instability (0.747) and Socioeconomic Status (0.706) are also suitable. All inter-construct correlations are above to the diagonal. In general, the findings support discriminant validity, which means that each measure is empirically distinct from the other measures. The results from these tests are summarized in Table 7.

Table 7: Fornell-Larcker

	FA	FIN	FS	PS	SES
FA	0.871				
FIN	0.716	0.747			
FS	0.666	0.610	0.676		
SES	0.473	0.491	0.487	0.525	0.706

The cross loadings were explored to further examine the discriminant validity. On this criterion each indicator should have a higher loading for the construct it represents than for other constructs. The results suggest that items loaded on their respective constructs showed higher loadings than the cross-loadings with the other constructs. For instance, the items of Financial Anxiety (FA1, FA2, FA5) have higher loadings on the Financial Anxiety construct than on other constructs. Likewise, there is strong loadings of items pertaining to Financial Instability and Financial hardship on their respective constructs. A few cross loadings are relatively close, but the basic loadings are still high, which indicates distinctiveness of the constructs. Overall, the cross loading results of this study show that there is an adequate level of discriminant validity, which means that the items measured the constructs they represent. These results are shown in Table 8.

Table 8: Cross Loadings

	FA	FIN	FS	PS	SES
FA1	0.744	0.422	0.440	0.461	0.376
FA2	0.775	0.493	0.446	0.482	0.291
FA5	0.774	0.470	0.433	0.442	0.296
FIN2	0.550	0.795	0.447	0.554	0.401
FIN3	0.528	0.724	0.499	0.543	0.387

FIN4	0.527	0.721	0.418	0.469	0.304
FS1	0.358	0.294	0.596	0.376	0.246
FS2	0.484	0.482	0.723	0.504	0.387
FS3	0.483	0.490	0.757	0.541	0.394
FS4	0.434	0.389	0.615	0.405	0.299
FS5	0.485	0.374	0.672	0.432	0.294
PS1	0.502	0.474	0.448	0.686	0.383
PS2	0.523	0.461	0.460	0.649	0.315
PS3	0.485	0.540	0.423	0.680	0.307
PS5	0.386	0.379	0.469	0.644	0.398
SES1	0.222	0.224	0.278	0.295	0.656
SES2	0.289	0.309	0.363	0.320	0.683
SES4	0.446	0.460	0.382	0.463	0.772

Further discriminant validity of the constructs was examined by using the Heterotrait–Monotrait ratio (HTMT). The recommended threshold for confirming discriminant validity is HTMT values lower than 0.90. The results show that HTMT values in this study ranged from 0.899 to 0.721, all values below from the recommended threshold of 0.90. therefore discriminant validity was established, indicating that each construct was empirically distinct from the others. Although several values closed to the thresholds for example, FA-FIN=0.899, FIN-PS=0.898, FS-PS=0.899, none of them exceeding from the acceptable limit. The measurement model demonstrated satisfactory discriminant validity. These results are presented in Table 9.

Table 9: Heterotrait Monotrait Ratio

	FA	FIN	FS	PS	SES
FA					
FIN	0.899				
FS	0.753	0.895			
PS	0.895	0.898	0.899		
SES	0.751	0.727	0.787	0.890	

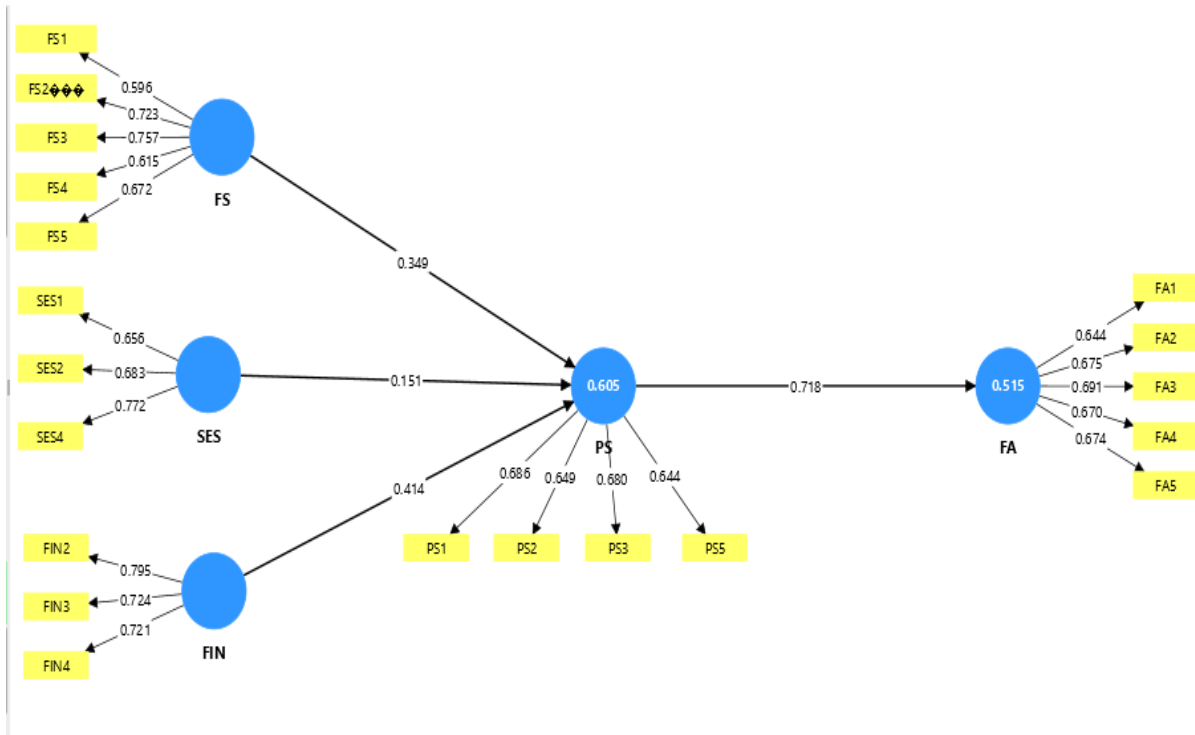


Figure 2: Measurement Model

Path analysis was used to analyze the relationships between constructs to assess the structural model. All hypothesized relationships were statistically significant with the p-values below the recommended value of 0.05. Financial Instability has a positive and significant effect on Perceived Stress ($\beta = 0.414$, $t = 5.601$, $p = 0.000$). Likewise, Financial hardship is positively associated with Perceived Stress with a significant value of ($\beta = 0.349$, $t = 3.932$, $p = 0.000$). Additionally, there is a lesser but still statistically significant positive relationship between Socioeconomic Status and Perceived Stress ($\beta = 0.151$, $t = 2.820$, $p = 0.005$). Additionally, Perceived Stress was found to have a strong, significant relationship with Financial Anxiety ($\beta = 0.718$, $t = 20.055$, $p = 0.000$) with higher scores being associated with higher financial anxiety. In general, the results of the structural model indicate that the relationships proposed are statistically significant, so that the results obtained provide support for the proposed relationships. These results are presented in Table 10.

Table 10: Path Analysis

Relationships	Beta	Standard deviation	T statistics	P values
FIN -> PS	0.414	0.074	5.601	0.000
FS -> PS	0.349	0.089	3.932	0.000
PS -> FA	0.718	0.036	20.055	0.000
SES -> PS	0.151	0.054	2.820	0.005

To test the mediation role of perceived stress in the relationship of socioeconomic status, financial instability, financial hardship and financial anxiety, a mediation analysis was performed. The results suggest that the all indirect effects are significant. In particular, the indirect effect of socioeconomic status on financial anxiety via perceived stress did not show as a null ($\beta = 0.108$, $t = 2.919$, $p = 0.004$),

suggesting that perceived stress partially explains the connection between socioeconomic status and financial anxiety. Thus, financial instability had a significant indirect effect on financial anxiety, mediated by perceived stress ($\beta = 0.297$, $t = 5.336$, $p < 0.001$), meaning that those who perceived higher levels of stress were more likely to experience financial anxiety if they had experienced higher levels of financial instability. In addition, financial hardship had a significant indirect effect on financial anxiety via perceived stress ($\beta = 0.250$, $t = 3.662$, $p < 0.001$). This discovery substantiates that perceived stress is an important psychological pathway to financial stress that leads to financial anxiety among university students. In general, the mediation findings support the hypotheses H8, H9 and H10, which states that perceived stress is a significant mediator between the relationships between socioeconomic status, financial instability, financial hardship and financial anxiety. The results of these are shown in Table 11.

Table 11: Specific Indirect Effect

	Original sample (O)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
SES -> PS -> FA	0.108	0.037	2.919	0.004
FIN -> PS -> FA	0.297	0.056	5.336	0.000
FS -> PS -> FA	0.250	0.068	3.662	0.000

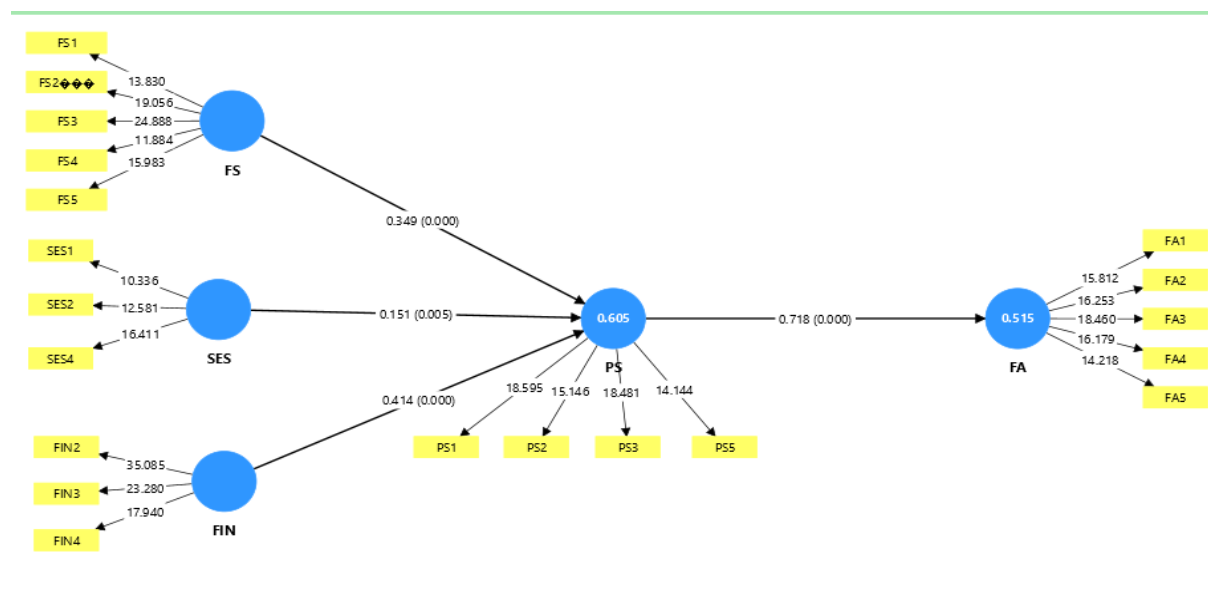


Figure 3: Structural Model

DISCUSSION

This study's findings offer solid empirical evidence for this model connecting financial instability, socioeconomic status and financial hardship to financial anxiety via the mediation of perceived stress in university students in Pakistan. As predicted in Hypotheses H1-H4, each of the three factors—financial instability, socioeconomic status, and financial hardship—had a significant positive effect on perceived stress, and perceived stress had a strong and significant effect on financial anxiety. The findings corroborate earlier international studies showing that financial stress can lead to psychological

stress prior to the development of anxiety (Cohen, Kamarck, & Mermelstein, 1983) (Negash, Swiecka, & Iqbal, 2024), and they extend this knowledge to an under-researched population, that is, students from the rural and semi-urban universities in Punjab, Pakistan.

Financial instability had the strongest relationship with perceived stress ($\beta = 0.414$), followed closely by financial hardship ($\beta = 0.349$), and then had the comparatively weak effect, socioeconomic status ($\beta = 0.151$). This highlights that the immediate, day-to-day volatility of earnings and income pressures are more likely to affect students' psychological well-being than their socio-economic context. It isn't just a family that is low income that causes stress; it's the daily reality of instability and hardship that students experience. These findings are in line with the results obtained from the samples of Pakistan where it was found that the unstable finances in the family and increasing tuition expenses have a more direct effect than static indicators of social class in stress (Hussain, Nadeem, & Sharif, 2025) (Shahzadi, 2025).

The strong path from perceived stress to financial anxiety ($\beta = 0.718$) supports the theoretical framework of the Perceived Stress Scale (PSS), which suggests that perceived stress is the key psychological mechanism by which financial difficulties are transformed into anxiety symptoms, and strengthens the results of Lebanon, Malaysia and Germany that higher financial strain leads to higher perceived stress levels, which in turn predicts anxiety (Swiecka, Negash, & Iqbal, 2020). The significant specific indirect effect of financial instability to financial anxiety via perceived stress (0.297), financial hardship to financial anxiety via perceived stress (0.250), and socioeconomic status to financial anxiety via perceived stress (0.108), support Hypotheses H8, H9, and H10, showing that perceived stress is a valid mediating variable, and not just a peripheral variable. Notably, these structural mechanisms act on financial anxiety mainly via this indirect, stress mediated pathway, emphasizing perceived stress as a central, rather than partial, pathway.

The results are consistent with the Behavioral Finance and Life Cycle theories mentioned above in this study (Lusardi & Mitchell, 2014) (Modigliani & Brumberg, 1954), that is, that students in a "low-income" and "high-expense" life stage are structurally at a disadvantage for financial strain, and that financial strain is psychologically perceived as stress rather than anxiety. The relatively small, although still substantial, weight of the socioeconomic status variable implies that interventions targeting only family income classification may not be enough – the same attention should be given to the instability and suffering of students, regardless of their socioeconomic status. Overall, the results highlight the importance of financial stress as a public health and education issue in the higher education sector in Pakistan. Financial pressures are not just an economic inconvenience, they have measurable psychological consequences that can impact students' mental health, persistence in school, and ability to enjoy a college experience. Consequently, it has direct implications for universities, the Higher Education Commission, and for policy makers who want to develop fair and equitable support programs for the financially disadvantaged population of students.

Theoretical Contribution

This study has several theoretical implications for the student financial well-being literature. First, it combines three different financial constructs – financial instability, socioeconomic status, and financial hardship – to help explain financial anxiety, a move over from much of the previous literature which focused on each of these three factors individually. It extends the Behavioral Finance and Life-Cycle Hypothesis theorizations (Lusardi & Mitchell, 2014, The economic importance of financial literacy: Theory and evidence) (Modigliani & Brumberg, 1954) to a population that has been comparatively under-researched – rural and semi-urban university students in Pakistan.

Second, because financial instability, socioeconomic status, and financial hardship affects financial anxiety primarily through the indirect, perceived-stress pathway, the findings help refine stress-appraisal theory, which holds that financial anxiety is driven more by a subjective psychological appraisal of financial situation and less by objective financial situation alone. Third, the study methodologically

provides an example of how PLS-SEM mediation analysis can be applied to the study of financial anxiety in a developing country context that is not from the Western world, and provides a framework of analysis that is replicable for future research on other under-researched populations of students.

Practical Implications

The results indicate that integrated approaches, such as financial support and psychological support services, should be adopted in universities, Higher Education Commission (HEC) and policymakers. Examples of ways that universities can support students in decreasing the amount of perceived stress before it becomes a financial stress include offering financial counseling and assistance, emergency financial aid, financial assistance programs, flexible payments, and stress management workshops. Regular mental health and financial well-being assessments may also help to identify financially vulnerable students early, which can have a positive impact on their academic success, retention rates, and psychological well-being.

Limitations and Future Direction

This study is limited in a number of ways. First, because of the cross sectional design, it is difficult to use the study to make causal inferences about the variables. Second, the results of this study cannot be extended to other parts of Pakistan due to purposive sampling of university students in the province of Punjab. Third, the study used self-reported questionnaires which could have common method bias. Longitudinal or experimental design and larger sample size from different provinces and countries should be used in future research. Financial anxiety among university students is also a factor that warrants further research to explore other mediating and moderating factors, such as financial literacy, resilience, social support, self-efficacy and coping strategies, in order to better understand financial anxiety among university students.

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