

The Impact Of Financial Stress On Consumer Buying Behavior And Decision-Making

Aydin Asif Kallangodan
Scholars International Academy, Sharjah

Abstract

This study explores how young people, primarily university students, cope with financial stress and how it affects their spending and borrowing habits. While there is already extensive research on debt and finance, less attention has been given to what students actually experience in their day-to-day lives. The goal of this study was to understand their experiences and the habits that emerge as a result.

A survey was conducted with 47 students, most of whom were between 17 and 22 years old, along with interviews involving a few female students. From the survey results, 85% reported feeling stressed about money, 79% said they tried to follow a budget, 83% switched to cheaper alternatives, 68% reduced their spending on social activities, and 57% borrowed from family or friends. In the interviews, many students expressed feelings of guilt and pressure, and some admitted to spending money to feel better, even when they knew they shouldn't.

The findings suggest that financial stress is not only about a lack of money, but also about how students perceive themselves and how they believe others see them. Financial education programs for students should therefore address the emotional and social aspects of money management as well.

Although the study was small and included only female interviewees, it offers a valuable glimpse into the current experiences of students dealing with financial stress.

Keywords: *financial stress, students, money habits, budgeting, emotions*

Date of Submission: 24-10-2025

Date of Acceptance: 04-11-2025

I. Introduction

Global Debt Crisis and Consumer Exposure

By the first quarter of 2024, global debt had reached \$315 trillion, surpassing 330% of the total global GDP, according to the Institute of International Finance (IIF). This figure highlights the growing reliance on credit across households, businesses, and governments. In the United States, household debt alone has reached a staggering \$17.3 trillion, largely due to the increased borrowing of student loans, mortgages, and credit card balances. Meanwhile, in the United Kingdom, the average adult held £3,940 in unsecured debt in 2024 (IIF, 2024; Finder UK, 2024).

This financial exposure extends to university students as well. Such early exposure to debt influences their perception of borrowing, often leading them to spend in ways that do not align with their income or long-term financial security. The average American federal student loan debt stands at \$38,375, contributing to a total national student debt of approximately \$1.77 trillion as of early 2025 (EducationData.org, 2025). The consequences of incurring debt during the formative years of financial independence are long-term, shaping students' attitudes toward borrowing and encouraging spending habits that overlook the importance of long-term financial stability.

Rise of Credit-Fueled Consumption

Modern students live in an environment where access to credit has become a way of life. The rise of internet-based financial services has intensified the demand for borrowed money. Platforms such as **Klarna**, **Afterpay**, and **Affirm** have gained popularity by promoting **Buy Now, Pay Later (BNPL)** services, particularly among **Gen Z** consumers. As of 2023, **58% of Gen Z** individuals in the U.S. reported having used a BNPL service at least once for essential purchases such as clothing, food, and electronics (Bankrate, 2023).

For most students, whose incomes are low or irregular, credit represents more than just financial support—it is a means to maintain a lifestyle that may be beyond their reach. A **2023 financial literacy study in the UK** revealed that **48% of university students** owned a credit card, yet **61%** failed to pay their monthly balances in full. This demonstrates how credit can blur the line between what individuals can truly afford and what merely feels affordable in the moment.

Self-Esteem and Compensatory Consumption

A 2022 survey by Deloitte found that nearly 50% of Gen Z respondents admitted to spending more than necessary on nonessential items as a way to relieve stress or negative emotions. This behavior, known as compensatory consumption, is increasingly common among young adults who equate their self-worth with material possessions.

Similarly, a 2021 study by the American Psychological Association (APA) found that individuals facing financial difficulties were significantly more likely to engage in impulse buying. With the expansion of digital marketplaces and constant online exposure, this tendency is only expected to increase. Emotional spending often serves as a short-term coping mechanism—providing temporary relief but leading to long-term consequences such as mounting debt and heightened anxiety about money.

Debt Stress and Psychological Impacts

Financial instability places a heavy emotional burden on students, affecting many deeply. A 2024 Student Beans survey reported that 69% of university students experienced anxiety and stress related to their finances, while 34% said that these financial worries negatively affected their academic performance. In Wales, a survey conducted by NUS Cymru (National Union of Students) found that 58% of students skipped meals due to difficulties paying rent and housing costs—demonstrating how financial stress can compromise physical well-being.

The American Psychological Association's Stress in America Report (2023) noted that 72% of Gen Z participants identified money as their top source of stress—above health, career, and personal relationships. Chronic financial stress can impair cognitive functioning, leading to poor decision-making and “tunnel vision.” Students under such pressure may resort to rash financial choices—such as taking on additional loans, overspending impulsively, or neglecting repayments—further deepening the cycle of debt and anxiety. Without early intervention and emotional support, breaking out of this loop becomes increasingly difficult.

Social Media's Role in Reinforcing Consumption under Debt

Spending driven by social media influence has become almost unavoidable. Constant exposure to influencers flaunting luxury lifestyles and to ads promoting limited-time deals creates a culture of pressure and comparison. According to a recent report, 71% of Gen Z respondents admitted that they had gone out and spent money on something they saw on social media, while 54% said they had purchased something they didn't truly want just to avoid missing out on trends.

Platforms such as Instagram and TikTok blur the line between fantasy and reality, making excessive spending appear not only normal but even desirable. This environment normalizes credit-based consumption, especially with the convenience of BNPL services. For young people already struggling financially, this constant exposure reinforces the belief that self-worth is tied to appearance, possessions, and social validation. Consequently, many students end up accumulating even more debt—simply to “save face.”

II. Methodology

The main goal of this study was to understand how young people deal with financial stress and how it changes the way they spend and borrow. To get this, I made a simple online survey and also did a few interviews to get more personal answers. The survey was shared with students and got 47 responses in total. Most of them were between 17 and 22 years old, which made sense since that's the age where people start managing money on their own.

The survey had questions about budgeting, borrowing, social spending, and how people felt when they were stressed about money. It also asked if they changed brands, delayed purchases, or borrowed from others. I used Google Forms because it was easy for everyone to fill in and for me to collect the data.

After that, I did a few short interviews with female students to understand their feelings better. They talked more openly there, saying how they felt guilty, anxious, or pressured when it came to money. I compared what they said with the survey numbers to see if things matched up.

The sample size was small, and everyone was kind of from the same background, so it doesn't speak for everyone. But it still gave me a good idea of how students deal with money stress in real life, not just in theory.

This study used a mixed-methods approach, combining a short online survey with follow-up interviews to understand how financial stress affects students' spending and borrowing habits.

A total of 47 university students, aged 17–22, participated in the survey, which included questions about budgeting, borrowing, and emotional stress related to money. The survey provided numerical data on common behaviors and attitudes.

To gain deeper insight, interviews with a few female students were conducted. These semi-structured discussions explored feelings of guilt, pressure, and emotional spending linked to financial stress.

Survey responses were analyzed using descriptive statistics, while interviews were reviewed through thematic analysis to identify recurring ideas and emotions.

All participants gave informed consent, and their identities remained anonymous. The small sample size and limited interview group mean the findings cannot represent all students, but they offer meaningful insight into how young people experience and cope with money stress.

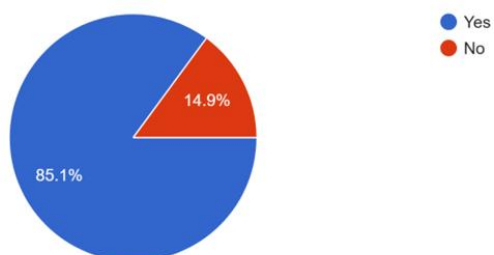
III. Result Table

S.no	Theme	Sub-themes	Empirical Evidence (Participant Quotes)	Empirical Evidence 2 (Literature Review)
1	Financial Management Practices	Budgeting Approaches	"I don't [budget]. I just look at whether something is worth the money." – P1 "I usually have a monthly budget that I receive." – P3 "Yes, I budget, but with girl maths." – P5	"Minor Truth of Girl Math on Mental Accounting Perspective" (Zahrah & Soeherman, 2024). It found that people use "girl math" as a form of mental accounting, creating self-justifying rules to rationalize spending and feel financially in control, even when it breaks logical budgeting principles.
		Tracking Methods	"I write it down on my Notes app. But like, mostly big expenses. I don't really track the small ones." – P1 "I do it mentally. I normally just check my balance." –P3	How Consumers Budget" (2022). They found that most people don't really track every single thing they buy, they either note down only the big stuff or just keep a rough mental idea of what they've spent. This kind of "mental budgeting" makes them feel like they're in control, but they usually end up underestimating how much they actually spend, kind of like what my participants said.
		Payment Preference	"Usually, I prefer cash. I'm more of a cash person. I use a credit card only when I don't have cash with me."-P1	"Consumer Preferences and the Use of Cash: Evidence from the Diary of Consumer Payments Choice" (O'Brien, 2014). They discovered that a lot of people just prefer cash, especially for smaller purchases, because it feels more real and gives them a sense of control. Credit cards, on the other hand, feel less "painful" to use, so people usually only swipe them when they don't have cash.
2	Emotional & Psychological Dimensions	Financial Stress	"I wouldn't say stressed exactly, but sometimes I do look at like, oh, is this something I really need to spend on now, or can I buy it later, or can I get it at a cheaper price somewhere else?"-P3 "I go for what works for me. So when it comes to those type of things like even makeup and stuff I don't mind spending a little extra but yeah when it comes to just basic essentials I always go for the cheapest."- P5	"Consumer Decision-Making and Price Sensitivity" (Monroe & Lee, 1999). It basically found that people treat different things differently, they'll think twice about buying stuff they don't really need right away or might find cheaper somewhere, but they don't mind spending a bit more on things they actually like or care about. That's pretty much what my participants said, like P3 thinking about timing and price, and P5 splurging a little on makeup but going cheap for basics.
		Guilt and Emotional Response	"I feel guilty when I spend my parents' money. So, I try my best not to spend a lot of money if it is more of like a need."-P2	"The Psychology of Spending Other People's Money" (Prelec & Loewenstein, 1998). They found that people act kinda differently when it's not their own money, they feel guilty or try to be more careful, especially for stuff they actually need. That's pretty much what P2 said, trying not to spend too much of their parents' money on necessary things.

IV. Result Graphs

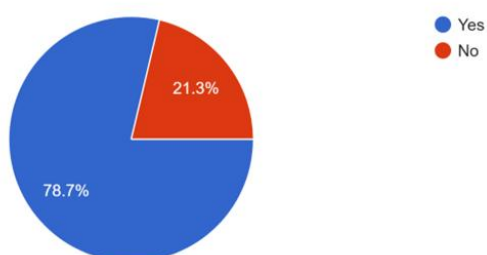
Have you felt stressed about your personal finances?

47 responses



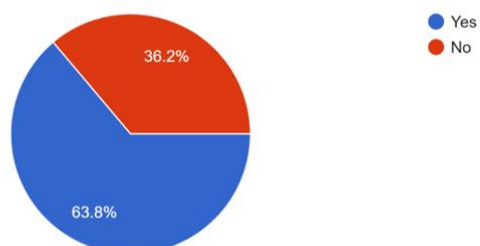
Do you currently follow a monthly budget?

47 responses



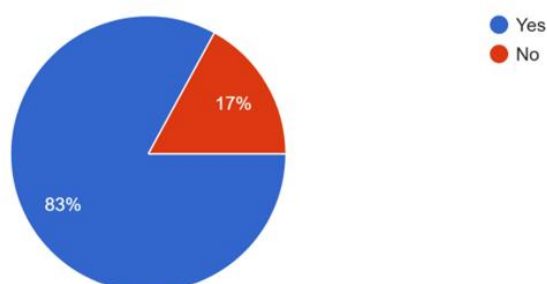
Have you delayed buying a necessary item (e.g., textbooks, groceries) because of money concerns?

47 responses



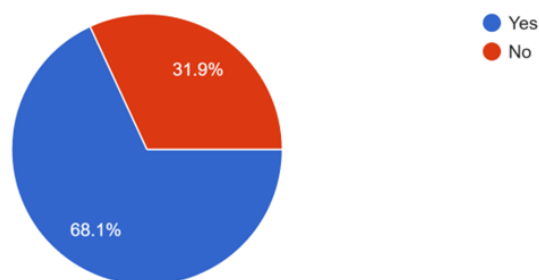
Have you ever switched to cheaper brands or alternatives due to financial stress?

47 responses



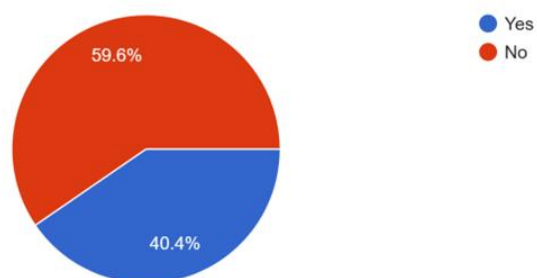
Have you avoided social spending (eating out, events) because of financial stress?

47 responses



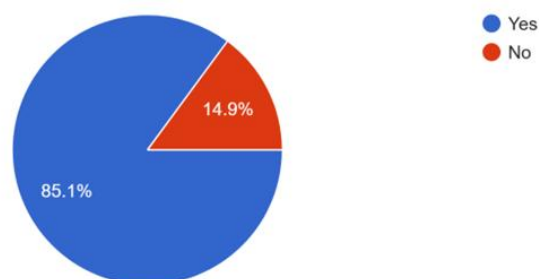
Have you ever used credit cards/BNPL/loans to cover everyday expenses?

47 responses



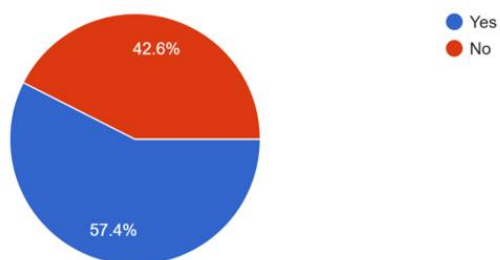
For purchases over a certain amount, do you usually research or compare prices before deciding?

47 responses



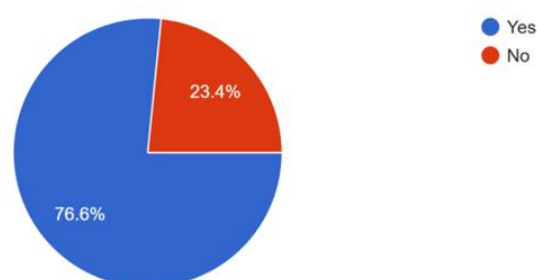
Have you borrowed money from friends or family to make a purchase?

47 responses



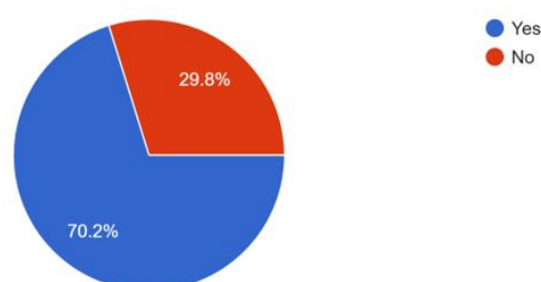
Have you made an impulse purchase while feeling financially stressed?

47 responses



Have you reduced your spending on hobbies because of financial concerns?

47 responses



V. Discussion

The purpose of this study was to explore how young adults, particularly university students, cope with financial stress and how it affects their spending and borrowing behaviors. From the survey I conducted, five main themes emerged: budgeting, borrowing, social spending, brand switching, and impulse buying. A total of 47 participants took part in the survey—most of them aged between 17–22 years (80.9%), followed by 23–26 years (17%), and a smaller proportion 26–30 years (2.1%).

There were many overlaps between my survey results and previous research. In my study, 85.1% of students reported feeling stressed about finances, which is consistent with Heckman et al. (2014), who found that student loan debt is strongly linked to higher stress levels and lower savings. My results also showed that 78.7% of respondents actively used a budget, yet 76.6% still admitted to spending impulsively—reflecting Roberts and Jones (2001), who found that financial stress lowers self-control and increases emotional spending, even among those who attempt to manage their money carefully. Furthermore, 63.8% delayed buying essentials, and 70.2% cut back on hobbies, aligning with Gutter and Copur (2011), who observed that financially strained students often sacrifice both necessities and leisure activities.

Borrowing behaviors also stood out in my study: 59.6% used credit or Buy Now, Pay Later (BNPL) options, and 57.4% borrowed from family or friends. These findings mirror Hammad et al. (2023), who reported that young consumers use BNPL services to meet short-term needs but often fall into recurring debt cycles. Meanwhile, 85.1% of respondents said they compare prices before making major purchases, supporting Lusardi and Mitchell (2014), who linked financial literacy with cautious spending habits. However, the high rate of impulsive spending supports Dittmar et al. (2014), who argued that financial knowledge does not always translate into disciplined behavior when stress and emotions are involved. Overall, my findings align with existing literature showing that young adults oscillate between careful habits such as budgeting and risky behaviors like borrowing and impulse spending under financial pressure.

From the survey, I found that 78.7% of students claimed to follow a monthly budget, which indicates that most young people are at least attempting to track their finances. In the interviews, many participants said they set spending limits but struggled to stick to them when unexpected costs arose. One student even admitted to creating a budget “just to feel in control,” despite not always following it. This reflects Lusardi and Mitchell’s

(2014) argument that financial literacy increases the likelihood of budgeting, but also Gutter and Copur's (2011) observation that students often use budgets as a coping mechanism rather than a proactive financial plan.

What surprised me most was how common impulse spending remained despite these efforts to budget. Even though 78.7% reported budgeting, 76.6% still made impulse purchases—echoing Roberts and Jones (2001), who found that budgeting does not necessarily protect against emotional buying. This finding highlighted that students crave financial structure, but stress frequently overrides their self-control.

Borrowing was another strong theme. In my data, 59.6% reported using credit cards, BNPL, or loans for daily expenses, and 57.4% borrowed from family or friends. In interviews, this became even clearer. One student shared that they used BNPL for clothes because it felt “easier than paying all at once,” while another mentioned borrowing from their parents almost every month to fill financial gaps. Hammad et al. (2023) found that BNPL often appears attractive because it feels like “free money,” but ultimately leads to hidden debt. Similarly, Heckman et al. (2014) linked borrowing with increased financial stress, which was reflected in my findings—those who used credit often described ongoing anxiety about bills. What stood out most to me was how normalized borrowing has become among students; it is viewed less as a last resort and more as a standard part of student life.

Financial stress also shaped social spending habits. In my survey, 68.1% said they avoided social activities such as eating out, and 70.2% reduced their participation in hobbies. The interviews supported these findings: one student said they often refused social invitations out of guilt, while another shared that they had to cancel their gym membership because of financial strain. These findings reflect Gutter and Copur (2011), who observed that students under financial pressure cut back on leisure, and Dittmar et al. (2014), who found that reduced leisure activities can harm overall well-being. I had expected students to reduce social spending, but I did not anticipate how deeply hobbies would be affected. Listening to students describe giving up things they enjoyed revealed how financial stress impacts not only budgets but also mental health.

Another notable pattern was the contradiction in behavior under stress. While 76.6% admitted to impulse buying, 83% said they switched to cheaper brands or alternatives. My interviews reflected this inconsistency. One student said they buy cheaper groceries but then splurge on shoes, while another confessed to constant online shopping despite price comparisons elsewhere. Roberts and Jones (2001) and Dittmar et al. (2014) both found that stress reduces self-control, leading to impulsive spending, whereas Lusardi and Mitchell (2014) showed that financially literate young people still try to save through price comparisons. My findings revealed that both tendencies coexist. I expected students to lean toward one behavior or the other, but instead, they demonstrated both simultaneously—highlighting how inconsistent money habits become when emotions and stress collide.

When combining the survey and interviews, recurring patterns were evident. Stress emerged as the strongest factor—85% of survey participants said they felt stressed about money. Interview participants expressed similar emotions, saying things like “I can't sleep thinking about bills” or “I feel guilty spending on myself.” These findings align with the survey results showing that 68% avoided social events and 70% cut back on hobbies. Because all interviewees were female, the results reflected gendered perspectives. Many spoke of prioritizing family needs or the pressure to “not look irresponsible.” I suspect that if male participants were included, themes of pride or ego might have emerged differently. The overlaps were clear: emotions influenced social life; social life influenced budgeting (79% budgeted); and coping mechanisms involved cheaper brands (83%), borrowing (57%), or impulsive buying (77%) during stressful times. The survey provided the quantitative picture, while the interviews added emotional context.

Overall, my study shows that young adults manage money not just through budgets but through emotions, peer pressure, and identity—and these factors often weigh heavier than the finances themselves.

Taking everything together, the main implication is that financial stress is not just numerical—it's psychological and social. This suggests that student financial literacy programs should not only teach budgeting or interest rates but also address emotional aspects such as guilt, fear of missing out, and peer comparison. Universities could expand support through workshops or counseling focused on financial stress, as many students are already altering their lifestyles due to money concerns.

From a policy perspective, governments and institutions could promote clearer communication around credit use and debt awareness to help young adults make informed financial choices. Broadly, this study contributes to the growing research on student financial behavior by humanizing the data—showing that financial well-being is deeply tied to emotional and social well-being, particularly among female students in this study.

However, this study has several limitations. The most obvious is its small sample size of 47 participants and interviews drawn exclusively from female students, which limits generalizability. Self-reporting bias is another concern, as participants may have given socially desirable responses or struggled to recall experiences accurately. Moreover, since most participants were within a narrow age range, their experiences may differ significantly from older adults or those in different cultural or economic contexts. Therefore, while the results provide valuable insights into financial stress among young female students, they should be interpreted cautiously.

In summary, this study underscores that financial stress deeply influences students' daily lives—from budgeting and borrowing to self-perception and social engagement. The key finding is that emotional pressure and social comparison strongly shape financial decisions, confirming that financial behavior is not purely rational but also psychological. These findings support prior studies showing that financial well-being must be understood as part of overall student well-being. Future research should involve larger, more diverse samples, including both male and female students, and explore whether habits formed under financial stress persist or change once students enter the workforce.

VI. Conclusion

The findings of this study clearly show that borrowing and debt have become normalized among young adults, even before they fully understand the long-term implications. Many students were aware of loans and credit cards but lacked understanding of concepts like interest rates and repayment consequences. Several participants mentioned that they would likely take out loans in the future for education or personal use, underscoring how deeply borrowing is embedded in youth financial culture.

The interviews offered deeper insight into how students feel about these financial behaviors. Most reported being comfortable spending money but less confident in managing it. Some described borrowing as “easy now but scary later,” reflecting how short-term convenience overshadows long-term planning. This finding highlights how early exposure to credit and debt shapes lifelong financial attitudes and decision-making.

Overall, this research adds to the understanding that financial behavior among students is both emotional and social, not just practical. Supporting students therefore requires more than financial education—it requires emotional and psychological support to help them build healthy, sustainable relationships with money.

References

- [1]. Bai, L., Yan, X., & Yu, G. (2019). Impact Of CEO Media Appearance On Corporate Performance In Social Media. *The North American Journal Of Economics And Finance*, 50, 100996
- [2]. Heckman, S., Lim, H., & Montalto, C. (2014). Factors Related To Financial Stress Among College Students. *Journal Of Financial Therapy*, 5(1), 3.
- [3]. Roberts, J. A., & Jones, E. (2001). Money Attitudes, Credit Card Use, And Compulsive Buying Among American College Students. *Journal Of Consumer Affairs*, 35(2), 213-240.
- [4]. Gutter, M., & Copur, Z. (2011). Financial Behaviors And Financial Well-Being Of College Students: Evidence From A National Survey. *Journal Of Family And Economic Issues*, 32(4), 699-714.
- [5]. Lusardi, A., & Mitchell, O. S. (2014). The Economic Importance Of Financial Literacy: Theory And Evidence. *American Economic Journal: Journal Of Economic Literature*, 52(1), 5-44.
- [6]. Dittmar, H., Bond, R., Hurst, M., & Kasser, T. (2014). The Relationship Between Materialism And Personal Well-Being: A Meta-Analysis. *Journal Of Personality And Social Psychology*, 107(5), 879.
- [7]. Lukas, M. F., & Howard, R. C. C. (2023). The Influence Of Budgets On Consumer Spending. *Journal Of Consumer Research*, 49(5), 697-720.