

Financial Knowledge and Credit Behavior of College Students: Evidence from Panel Data

Jing Jian Xiao, University of Rhode Island¹

Sun Young Ahn, University of Arizona²

Joyce Serido, University of Arizona³

Soyeon Shim, University of Arizona⁴

The purpose of this study was to examine the association between financial knowledge and credit behavior of college students from a unique panel data set. Data were collected from a panel of students at a major state university at two time points (Time 1 in the spring of their first year and Time 2 in the fall of their fourth year in college). Bivariate and hierarchical regression results suggest that when students are advancing from the first year to the fourth year in college, they tend to engage in more risky credit behaviors, despite an increase of financial knowledge level. Both objective and subjective knowledge at time 1 reduced the risky paying behavior at time 2, but not risky borrowing behavior. The financial knowledge at time 2 showed stronger effects on risky paying behavior than prior knowledge at time 1. Both time 1 and time 2 financial education variables show effects on both objective and subjective financial knowledge. Use of credit card may increase financial knowledge; however, engaging in risky financial behaviors may result in students' reporting a reduced level of financial knowledge.

¹Professor, Department of Human Development and Family Studies, University of Rhode Island; Email: xiao@uri.edu.

²Graduate student, Norton School of Family and Consumer Science, University of Arizona; Email: syahn@email.arizona.edu.

³Research Assistant Professor, Norton School of Family and Consumer Science, University of Arizona; Email: jserido@email.arizona.edu.

⁴Professor and Director, Norton School of Family and Consumer Science, University of Arizona; Email: sshim@email.arizona.edu.