



# RELATIONSHIP BETWEEN FINANCIAL INDEPENDENCE AND SELF ESTEEM AMONG YOUNG ADULTS

Nihma Nishirin. V

Post graduate MSC Integrated Psychology, Department of Psychology MES Kalladi College Mannarkkad, Palakkad,  
Kerala Mail1: [nihanihma143@gmail.com](mailto:nihanihma143@gmail.com)

## Abstract

*This study investigates the relationship between financial independence and self-esteem among young adults. Using a quantitative, correlational design, the research examined this relationship and explored potential gender differences within a sample of 100 young adults aged 18-25 (50 males, 50 females), selected via convenience sampling. Financial independence was indirectly measured using the InCharge Financial Distress/Financial Well-Being Scale (IFDFW), and self-esteem was assessed using the Rosenberg Self-Esteem Scale (RSES). Data analysis using Pearson's correlation revealed a statistically significant, strong negative correlation ( $r = -.882, p < .01$ ), indicating a powerful positive relationship where higher financial well-being is strongly associated with higher self-esteem. Independent samples t-tests found no statistically significant gender differences in levels of either financial independence or self-esteem. The findings confirm that financial independence is a critical correlate of psychological well-being for young adults, with low financial independence potentially undermining self-esteem. The absence of gender differences suggests that financial and self-concept challenges are shared generational experiences, highlighting the need for inclusive interventions aimed at fostering financial literacy and autonomy to support holistic development in this population.*

**Keywords:** Financial independence, Self-esteem, Young adults, Financial well-being, Gender differences.

## INTRODUCTION

Financial autonomy and self-worth constitute two fundamental aspects of personal growth during early adulthood, each significantly influencing an individual's future path. Financial independence is commonly understood as the state of having adequate personal wealth to cover living expenses without requiring income from a traditional job, thereby providing a sense of freedom and stability (Investopedia, n.d.). Similarly, self-esteem involves one's overall subjective sense of personal value and capability, which includes self-respect and confidence. For emerging adults—a group navigating pivotal changes in their educational, professional, and personal lives—the connection between these two factors is especially meaningful.

Prior scholarship has explored these areas separately. Models for attaining financial independence often stress the importance of systematic saving, strategic investing, and mindful spending (Stanley & Danko, 1996; Robin & Dominguez, 2008), while the development of a positive self-concept is acknowledged as crucial for psychological health and adaptability (Orth et al., 2012). Importantly, the interaction between them is reciprocal. Reaching financial goals can generate a sense of achievement and agency, thus strengthening self-esteem, whereas economic hardship can erode feelings of self-worth (Kong et al., 2020; Brown & Taylor,

2015). In turn, an individual's level of self-esteem can affect financial decision-making, such as the confidence to advocate for higher pay or engage in prudent financial risks (Brown & Taylor, 2015).

Extant research supports this interconnectedness. Investigations into financial independence frequently identify contributing factors such as age, earnings, and gender (Xiao et al., 2014; Ricky & Tanoto, 2021), while studies on self-esteem connect it to academic achievement and social influences (Arshad et al., 2015; Anwar & Ahmad, 2017). More specifically, a reliance on others for financial support has been linked to diminished self-esteem (Veum & Darity Jr., 1997; Aspegren, 2006), whereas financial self-sufficiency is associated with increased personal empowerment (Asghari et al., 2013). Despite this established link, a specific research gap exists concerning dedicated empirical analysis that directly assesses the magnitude and character of the association between financial independence and self-esteem, particularly within the young adult demographic.

This life stage requires both economic self-reliance and a coherent personal identity, yet many emerging adults encounter obstacles in achieving these due to limited financial knowledge, economic instability, and societal expectations. A more precise comprehension of their interaction is thus necessary to inform focused strategies that promote comprehensive well-being and effective maturation into adulthood. Consequently, this study empirically examines and compares the relationship between financial independence and self-esteem among young adults.

## METHODOLOGY

This study employed a quantitative methodology, utilizing a correlational research design. This design is appropriate for investigating the relationship between variables without the researcher controlling or manipulating them, allowing for an examination of the strength and direction of the association between financial independence and self-esteem.

### Selection of Subjects

The target population for this study was young adults aged 18 to 25 years. A sample of 100 participants was selected using a convenience sampling method. The sample comprised 50 males and 50 females to facilitate gender-based comparisons.

### Selection of Variables and Measures

The study focused on two primary variables: Financial Independence and Self-Esteem. Financial Independence was measured using the InCharge Financial Distress/Financial Well-Being Scale (IFDFW) developed by Prawitz et al. (2006). This 8-item self-report scale provides a composite score that validly and reliably measures perceived financial well-being (or distress), serving as an indirect approximation of financial independence. The scale demonstrates established validity and reliability, having been tested on national samples (Garman et al., 2005).

Self-Esteem was measured using the widely adopted Rosenberg Self-Esteem Scale (RSES) (Rosenberg, 1965). This scale consists of 10 items rated on a four-point Likert-type scale, yielding a total score from 0 to 30, where higher scores indicate higher self-esteem. The RSES has excellent internal consistency, test-retest reliability, and predictive validity (Schmitt & Allik, 2005). A demographic information form was also used to collect data on participants' age and gender.

### Procedure for Test Administration and Collection of Data

Data collection was conducted through both direct administration and online distribution via Google Forms. After establishing rapport, the investigator explained the purpose of the study, assured confidentiality, and obtained informed consent from participants. Participants were provided with the demographic form, the IFDFW scale, and the RSES, along with clear instructions. Any doubts were clarified by the investigator. Upon completion, participants returned the questionnaires.

## Ethical Considerations

The study adhered to key ethical principles. Participation was voluntary, based on informed consent, and participants retained the right to withdraw at any time without consequence. The privacy, confidentiality, and anonymity of all respondents were strictly maintained. Information provided was used solely for research purposes, and data was handled with respect for the participants' autonomy and dignity.

## Statistical Procedure

The collected data were analyzed using inferential statistics. To test the relationship between financial independence and self-esteem ( $H_1$ ), Pearson's correlation coefficient ( $r$ ) was calculated at a 0.01 level of significance. To test for gender differences in financial independence ( $H_2$ ) and self-esteem ( $H_3$ ), an independent samples t-test was employed. This test determines if a significant difference exists between the mean scores of the two independent groups (males and females).

## Analysis and Results

The analysis of the collected data, conducted using Pearson's correlation and independent samples t-tests in SPSS, yielded the following results pertaining to the study's three null hypotheses.

Table 1 *Correlation between Financial Independence and Self-Esteem*

	<i>Self Esteem</i>
Financial Independence	
Pearson Correlation ( $r$ )	-.882
Sig. (2-tailed) ( $p$ )	.000
N	100

\*Note: \*\* Correlation is significant at the 0.01 level (2-tailed).

The results presented in Table 1 reveal a statistically significant, strong negative correlation between financial independence and self-esteem ( $r = -.882$ ,  $p < .01$ ). This finding indicates that as scores on the financial independence scale increase (implying lower financial distress and higher well-being), scores on the self-esteem scale also tend to increase. Conversely, lower financial independence is strongly associated with lower self-esteem. Based on this result, Hypothesis 1 ( $H_1$ ) is rejected. There is a significant relationship between financial independence and self-esteem among young adults.

Table 2 *Gender Difference in Financial Independence*

Gender	N	Mean(FI)	Std. Deviation	t	sig (p)
Male	50	43.66	21.33	-.563	.574
Female	50	45.96	19.45		

Table 2 displays the mean scores for financial independence among male ( $M=43.66$ ) and female ( $M=45.96$ ) young adults. The independent samples t-test produced a t-value of  $-.563$  with a significance level (p-value) of  $.574$ . Since this p-value is far greater than the alpha level of  $.01$ , the difference between the two means is not statistically significant. Therefore, Hypothesis 2 ( $H_2$ ) is accepted. There is no significant gender difference in financial independence among the young adults in this sample.

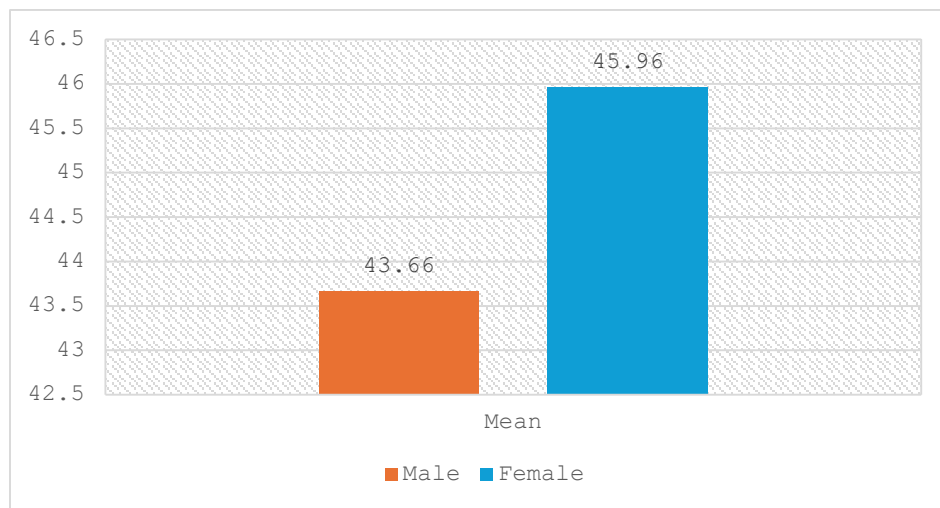


Figure 1 Gender Difference in Financial Independence

Table 3 Gender Difference in Self-Esteem

Gender	N	Mean (SE)	Std.Deviation	t	sig (p)
Male	50	21.76	5.95	-.190	.850
Female	50	21.98	5.65		

Table 3 shows the mean self-esteem scores for males ( $M=21.76$ ) and females ( $M=21.98$ ). The t-test result ( $t = -.190$ ,  $p = .850$ ) indicates that the observed difference in means is not statistically significant at the .01 level. Consequently, Hypothesis 3 ( $H_3$ ) is accepted. There is no significant gender difference in self-esteem among the young adults in this study.

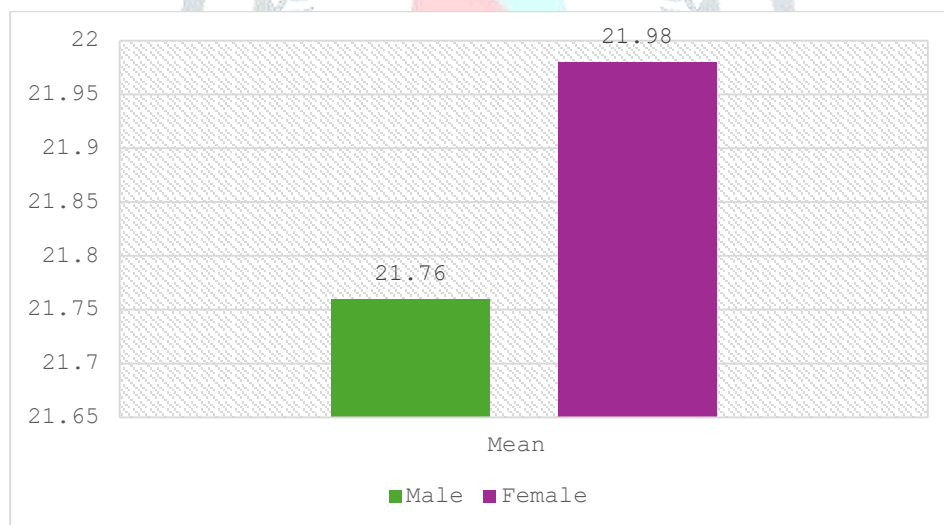


Figure 2 Gender Difference in Self-Esteem

## DISCUSSION OF FINDINGS

The most salient finding is the strong negative correlation ( $r = -.882$ ) between financial independence and self-esteem. This robust relationship confirms the theoretical premise outlined in the introduction and literature review: financial well-being and psychological self-worth are deeply intertwined for young adults. This result aligns with previous research linking financial distress to lower self-esteem (Veum & Darity Jr., 1997; Aspegren, 2006) and financial autonomy to greater empowerment (Asghari et al., 2013). The finding suggests that achieving financial stability is not merely an economic milestone but a psychological one that can enhance feelings of competence, control, and self-reliance. Conversely, financial struggles can significantly undermine an individual's sense of self-worth and mastery.

Contrary to some previous studies that noted gender disparities in financial autonomy (e.g., Botha et al., 2020), this study found no significant difference between male and female young adults. This suggests that, within the context of this sample—contemporary young adults aged 18-25—the experience of financial independence



(or distress) may be more uniformly shaped by shared generational challenges (e.g., student debt, entry-level job markets, cost of living) rather than by traditional gender roles. It implies that interventions aimed at improving financial literacy and independence should be targeted broadly at all young adults, as need is not predicated on gender in this developmental stage.

Similarly, the study found no significant gender gap in self-esteem levels, which is consistent with some contemporary findings (e.g., Priyush Nair & Gosh, 2022). This challenges older stereotypes and indicates that young men and women in this cohort may be developing self-worth through similar pathways and facing comparable internal and external pressures. It underscores the importance of looking beyond gender as a primary differentiator and focusing instead on individual experiences, psychological traits, and socio-economic contexts when examining self-esteem.

## CONCLUSIONS

1. There is a statistically strong and significant positive relationship between financial independence and self-esteem among young adults. Higher financial well-being correlates with higher self-esteem.
2. Financial independence significantly impacts psychological well-being. Achieving financial stability enhances feelings of competence and self-worth, while financial distress undermines them.
3. The study found no significant gender difference in the level of financial independence among young adults aged 18-25.
4. Similarly, there was no significant gender difference in the reported levels of self-esteem within this age group.
5. The absence of gender differences suggests that the pressures related to finance and self-concept are shared generational experiences for contemporary young adults, rather than being defined by traditional gender roles.
6. Fostering financial literacy and autonomy is a critical component of supporting the overall mental health and successful adult development of young people.
7. Programs aimed at improving young adult well-being should target financial capability broadly, as the need is not gender-specific but a common developmental task.

## REFERENCES

- a. Anwar, S., & Ahmad, K. (2017). Self-esteem and academic performance among university students. *Journal of Educational and Psychological Studies*, 11(1), 117–125.
- b. Arshad, M., Zaidi, S. M. I. H., & Mahmood, K. (2015). Self-esteem and academic performance among university students. *Journal of Education and Practice*, 6(1), 156–162.
- c. Asghari, S., Besharat, M. A., Mirlohi, M., & Naghshineh, N. (2013). The relationship between financial autonomy and empowerment among female students. *Journal of Applied Psychology*, 7(2), 67–80.
- d. Aspegren, R. (2006). *The relationship between financial dependence and self-esteem in young adults* [Unpublished doctoral dissertation]. University of Gothenburg.
- e. Botha, F., Wouters, E., & Booysen, F. (2020). The relationship between financial autonomy and subjective well-being: A gender perspective. *Journal of Family and Economic Issues*, 41(1), 102–117.
- f. Brown, S., & Taylor, K. (2015). The financial capability and well-being of young adults in the UK. *National Institute Economic Review*, 231(1), R1–R6.
- g. Garman, E. T., Sorhaindo, B., Bailey, W. C., Kim, J., & Xiao, J. J. (2005). Ten key findings from the InCharge Financial Distress/Financial Well-Being Scale. *Consumer Interests Annual*, 51, 148–155.
- h. Investopedia. (n.d.). *Financial independence*. Retrieved January 10, 2026, from <https://www.investopedia.com/terms/f/financial-independence.asp>
- i. Kong, F., Zhang, Y., & You, Z. (2020). Self-esteem as mediator and moderator of the relationship between social support and subjective well-being among Chinese university students. *Social Indicators Research*, 152, 127–140.
- j. Orth, U., Robins, R. W., & Widaman, K. F. (2012). Life-span development of self-esteem and its effects on important life outcomes. *Journal of Personality and Social Psychology*, 102(6), 1271–1288.
- k. Prawitz, A. D., Garman, E. T., Sorhaindo, B., O'Neill, B., Kim, J., & Drentea, P. (2006). InCharge Financial Distress/Financial Well-Being Scale: Development, administration, and score interpretation. *Financial Counseling and Planning*, 17(1), 34–50.

- l. Priyush, N., & Ghosh, S. (2022). Gender differences in self-esteem: A meta-analysis of Indian studies. *Psychological Studies*, 67(3), 305–315.
- m. Ricky, J., & Tanoto, A. (2021). Determinants of financial independence among young adults in urban areas. *Journal of Behavioral and Experimental Finance*, 30, 100486.
- n. Robin, V., & Dominguez, J. (2008). *Your money or your life: 9 steps to transforming your relationship with money and achieving financial independence*. Penguin Books.
- o. Rosenberg, M. (1965). *Society and the adolescent self-image*. Princeton University Press.
- p. Schmitt, D. P., & Allik, J. (2005). Simultaneous administration of the Rosenberg Self-Esteem Scale in 53 nations: Exploring the universal and culture-specific features of global self-esteem. *Journal of Personality and Social Psychology*, 89(4), 623–642.
- q. Stanley, T. J., & Danko, W. D. (1996). *The millionaire next door: The surprising secrets of America's wealthy*. Longstreet Press.
- r. Veum, J. R., & Darity, W., Jr. (1997). *The relationship between income, financial dependence, and self-esteem* (Working Paper No. 97-10). Federal Reserve Bank of Cleveland.
- s. Xiao, J. J., Tang, C., & Shim, S. (2014). Acting for happiness: Financial behavior and life satisfaction of college students. *Social Indicators Research*, 92, 53–68.

