

Is Ignorance Bliss? Use of Alternative Financial Services and Financial Anxiety

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This study examined various factors associated with the level of financial anxiety using a nationally representative household dataset, 2018 National Financial Capability Study. Especially, we focused on the association between uses of alternative financial services (AFS) and financial anxiety. This study analyzed a sample of 20,694 respondents who used at least one of the five different types of AFS options; auto title loans, payday loans, refund anticipation check, pawnshops, or rent-to-own stores. Further, we investigated the moderating role of financial literacy on the relation between AFS use and financial anxiety. Findings from this study showed that different types of AFS played a differential role in one's level of financial anxiety. In addition, this study also confirmed the moderating role of financial literacy in the relationship between AFS use and financial anxiety. Interestingly, results from the interaction models showed that an increased level of financial literacy exacerbate payday loan users' financial anxiety, while the same change in financial literacy alleviated the financial anxiety of pawnshop users.

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