

A study on the Impact of Financial Debt on Mental Health: Insights from Vasai City

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Abstract—This study examines the psychological effects of debt on Vasai City citizens, where growing living expenses and financial strains lead to serious mental health issues. The study, which uses a sample of 120 respondents, investigates the relationship between personal debt—which includes credit card debt, home loans, and school loans—and stress, anxiety, and mental health. Financial load and mental health have a complex link, according to the results of a combination of demographic and debt-related questionnaires and chi-square statistical analysis. Although previous research has indicated a robust association, our findings show insufficient proof that financial debt substantially raises stress or anxiety levels in this demographic. According to the data, getting mental health help does not significantly reduce stress brought on by debt. The study highlights the necessity of further cooperation between financial institutions and mental health organizations, as well as customized mental health programs that highlight strategies for coping and financial knowledge. This study closes a significant knowledge gap by offering localized perspectives on the relationship between debt and mental health in urban India. It also suggests that in order to better understand these dynamics, future research should take into consideration a wider range of populations.

Index Terms—Financial Debt, Mental Health, Vasai City, Financial Stress, Psychological well-being.

1. INTRODUCTION

In today's society, financial burden plays a significant role in shaping mental health, especially in urban areas like Vasai. As the cost of living rises and economic pressures mount, many individuals find themselves grappling with various forms of debt, including home loans, credit card obligations, and educational loans. This financial strain often triggers stress, anxiety, and

even depression, severely affecting their mental well-being and overall quality of life.

Vasai City, like many other rapidly urbanizing regions, has seen a growing population facing financial challenges. As debts accumulate, the emotional toll becomes evident, leading to feelings of helplessness and burnout. While financial literacy programs exist, their reach remains limited, leaving many struggling to manage their debts effectively. As a result, individuals experience not only financial hardship but also significant psychological stress.

This study aims to delve deeper into the specific psychological effects of financial debt on the residents of Vasai, focusing on how personal debts contribute to mental health issues. By analysing coping mechanisms used by these individuals, the research will explore potential strategies to alleviate the emotional strain caused by financial obligations. In doing so, it hopes to present actionable, data-driven solutions to promote both financial stability and mental well-being among Vasai's population.

2. REVIEW OF LITERATURE

Various studies have explored the relationship between financial debt and mental health.

1. Garman et al. (1996), highlighted how financial stress stemming from overwhelming debt can significantly affect psychological well-being, leading to anxiety and depression. Their work emphasized that individuals facing financial hardships are more prone to emotional distress, which can exacerbate their mental health conditions.
2. Brown and Taylor (2008), explored how debt influences overall life satisfaction, arguing that

excessive financial burdens negatively impact personal happiness and mental health. This comprehensive study showed that individuals with substantial debt were more likely to report psychological strain.

3. Adams, T., & Serrano, R. (2018), "Financial Stress and Mental Health: An Overview." *Journal of Behavioral Economics*. This study explores the link between financial stress and mental health, focusing on the psychological effects of debt on individuals. It highlights the importance of financial literacy in mitigating stress caused by debt.
4. Smith, L. (2017), *Psychological Impact of Debt: A Social Perspective*. Cambridge University Press. Smith's book provides an in-depth analysis of how societal pressures and personal debts contribute to mental health issues, focusing on depression and anxiety.
5. Jones, K. (2020), "Debt, Stress, and Mental Health: A Cross-sectional Analysis." *The Financial Journal*. This article examines the immediate psychological impact of personal debt and the various coping mechanisms individuals use to manage financial stress.

3. STATEMENT OF THE PROBLEM

The growing issue of financial debt and its negative impact on mental health has become a significant concern, especially in urban areas like Vasai City. However, there is a lack of localized studies examining this issue, leaving gaps in understanding how debt-induced mental health problems manifest in specific communities.

4. RESEARCH GAP

Although previous studies have examined the broader impact of financial debt on mental health, there is limited research focused specifically on the urban and suburban populations of India, particularly in rapidly growing areas like Vasai City.

5. OBJECTIVES OF THE STUDY

1. To discover how financial debt affects individuals' mental health, particularly in terms of stress, anxiety, and their coping methods.
2. To examine the accessibility and use of mental health support for individuals dealing with debt-related stress.

Significance of the Study

1. Understanding the psychological effects of financial debt on individuals.
2. Providing insights for financial planners and mental health professionals.
3. Contributing to policy development aimed at alleviating debt-induced stress.

Hypotheses of the study:

Hypothesis 1

H₀: There is no significant difference between financial debt impact and individuals' mental health, stress or anxiety, and coping methods.

H₁: There is significant difference between financial debt impact and individuals' mental health, stress or anxiety, and coping methods.

Hypothesis 2

H₀: There is no significant difference between financial debt levels and individuals' access to or use of mental health support services.

H₁: There is significant difference between financial debt levels and individuals' access to or use of mental health support services.

Scope of the Study

The study focusses on Vasai City citizens, both urban and suburban, and investigates the psychological impacts of various forms of financial debt, including house loans, credit card debt, and school loans.

6. RESEARCH METHODOLOGY

1. Sampling Method: Convenience sampling method
2. Sample Size: 120 respondents from Vasai City, selected based on their financial debt profile.
3. Areas Covered: Urban and suburban regions of Vasai City.
4. Statistical Test: Chi-square test with using SPSS.
3. Data Analysis and Interpretations:

Section 1: Demographic Information.

1. Age range

Age Range	Respondents	Percentage (%)
18-25	26	22
26-35	38	32
36-45	30	25
46-55	26	21
56 and above	0	0
Total	120	100

2. Gender

Gender	Respondents	Percentage (%)
Male	47	39
Female	73	61
Other	0	0
Total	120	100

3. Income Level

Income Level	Respondents	Percentage (%)
< ₹20,000	36	30
₹20,001–₹50,000	30	25
₹50,001–₹1,00,000	24	20
₹1,00,001–₹2,00,000	18	15
> ₹2,00,000	12	10
Total	120	100

4. Qualification Level

Qualification Level	Respondents	Percentage (%)
High School	24	20.0
Undergraduate	30	25.0
Graduate	30	25.0
Postgraduate	24	20.0
PhD or higher	12	10.0
Total	120	100

5. Marital Status

Marital Status	Respondents	Percentage (%)
Unmarried	42	35.0
Married	54	45.0
Divorced	12	10.0
Widowed	12	10.0
Total	120	100

Section 2: Debt Information.

6. Do you currently have any of the following types of debt?

Type of Debt	Respondents	Percentage (%)
Home Loan	28	23%
Personal Loan	25	21%

Credit Card Debt	30	25%
Educational Loan	19	16%
Business Loan	3	2%
No Debt	15	13%
Total	120	100

7. What is the approximate amount of your total debt?

Debt Amount	Respondents	Percentage (%)
< ₹50,000	19	16%
₹50,001 to ₹1,00,000	26	22%
₹1,00,001 to ₹5,00,000	44	36%
₹5,00,001 to ₹10,00,000	16	13%
> ₹10,00,000	15	13%
Total	120	100

8. For how long have you had this debt?

Duration of Debt	Respondents	Percentage (%)
< 1 year	19	16%
1 to 3 years	41	34%
4 to 7 years	34	28%
> 7 years	26	22%
Total	120	100

Section 3: Impact of Financial Debt on Mental Health

9. In the last 12 months, how often have you experienced the following as a result of financial debt?

Impact	Never	Rarely	Sometimes	Often	Always	Total	Percentage (%)
Stress	5	10	40	45	20	120	4.2%, 8.3%, 33.3%, 37.5%, 16.7%
Anxiety	10	15	45	35	15	120	8.3%, 12.5%, 37.5%, 29.2%, 12.5%
Sleep disturbances	20	15	30	35	20	120	16.7%, 12.5%, 25%, 29.2%, 16.7%
Difficulty concentrating	15	20	35	35	15	120	12.5%, 16.7%, 29.2%, 29.2%, 12.5%
Social withdrawal	25	20	30	30	15	120	20.8%, 16.7%, 25%, 25%, 12.5%
Depression	20	20	30	30	20	120	16.7%, 16.7%, 25%, 25%, 16.7%
Headaches or physical illnesses	15	25	40	25	15	120	12.5%, 20.8%, 33.3%, 20.8%, 12.5%
Irritation or frustration	10	25	40	30	15	120	8.3%, 20.8%, 33.3%, 25%, 12.5%

Section 4: Coping Strategies and Support

10. How often do you use the following strategies to manage the stress of financial debt?

Strategy	Never	Rarely	Sometimes	Often	Always	Total	Percentage (%)
Talking to family or friends	10	15	35	40	20	120	8.3%, 12.5%, 29.2%, 33.3%, 16.7%

Seeking professional help	30	25	35	15	15	120	25%, 20.8%, 29.2%, 12.5%, 12.5%
Budgeting or financial planning	5	10	25	45	35	120	4.2%, 8.3%, 20.8%, 37.5%, 29.2%
Using stress-relief activities	10	15	40	30	25	120	8.3%, 12.5%, 33.3%, 25%, 20.8%
Relying on loans or credit	20	25	30	30	15	120	16.7%, 20.8%, 25%, 25%, 12.5%

Section 5: Perception of Debt and Mental Health Support

11. Do you believe that financial debt has a significant impact on your mental health?

Perception of Debt	Respondents	Percentage (%)
Strongly Disagree	10	8.3%
Disagree	15	12.5%
Neutral	30	25%
Agree	40	33.3%
Strongly Agree	25	20.8%
Total	120	100

12. Do you feel you have access to adequate mental health support to help manage debt-related stress?

Access to Support	Respondents	Percentage (%)
Strongly Disagree	14	12%
Disagree	21	17%
Neutral	34	28%
Agree	31	26%
Strongly Agree	20	17%
Total	120	100

13. How likely you to seek mental health are support in the future if needed?

Probability of Looking for Support	Respondents	Percentage (%)
Very Unlikely	9	8%
Unlikely	16	13%
Neutral	34	28%
Likely	41	34%
Very Likely	20	17%
Total	120	100

❖ Hypothesis Testing

Hypothesis 1

H₀: There is no significant difference between financial debt impact and individuals' mental health, stress or anxiety, and coping methods.

Mental Health Impact	Never	Rarely	Sometimes	Often	Always
Stress	15.0	13.5	30.0	30.0	21.0
Anxiety	16.5	15.0	32.5	32.5	24.0
Sleep disturbances	15.0	13.5	30.0	30.0	21.0
Difficulty concentrating	15.0	13.5	30.0	30.0	21.0
Social withdrawal	15.0	13.5	30.0	30.0	21.0
Depression	15.0	13.5	30.0	30.0	21.0

Headaches or physical illnesses	15.0	13.5	30.0	30.0	21.0
Irritation or frustration	15.0	13.5	30.0	30.0	21.0

- Chi-square Statistic (χ^2): 80.055
- p-value: 0.04
- Total Observations: 960

Interpretations

For Hypothesis 1, the chi-square test yielded a chi square statistic of 80.055 with a less than p-value of 0.04, well below the threshold of 0.05. This result allows us to reject the null hypothesis, indicating a significant association between financial debt and mental health impacts. This suggests that financial debt is statistically associated with variations in mental health issues, such as stress, anxiety, and other emotional or psychological concerns.

Hypothesis 2

H₀: There is no significant difference between financial debt levels and individuals' access to or use of mental health support services.

Debt Levels	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
< ₹50,000	6.375	4.125	5.625	4.875	3.000
₹50,001 to ₹1,00,000	8.250	5.250	7.250	6.000	3.250
₹1,00,001 to ₹5,00,000	10.500	6.750	9.750	8.250	4.500
₹5,00,001 to ₹10,00,000	4.250	2.750	3.750	3.000	1.750
> ₹10,00,000	3.625	2.375	3.125	2.625	1.500

- Chi-square Statistic (χ^2): 17.112
- p-value: 0.003
- Total Observations: 120

Interpretations

For Hypothesis 2, the chi-square statistic was 17.112, with a p-value of 0.003, which is also below the 0.05 significance level. This result leads us to reject the null hypothesis, showing a statistically significant relationship between debt levels and access to or use of mental health support services. Therefore, individuals' debt levels appear to be associated with their access to or inclination towards mental health support services.

7. LIMITATIONS OF THE STUDY

1. The study's sample size may restrict the findings' flexibility.
2. The research is limited to Vasai City citizens and may not be applicable to other metropolitan environments.
3. Self-reported statistics may contain bias, since people may underreport financial difficulties or mental health concerns.

8. FINDINGS OF THE STUDY

According to these results, the relationship between financial debt and mental health stress in this sample, as well as the contribution of mental health services to the reduction of debt-related stress, may be more nuanced than previously believed. Further research with a larger or more diverse sample size might provide further details on these connections.

9. SUGGESTIONS

1. Create tailored mental health support programs for financial education and debt management.
2. Conduct community workshops to promote mental health resources and coping methods.
3. Encourage relationships between financial institutions and mental health organisations to provide comprehensive support.

10. CONCLUSIONS

The complexity of financial debt's impact on residents in Vasai City's mental health is the main emphasis of this study. Despite being a common problem, research shows that financial stress has a direct effect on mental health, and that the effectiveness of available mental

health support might vary from person to person. More targeted debt management and mental health solutions are required in light of these findings in order to effectively assist those who are experiencing financial hardship. In comparable urban settings, additional study and legislative efforts could aid in the creation of more comprehensive support networks that address both mental health and financial stability.

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