

## Financial Stress Among Employees From Different Income Levels

Pratibha Goyal\*, Alok Chakrawal\*\* and Jaskirat Singh Sekhon\*\*\*

\* IQAC, Saurashtra University, Rajkot

\*\* IQAC, Saurashtra University, Rajkot

\*\*\* Punjab Agricultural University, Ludhiana

---

### Abstract

In the modern materialistic world financial stress is widespread among people. Financial stress is a perception-based unpleasant feeling that one is unable to meet the financial demands, afford the necessities of life, and have sufficient funds to achieve goals. People, with low income, find it difficult to fulfil the basic necessities of life while those with high income may feel stress of investing their earnings, maintaining high income level, preventing money reserves from depletion or fighting against several vices which sometimes come with huge wealth. Therefore, the present study was conducted to analyse the level of financial stress among employees from various income levels and to find the dominant factors of financial stress among employees from different income levels. Primary survey was conducted in Ludhiana city of Punjab. Analysis of data revealed that financial stress falls with increase in income. Factor analysis revealed that eight factors i.e. goals/achievements, status, savings and investments, relations, desire for money, values, expenditure and Sharing of financial burden were responsible for financial stress. The level of financial stress due to five factors i.e. goals/achievements, status, savings and investments, desire for money, expenditure and sharing of financial burden was significantly different among various income groups.

### Key Words

Financial Stress, Income Groups, Savings, Investments, Expenditure

---

## INTRODUCTION

The modern world is said to be the 'world of stress'. We experience stress at work, in traffic on the way to and from work, with our children and our partners, and during the day and night. We worry about our health, job, promotions, bills, relationships and what not. A lot of stress comes from financial matters. Stress is a condition or feeling experienced when a person perceives that demand exceeds the personal and social resources the individual is able to mobilize (Lazarus, 1991). It is a person's adaptive response to excessive psychological or physical demands caused by a stimulus (Quick *et al.*, 1984). Stress is a dynamic condition in which an individual is confronted with an opportunity, constraint or demand related to what he or she desires and for which the outcome is perceived to be both uncertain and important (Robbins, 2001).

Financial stress is the subjective, unpleasant feeling that one is unable to meet the financial demands, afford the necessities of life, and have sufficient funds to make both ends meet (Davis and Mantler, 2004). The feeling normally includes the emotions of dread, anxiety, and fear, but may also include anger and frustration. It is based on person's perception of various money-related factors like expenses, worry over not being able to buy everything that one desires, inability to save sufficient money, inability to keep with the neighbour's lifestyle, pressures of creditors, inflation etc.

Financial stress, though common among all people yet may be perceived differently by individuals from different income groups. People with low-income level may feel stressed due to difficulty in meeting financial demands. Low-income families may be most at risk of persistent indebtedness arising from excess credit (Bridges and Disney, 2003). Davis and Mantler (2004) concluded that financial stress is associated with lowered self-esteem, an increasingly pessimistic outlook on life, and reduced mental health, particularly an increase in depression and hostility. Orpana *et al.* (2009) demonstrated that lower income is associated with a higher risk of becoming distressed. Joy and Hudes (2010) pointed out that low income women are at a higher risk for depression than other income groups. Depression among low-income women remains an unacknowledged and untreated. The consequences include low self-esteem, acute and chronic illnesses, relationship conflicts, poor health, financial instability, emotional insecurity and unemployment. Depression affects the whole family. Santiago *et al.* (2011) found that lower levels of income were related to more symptoms of anxiety and depression across time. The link between poverty and depression is well-supported. Ponnet and Wouters (2014) concluded that

growing up and living with financial hardship is detrimental to one's physical and mental health. Financial hardships create a context of stress contributing to mental health problems for adults and children.

Price of three big expenditure items- housing, health care and education have gone up faster than incomes, these factors make attaining a middle class lifestyle harder (Komisar, 2013). The rising healthcare, housing and education costs affect middle class households in several ways. Households face the direct costs of escalating inflation.

People with high income may feel stress of maintaining high income level, investing their earnings, preventing money reserves from depletion or preventing of fighting against several vices which sometimes come with huge wealth. Their work keeps them so busy that they do not have time for family which can lead to problems with the partner, children and parents. All these can lead to huge stress among high income people.

Diener *et al.* (1984) pointed out that money may not increase happiness, and indeed, might even decrease it. Money can help one's happiness to some extent but there are other factors that are more important. Money makes a difference at poverty level because people are unhappy if they cannot meet their basic needs. However, above this minimum level, money simply adds luxuries that do not add to happiness. Kahneman and Deaton (2010) concluded that high income buys life satisfaction but not happiness, whereas low income is associated with both low life evaluation and low emotional well-being. Increase in individual's income to a threshold value no longer improves ability to do what matters the most to their emotional well-being such as spending time with people they like, avoiding pain and disease, and enjoying leisure. It also is likely that when income rises beyond this value, the increased ability to purchase positive experiences is balanced on average by some negative effects.

Financial stress may harm a lot. Papp *et al.* (2009) studied that marked differences were found between the handling of marital conflicts in the home that concerned money (i.e. spending, wages, salary, bills) versus those that did not. Spouses rated such conflicts as more intense and significant than other conflict topics. Money conflicts were more likely to persist as important issues, be mishandled, and remain unresolved. Wynes and Nguyen (2014) examined how financial stress affects young people's learning and decisions. Harvie (2015) concluded that stress also has repercussions on the social lives of people.

Garman and Kim (2003) found that financial stress spills into work life. Employees with higher level of financial stress are less committed to their

organisation and are more frequently absent from their work. In addition, income was inversely related to financial stress. Absenteeism, lack of focus, low productivity, health issues, workplace conflicts, dependence on employee benefits, high turnover rates and lack of commitment are some of the negative effects on businesses.

The present study was conducted to analyse financial stress among employees belonging to different income groups. Specific objectives of the study were :

1. To study level of financial stress among employees from various income levels.
2. To analyse the dominant factors of financial stress among employees from different income levels.

## RESEARCH METHODOLOGY

The study was conducted in Ludhiana city of Punjab. A sample of 200 employees working in service sector was taken on the basis of their willingness to participate in the survey. Equal number of employees were taken from five different income groups i.e. low income group (Rs 100000 per year), lower middle income group (Rs 100001 to 200000 per year), middle income group (Rs 200001 to 300000 per year), upper middle income group (Rs 300001 to 400000 per year) and high income group (400001 per year). These income groups were defined on the basis of the National Council of Applied Research data of the year 1999 upgraded to the year 2013 on the basis of GDP growth rate of the respective years. Primary data was collected with the help of structured questionnaire containing questions related to the various factors of financial stress such as goals, savings, status, relational, desire, values, expenditure and investments. The respondents were asked to rank their degree of agreement and scores were assigned from 1 to 5 for the degree of agreement (1 for strongly agree, 2 for agree, 3 for neutral, 4 for disagree and 5 for strongly disagree). The reliability of the scale was tested using the Cronbach Alpha Test. The measure of reliability ranges from 0 to 1 and the reliability value for the present scale was 0.82. With regard to pre-analysis testing for the suitability of the entire sample for factor analysis, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was found to be 0.767. Thus, it indicates that the sample taken was suitable for factor analysis procedures.

Analysis of the collected data was done with the help of statistical techniques like percentage, median, factor analysis and ANOVA test.

## RESULTS AND DISCUSSION

### Profile of Respondents

Demographic profile of the respondents was analysed on the basis of age, gender, marital status, family type and education. Table 1 shows that majority (57.0 per cent) of the respondents were from the 26-40 years age group. While 22.5 per cent were 41-60 years old, only 20.5 per cent belonged to the age group of 18-25 years. Out of 200 respondents, 67 per cent were men and 33 per cent were women. Majority of them (70.5 per cent) were married. While 48.5 per cent belonged to nuclear families, 50.5 per cent were from joint family. Distribution of respondents on the basis of education showed that 34.5 per cent were graduates while 27 per cent and 25 per cent were post-graduates respectively.

**Table 1**  
**Distribution of Respondents on the Basis of Age**

Profile of Respondents	No. of Respondents (n = 200)	Percentage of Respondents
<b>Age (Years)</b>		
18-25	41	20.5
26-40	114	57.0
41-60	45	22.5
<b>Gender</b>		
Male	134	67.0
Female	66	33.0
<b>Marital Status</b>		
Unmarried	58	29.0
Married	141	70.5
Widow	1	0.5
<b>Family Type</b>		
Individual	2	1.0
Nuclear family	97	48.5
Joint family	101	50.5
<b>Education</b>		
Under-graduate	50	25.0
Graduate	69	34.5
Post-graduate	54	27.0
Any other	27	13.5

### Level of Financial Stress

The level of financial stress among various income levels was found on the basis of comparison of respondent's summated score with the value of median which was 76. Respondents whose score was less than median value had high level of financial stress and those whose score was more than median value had low level of financial stress. Table 2 shows that as the income level goes on rising, the percentage of respondents experiencing high level of stress goes on decreasing. In the low income group, 70 per cent of the respondents had high level of stress but in the high income group this level of stress was felt by only 15 per cent people. This shows that financial stress falls with increase in income.

**Table 2**  
**Income Groups and Level of Financial Stress**

Income Level	Percentage of Respondents with Different Levels of Financial Stress (Median = 76)		
	High	Neutral	Low
Low Income	70	5	25
Lower Middle Income	65	-	35
Middle Income	62.5	2.5	35
Upper Middle Income	27	2.5	70
High Income	15	2.5	82.5

### Factor Analysis and Total Variance Explained by the Factors

Table 3 shows the total variance explained by all the factors. In every factor analysis, there are the same numbers of factors as there are variables. Each factor captures a certain amount of the overall variance in the observed variables, and the factors are always listed in order of how much variation they explain. It can be observed from the Table that the cumulative percentage of variance is 64.508. Although the satisfactory level of cumulative variance depends upon a particular problem, it is recommend that the factors extracted should account for at least 60 percent of the variance. The eigenvalue is a measure of how much of the variance of the observed variables a factor explains. Any factor with an eigenvalue  $\geq 1$  explains more variance than a single observed variable. Initially 26 variables were taken into consideration and later on, it was found that they could be clubbed into only 8 factors which explain the majority of the variance in the

**Table 3**  
**Total Variance Explained by the Factors**

Component	Initial Eigenvalues			Extracted Sums of Squared loadings	
	Total	% of Variance	Cumulative %	Total	% of Variance
1	6.574	25.286	25.286	6.574	25.286
2	2.306	8.870	34.156	2.306	8.870
3	1.666	6.409	40.565	1.666	6.409
4	1.585	6.095	46.659	1.585	6.095
5	1.246	4.791	51.450	1.246	4.791
6	1.173	4.513	55.964	1.173	4.513
7	1.126	4.332	60.296	1.126	4.332
8	1.095	4.212	64.508	1.095	4.212
9	.985	3.790	68.299		
10	.895	3.442	71.741		
11	.809	3.112	74.853		
12	.767	2.950	77.803		
13	.685	2.633	80.436		
14	.630	2.423	82.859		
15	.585	2.249	85.107		
16	.523	2.012	87.120		
17	.501	1.928	89.048		
18	.443	1.702	90.750		
19	.417	1.605	92.355		
20	.399	1.533	93.888		
21	.362	1.394	95.282		
22	.315	1.212	96.493		
23	.281	1.083	97.576		
24	.261	1.003	98.578		
25	.201	.773	99.351		
26	.169	.649	100.000		

study. The percentage of variance explained by first factor was found to be 25.286 percent out of the total 64.508 percent which was the maximum. The percentage of variance explained by second, third, fourth, fifth, sixth and seventh factor were 8.870 percent, 6.409 percent, 6.095 percent, 4.791 percent, 4.513 percent, 4.332 and 4.212 percent respectively. The factors were given appropriate names on the basis of constituent variables.

### Factor Labels

Factors can be labelled symbolically as well as descriptively. Present study has given symbolic labels to their factors. The factors along with the names, statements included and factor communalities are given in Table 4. It shows that the factor of goals/achievements has the maximum contribution to the percentage of variance explained by all the factors. Factor communalities indicate the amount of variance in each variable that is accounted for. The value of factor communalities for statement no. 4, 10, 11, 14 and 17 were 0.666, 0.646, 0.558, 0.661 and 0.587 respectively. It can be observed from above mentioned statements that contribution of statement number 4 i.e. 'those earn money through honesty and hard work have to face many hardships' contributes the maximum towards amount of variance. Five

**Table 4**  
**Distribution of Statements along with Communalities in Factor No. 1 (Goals/Achievements)**

Factor Name	Factor Communalities	Statements Included in the Factor
Goals/ Achievements	0.666	Those who earn money through honesty and hard work have to face many hardships to achieve goals(S4)
	0.646	I am afraid that I have not made wise investments for future achievements(S10)
	0.661	I am not able to meet my monthly expenses comfortably (S14)
	0.587	I feel small when I compare my income with that of others (S17)
	0.558	I often get worried about achieving my financial goals in life (S11)
Status	0.715	It is important to earn money, the means may be any (S3)



Contd. Table 4

	0.573	Spending money on charity does not bring any happiness to me(S19)
	0.615	If I had more money, all my problems would have been solved(S23)
	0.725	Scarcity of money is the reason of all my woes in my life(S24)
	0.616	Insufficient money tells upon my dignity(S26)
Savings and Investments	0.668	Wasteful expenditure of my family members reduces savings and make me tense(S12)
	0.608	I often feel that I should make more efforts to increase my income to save more(S15)
	0.610	Managing my bank accounts and investments makes my stressful(S18)
	0.596	I feel I have saved less money than my needs (S22)
Relations	0.699	I feel embarrassed when people ask for monetary help for their personal matters(S20)
	0.728	I feel embarrassed when I have to ask for/ accept monetary help from friends/relative(S21)
	0.724	I won't mind stretching extra working hours for extra money for my family(S25)
Desire	0.576	I am not able to save much from my income to fulfil my desires(S9)
	0.675	I often purchase items which are not much required and forget to buy those which are really needed(S13)
	0.662	My present job/business would not let me achieve my financial goals(S16)
Values	0.688	These days only a prosperous man is treated like a real man(S1)
	0.459	Absence of money is a great cause of misery(S2)
	0.665	My work keeps me so busy that I have no time for my family(S5)
	0.629	Money is more important than relations(S6)
Expenditure	0.798	I often feel that other members of my family/ colleagues do not share expenses(S7)
Sharing of Financial Burden	0.624	Despite that fact that my spouse earns well, I have to make most of the expenses(S8)

**Table 5**  
**Significant Difference in Financial Stress Due to Various Factors**

<b>Factor</b>	<b>Income Levels</b>	<b>Factor Scores Mean (Standard Deviation)</b>	<b>F- value</b>	<b>P- value</b>
1. Goals/ Achievements	Low Income	-.07 (0.94)	3.611	0.007
	Lower Middle Income	-.06 (0.80)		
	Middle Income	-.28 (0.77)		
	Upper Middle Income	-.07 (1.24)		
	High Income	.49 (1.03)		
2. Status	Low Income	-.34 (0.96)	8.139	0.000
	Lower Middle Income	-.36 (0.98)		
	Middle Income	-.19 (1.08)		
	Upper Middle Income	.36 (0.83)		
	High Income	.54 (0.78)		
3. Savings and Investments	Low Income	-.11 (1.14)	5.224	0.001
	Lower Middle Income	-.27 (0.86)		
	Middle Income	-.25 (0.82)		
	Upper Middle Income	.56 (1.09)		
	High Income	.07 (0.80)		
4. Relations	Low Income	-.11 (1.10)	2.034	0.091
	Lower Middle Income	-.22 (0.82)		
	Middle Income	.13 (0.80)		
	Upper Middle Income	-.10 (1.21)		
	High Income	.32 (0.92)		
5. Desire	Low Income	.01 (0.93)	3.117	0.016
	Lower Middle Income	-.30 (1.09)		
	Middle Income	.42 (1.02)		
	Upper Middle Income	.00 (0.77)		
	High Income	-.15 (0.77)		
6. Values	Low Income	.12 (1.08)	0.938	0.443
	Lower Middle Income	-.09 (1.14)		
	Middle Income	.11 (1.14)		
	Upper Middle Income	-.22 (0.92)		
	High Income	.07 (0.56)		

**Contd. Table 5**

7. Expenditure	Low Income	-.44 (1.04)	2.547	0.041
	Lower Middle Income	.10 (0.94)		
	Middle Income	.10 (1.01)		
	Upper Middle Income	.12 (1.21)		
	High Income	.11 (0.61)		
Sharing of Financial Burden	Low Income	.03 (1.38)	0.366	0.833
	Lower Middle Income	-.16 (0.78)		
	Middle Income	.00 (0.84)		
	Upper Middle Income	.08 (0.80)		
	High Income	.04 (1.08)		

statements were included in factor no. 2 i.e. status. This factor has the 8.870 percent contribution to the percentage of variance explained by all the factors. The factor of 'savings and investments' had 6.409 percent contribution to the percentage of variance explained by all the factors. It can be observed from above mentioned statements that contribution of statement no. 12 i.e. 'Wasteful expenditure of my family members reduces my savings' is the maximum while that of statement no. 22 i.e. 'I feel I have saved less money than my needs' is the minimum. Three statements were included in factor-relations. Desire for money is another factor leading to stress. This factor has the 4.791 percent contribution to the total percentage of variance explained by all the factors. Changing values related to money is another factor of stress. The respondents felt that in the modern world only a rich man is treated like a human being. Absence of money is a great cause of misery and these days money is even more important than relations. Other factors of financial stress are expenditure and sharing of financial burden with contribution of 4.332 percent and 4.212 per cent respectively to the total percentage of variance explained by all the factors.

### **Significant Difference of Financial Stress in Income Levels**

ANOVA (analysis of variance) test was used to observe the significant difference of financial stress in income levels due to dominant factors. P value was calculated by statistical software which observed significant difference in the level of financial stress among various income levels due to dominant factors.

Table 5 shows that in case of factors- goals/achievements, status, savings

and investments, desire for money, expenditure and sharing of financial burden the value of  $p$  is less than 0.05, therefore, there is a statistically significant difference in financial stress due to these factors among different income groups.

## CONCLUSION

Thus, the study shows that as the level of family income goes on rising, the level of financial stress on employees goes on decreasing. Rise in income certainly lowers financial stress among people. The level of stress increases as we move from high income level to low income level. Factor analysis revealed that eight factors i.e. goals/achievements, status, savings and investments, relations, desire, values, expenditure and sharing of financial burden were responsible for financial stress. These eight factors explain 64.508 per cent of the variance of the original input variables. In case of factors- goals/achievements, status, savings and investments, desire for money, expenditure and sharing of financial burden the value of  $p$  is less than 0.05, therefore, there is a statistically significant difference in financial stress due to these factors among different income groups.

## References

- Bridges, S.; and Disney, R. (2003), "Use of Credit and Arrears on Debt Among Low Income Families in the United Kingdom", *Fiscal Studies*, 25, 1-24.
- Choi (2009), "Financial Stress and Its Physical Effects on Individuals and Communities", Retrieved from <http://www.frbsf.org/community-development/files/choi.pdf> on March 3, 2015.
- Davis, C. G.; and Mantler, J. (2004), "The Consequences of Financial Stress for Individuals, Families and Society", Retrieved from <http://www.doylesalewski.ca> on October 28, 2014.
- Diener, E. D.; Horwitz, J.; and Emmons, R. A. (1984), "Happiness of the Very Wealthy", *Social Indicators Research*, 16 : 263-274
- Garman, E. T.; and Kim, J. (2003), "Financial Stress and Absenteeism : An Empirically Derived Model", *Financial Counseling and Planning*, 14 : 31-42.
- Harvie, D. (2015), "Are Your Employee's Financial Issues Affecting Workplace Productivity?" Retrieved from <https://www.linkedin.com> March 4, 2015.
- Joy, A. B.; and Hudes, M. (2010), "High Risk of Depression Among Low Income Women Raises Awareness about Treatment Options", *California Agriculture*, 64 : 22-25.

- Kahneman, D.; and Deaton, A. (2010), "High Income Improves Evaluation of Life but not Emotional Well-being", Retrieved from <http://www.pnas.org> on September 26, 2014.
- Komisar, H. (2013), "The Effects of Rising Health Care Costs on Middle-class Economic Security", Retrieved from <http://www.aarp.org> on October 28, 2014.
- Lazarus, R. S. (1991), "Psychological Stress in the Workplace", *Journal of Social Behaviour and Personality*, 6 : 114.
- Orpana, H. M.; Lemyre, L.; and Gravel, R. (2009), "Income and Psychological Distress : The Role of Social Environment", Retrieved from Statistics Canada Catalogue no. 82-003-X Health Reports 20 : 1-9.
- Papp, L. M.; Cummings, E. M.; and Morey, M. C. G. (2009), "For Richer, For Poorer : Money as a Topic of Marital Conflict in the Home", *Family Relations*, 58 : 91-103.
- Ponnet, K.; and Wouters, E. (2014), "Stress and Mental Health in Families with Different Income Levels", *JMIR Res Protoc*, 3 : 1-10.
- Quick, J. C.; Quick, J. D.; Nelson, D. L.; and Hurrell, J. J. (1997), "Preventive Stress Management in Organisations", Washington DC : American Psychological Association, 30 : 123-128.
- Robbins, S. P. (2001), "Organizational Behavior : Concepts, Controversies, Applications", 9th edn. Upper Saddle River, NJ : Prentice Hall.
- Santiago, C. D.; Wadsworth, M. E.; and Stump, J. (2011), "Socioeconomic Status, Neighbourhood Disadvantage and Poverty Related Stress : Prospective Effects on Psychological Syndromes Among Diverse Low-Income Families", *Journal of Economic Psychology*, 32 : 218-230.
- Wynes, S. L.; and Nguyen, N. (2014), "Does Financial Stress Impact on Young People in Tertiary Study?" *Long Survey of Australian Youth*, 68 : 1-36.