

College Seniors' Financial Capability: Knowledge, Experience, and Confidence in Managing Money and Credit

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The financial behaviors of young adults, especially college students, have been the subject of much attention in recent years. This research describes data collected from college seniors enrolled in a one-hour personal finance elective course at the University of Georgia. Enrollment in the course is limited to students who have senior standing and are not currently nor previously enrolled in a three hour personal finance course at the university.

The specific objectives of the research are to: 1) Develop a measure of the financial literacy of college students that includes knowledge but is broader than knowledge; 2) Test questions written by Lusardi and Mitchell (2005) and used in numerous studies to examine how well responses to those questions correlate to responses to other knowledge questions; and 3) Examine the relationship between knowledge and experience and between knowledge and confidence in one's knowledge and ability to manage money and credit.

The author created a pre-test administered to students on the first day of the course. The exam included 10 items from the JumpStart Coalition for Personal Financial Literacy survey of college students (2008), 17 items written by the author, and the three Lusardi and Mitchell questions. Other questions asked students for demographic information as well as about their attitudes and behaviors regarding money and credit.

This paper reports data from the 684 students enrolled in the course over nine semesters. The sample is somewhat more female (56%) than male; all but six of the students were younger than age 30. Most of the students were majors in the Colleges of Arts and Science (39%) or Business (24%). The majority (92%) were single and most (65%) said they had no debt. When asked about credit obligations *for which they were responsible*, 65% said they had credit cards, 32% had student loans, and 6% had car loans.

The mean knowledge score over the six semesters was 58%. Questions were grouped into four content categories – saving and investing, borrowing, insurance, and other; knowledge scores were relatively consistent across categories. The mean knowledge score on the questions taken from the JumpStart Coalition exam was 54% compared to 62% on the JumpStart Coalition's much larger sample of college students. The mean score on the three Lusardi and Mitchell questions was 75%; the correlation (0.55) between responses to those questions and the remaining knowledge questions was positive and significant ($p < .0001$) but weak.

About one-third of students reported they had no experience with credit cards, student loans, or car loans. Eighteen percent said they had no confidence in their knowledge and ability to manage finances and about 24% had no confidence in their knowledge and ability to manage credit. However, Chi-Square analysis indicated that students were rarely over-confident; that is, those with low knowledge scores also tended to have low confidence as well. In a multiple regression analysis, previous experience with credit, confidence in one's ability to manage money, confidence in one's ability to manage credit, and previous financial management education were all significant in explaining the variation in financial knowledge while age and gender were not.

Future research will refine the assessment of college seniors' financial literacy and the factors that influence it. In addition, a post-test is administered in the course described above. Data from the post-test will be used to determine whether a one-hour course can significantly and positively influence the financial knowledge and behaviors of college seniors.

References

- Lusardi, A., & Mitchell, O. S. (2005). *Financial literacy and planning: Implications for retirement wellbeing*. Working Paper 2005-108. Ann Arbor: University of Michigan Retirement Research Center. Retrieved from <http://papers.ssrn.com>
- JumpStart Coalition on Personal Financial Literacy. (2008). *2008 Survey of Personal Financial Literacy among College Students*. Washington, D. C.: Author. Retrieved from <http://www.jumpstart.org/survey.html>

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