The Financial Behavior of First-Year College Students: The Power of Parenting and Self-Efficacy

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Although parents influence their college students' financial behaviors (Shim, Xiao, Barber, & Lyons, 2010), students' own financial self-efficacy may distinguish between those who are able to manage their finances independently and those who do not (Xiao, Chatterjee, & Kim, 2014).

Previous studies have found that sociodemographic factors may play a role in the financial behaviors practiced by college students. For instance, college students from lower income families were more likely to accrue loans and credit card debt compared to students from higher income families (Lyons, 2004). It is not clear, however, if differences in values and norms (i.e., parental socialization) or different opportunities to develop financial practices (social class) account for these findings.

The goal of the present study was to examine the separate effects of financial socialization practices and sociodemographic factors on the financial self-efficacy and financial behaviors in an ethnically diverse low-income sample of first year college students (N=845).

Preliminary OLS Hierarchical Regressions Results

Sociodemographic factors (i.e., gender, race/ethnicity, first generation status) accounted for 16.5% of the variance in financial behaviors. Asian students, compared to White students ($\beta = .145$, $p = .000$), and first generation students ($\beta = .079$, $p = .000$) reported more responsible financial behavior. All three financial parenting variables were positively associated with financial behavior: modeling ($\beta = .201$, $p = .000$), teaching ($\beta = .153$, $p = .000$), and expectation ($\beta = .092$, $p = .021$), accounting for an additional 23% of the variance. Financial self-efficacy was positively associated with financial behavior ($\beta = .302$, $p = .000$), resulting in an additional 9.4% of the variance explained. The relation between parental teaching and financial behavior was no longer significant, providing partial support for financial self-efficacy as a mediator.

Conclusions and Implications

The findings extend the literature in two important ways. First, students' financial behaviors are impacted differently by the type of financial parenting they experience. Second, that parental financial teaching may bolster children's financial self-efficacy and foster the ability to make better choices independently.

The study provides insights for education and practice about strategies for improving the financial capability of youth and young adults. Future research in this direction may be a fertile area for identifying sources of, and strategies for addressing, known sociodemographic differences in financial knowledge and behavior.

References

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