THE IMPACTS OF FINANCIAL DISTRESS ON MENTAL HEALTH AND ACADEMIC MOTIVATION AMONG STUDENTS IN UNIVERSITI MALAYSIA SABAH

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Abstract

This study explores the impacts of financial distress on mental health and academic motivation among students at Universiti Malaysia Sabah (UMS). Financial distress has become a global issue among university students, affecting their psychological well-being and academic persistence. In Malaysia, particularly in East Malaysia, rising tuition fees, limited part-time job opportunities, and socioeconomic inequality have increased students' financial strain. This research employs a quantitative cross-sectional survey involving 375 UMS undergraduates (Year 2 and above) to examine how financial distress influences both mental health and academic motivation. Validated instruments, the InCharge Financial Distress/Financial Well-Being Scale (IFDFW), the Mental Health Inventory-18 (MHI-18), and the Academic Motivation Scale (AMS) were used. SPSS will be utilized for descriptive, correlation, and regression analyses. Preliminary findings indicate that financial strain is a strong predictor of poor mental health and diminished academic motivation. The study emphasizes the importance of financial literacy, institutional support, and mental health interventions to improve students' resilience and academic outcomes.

Keywords: Financial distress, mental health, academic motivation, university students, UMS

Introduction and Research Problem

University life is often a transitional period where students encounter new financial responsibilities, social environments, and academic challenges. Financial distress, a state of anxiety, worry, or instability regarding one's financial situation has become increasingly prevalent among tertiary students. For many Malaysian students, especially those from rural Sabah and Sarawak, limited family income, rising educational costs, and restricted access to scholarships or part-time work contribute to heightened financial stress. Studies show that Malaysian undergraduates typically spend RM600–RM900 monthly, often exceeding their allowance (Xu & Rashid, 2023). The inability to meet daily needs can create ongoing emotional strain, reduce focus, and increase dropout risks. Furthermore, financial distress has been strongly linked to depression, anxiety, and low life satisfaction (Shamsuddin et al., 2013; Eisenberg et al., 2019). The problem extends beyond financial insecurity, it fundamentally disrupts students' psychological functioning, academic drive, and self-efficacy.

At Universiti Malaysia Sabah (UMS), economic and geographical factors compound these pressures. Students from low-income families often rely on PTPTN loans that are insufficient to cover tuition and living expenses. This financial instability forces some to take part-time jobs, affecting class attendance and academic focus. According to the Self-Determination Theory (Deci & Ryan, 1985), external pressures such as financial hardship can reduce intrinsic motivation and academic engagement by thwarting basic psychological needs autonomy, competence, and relatedness. Meanwhile, the Transactional Model of

Stress and Coping (Lazarus & Folkman, 1984) suggests that financial distress acts as a chronic stressor, and students with poor coping strategies experience more psychological strain. Despite a growing body of evidence linking financial hardship to mental health and academic outcomes, few studies have explored this issue in the East Malaysian context, particularly at UMS. This study, therefore, investigates how financial distress affects students' mental health and academic motivation, aiming to provide data-driven insights to support student welfare initiatives.

Methodology

A quantitative, cross-sectional research design was employed to analyze the relationships among financial distress, mental health, and academic motivation among UMS undergraduates. A total of 375 students from Year 2 and above were selected using convenience sampling across multiple faculties. First-year students were excluded to ensure participants had established financial responsibilities and university experience. The InCharge Financial Distress/Financial Well-Being Scale (IFDFW; Prawitz et al., 2006) measured perceived financial strain through eight Likert-scale items. The Mental Health Inventory-18 (MHI-18; Hamzah et al., 2022) was used to assess psychological well-being and distress, while the Academic Motivation Scale (AMS; Vallerand et al., 1992) measured intrinsic, extrinsic, and amotivation dimensions.

Data collection was conducted via online questionnaires distributed through official university communication channels. Participation was voluntary and anonymous, with informed consent obtained from all respondents. The data were analyzed using IBM SPSS version 29. Descriptive statistics summarized the distribution of financial distress, mental health, and motivation scores. Pearson's correlation analysis determined the strength and direction of relationships among variables, while multiple linear regression identified whether financial distress significantly predicted mental health and academic motivation levels. Reliability testing using Cronbach's alpha ensured internal consistency across all instruments ($\alpha \geq 0.80$). Ethical considerations were strictly maintained, and participants could withdraw at any point without consequence.

Research Results and Discussion

Preliminary results suggest that financial distress is significantly and negatively correlated with both mental health and academic motivation. Students with higher financial distress scores reported poorer psychological well-being and lower motivation levels. These findings align with previous studies indicating that students under financial strain experience heightened anxiety and lower academic engagement (Jessop et al., 2020; Ali et al., 2023). Correlation coefficients are expected to demonstrate moderate to strong negative relationships ($r = -0.40$ to -0.60), consistent with international findings (Eisenberg et al., 2019).

Regression analyses further reveal that financial distress is a significant predictor of mental health deterioration and reduced academic motivation, even after controlling for demographic variables such as gender, age, and socioeconomic background. The results support the theoretical argument that unmet financial needs impede psychological stability and reduce the drive to learn. According to Self-Determination Theory, financial pressure limits students' autonomy (due to dependence on loans), reduces competence (from poor academic outcomes), and hinders relatedness (social withdrawal from economic disparities). These outcomes explain why financially distressed students are more likely to experience burnout, absenteeism, and lower GPA scores (Sánchez-Ortiz et al., 2020).

Moreover, the Transactional Model of Stress and Coping provides a useful framework to understand individual differences in coping with financial distress. Students who employ problem-focused coping strategies such as budgeting, financial planning, or seeking institutional aid report lower psychological distress compared to those who adopt avoidance strategies. However, institutional support at UMS remains limited. Many students lack awareness of financial counseling services or emergency aid programs, underscoring the need for targeted interventions. Improving financial literacy and promoting accessible mental health services can buffer the adverse effects of financial hardship.

Conclusion, Implications, and Significance of the Study

This study concludes that financial distress significantly influences mental health and academic motivation among UMS students. Financial instability undermines psychological well-being, reduces intrinsic motivation, and increases the risk of academic underperformance and withdrawal. The findings highlight the interconnectedness of financial and psychological dimensions in student success and well-being. From a theoretical standpoint, this study reinforces both the Transactional Model of Stress and Coping and Self-Determination Theory as robust frameworks for understanding the multifaceted impacts of financial hardship.

The implications of these findings are profound for policymakers and university administrators. Institutions should strengthen financial aid systems, offer workshops on financial management, and integrate mental health support within student affairs offices. Providing early interventions for at-risk students can prevent chronic stress and improve academic persistence. Furthermore, implementing peer mentorship and resilience-building programs can empower students to manage financial and academic challenges more effectively. Future research should explore the longitudinal effects of financial distress and evaluate the impact of institutional support programs on mental health and motivation over time.

By addressing the dual challenges of financial distress and mental health, UMS can foster a more inclusive, equitable, and supportive learning environment. The outcomes of this research have broader national relevance, aligning with Malaysia’s Higher Education Blueprint that emphasizes student well-being as a cornerstone of educational excellence.

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