

SEMINARIO INTERNACIONAL



**Crédito Educativo en la
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Con el apoyo de:



Measuring Financial Literacy, Wellness, and Attitudes about Loans

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- It is important to know what prospective and current students understand about financing their education.
- Strong financial literacy and decision-making skills are needed to make prudent financial choices.

Financial capability: “The combination of knowledge, skills, attitudes, and behaviors a person needs to make sound financial decisions that support well-being.”
(Center for Financial Inclusion)



Finance-related constructs are best understood as a web of interconnected constructs.

What We Would Like to Know about Financial Wellness

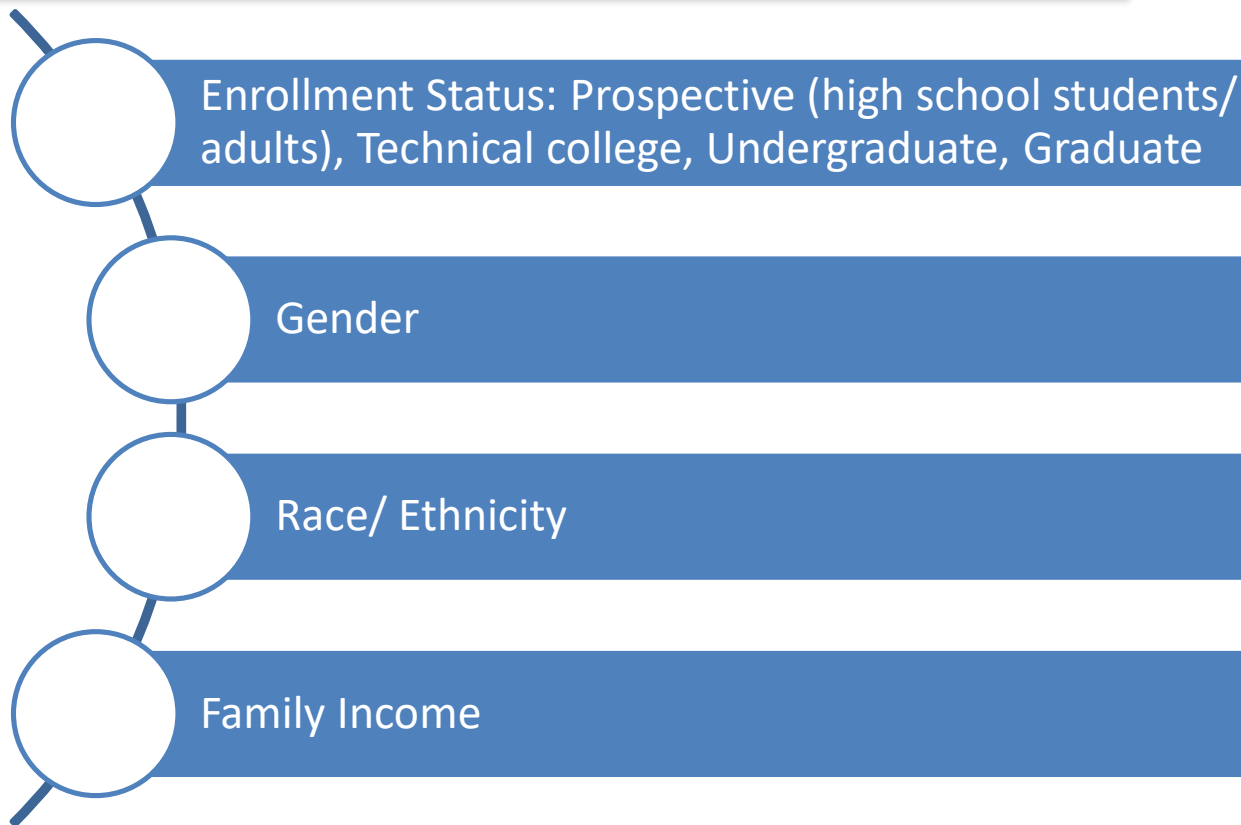
- What defines it?
- Can we change it?
 - Ex: National Financial Education Strategy in Colombia
- How varied is it?
- Does it vary across different groups and by individual characteristics?



Challenges of Defining Financial Wellness

- Complexity of the constructs/ domains
- Unknown psychometric properties
 - Inter-item correlations
 - few using item response theory to consider the difficulty of the question
 - few test each scale for measurement noninvariance and differential item functioning
- Broad target population

Does Financial Capability Vary Across Groups?



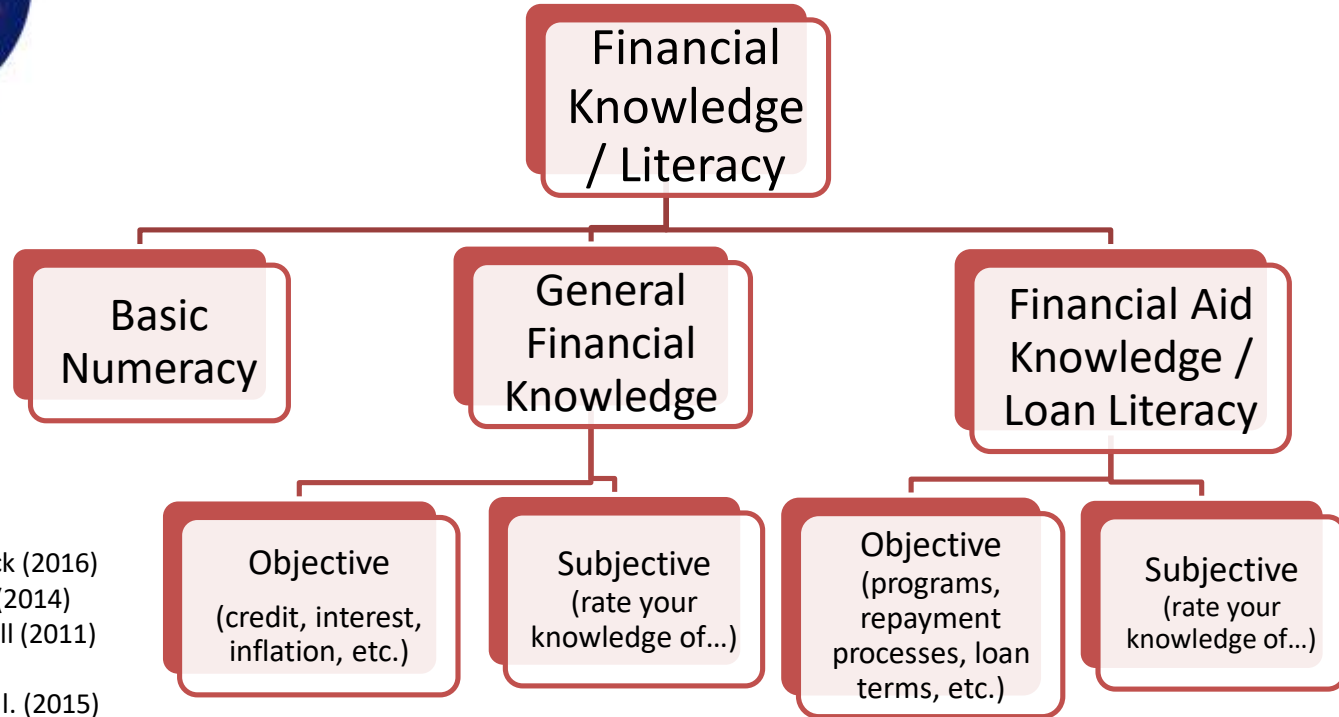
Survey Domains

The boundaries that distinguish the constructs can be fuzzy, underscoring the importance of clearly defining each construct.

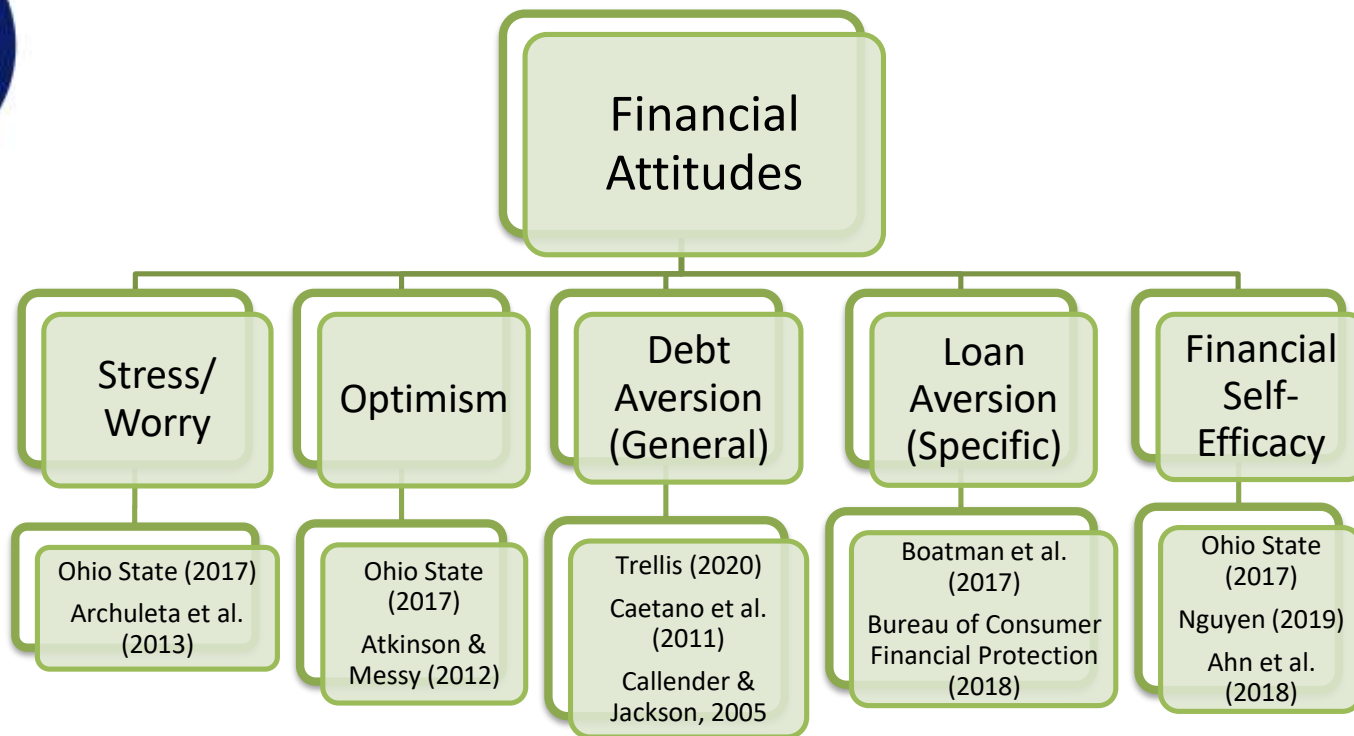


Student Background Characteristics





Walsted & Rebeck (2016)
Fernandes et al. (2014)
Lusardi & Mitchell (2011)
Adeleke (2011)
Ambarkhane et al. (2015)
Boatman et al. (2017)
Ohio State (2017)
Anderson et al. (2018)





Example of Defining Loan Aversion

- 3 different populations

- High School Seniors
- Community College Students
- Adults in 20s and 30s without a college degree not enrolled in higher education

- Sample (~6,000)

Attitudes (5 option Likert scale, strongly disagree to strongly agree)
(Similar to Callender & Jackson, 2005)

You should always save up first before buying something.

Owing money is basically wrong.

There is no excuse for borrowing money.

Borrow for Education

Do you think it's okay to borrow money to buy or pay for education?

Aid Packages (Similar to Palameta & Voyer, 2010)

Would you prefer \$25 cash in one week or \$1,000 grant once in college?

Would you prefer \$25 cash in one week or \$1,000 grant + \$1,000 loan once in college?

Does Loan Aversion Exist?

	HS Sample	CC Sample	Adult Sample
You should always save up before you buy something. (Agree or Strongly Agree)	0.899	0.878	0.871
Owing money is basically wrong. (Agree or Strongly Agree)	0.312	0.222	0.590
There is no excuse for borrowing money. (Agree or Strongly Agree)	0.116	0.080	0.123
Attitudes Scale	1.389 (0.796)	1.225 (0.741)	1.618 (0.842)
Do you think it's okay to borrow for education? (No or I don't know)	0.218	0.092	0.197
Avoid Loan Packages	0.417	0.348	0.271
N	1,648	3,760	843



Conclusions

- Loan aversion is wide spread, although different measures provide different estimates
- It is less prevalent in students actually enrolled in college suggesting it might deter some students from enrolling
- It varies by subgroup with women less loan averse and Hispanic respondents more loan averse

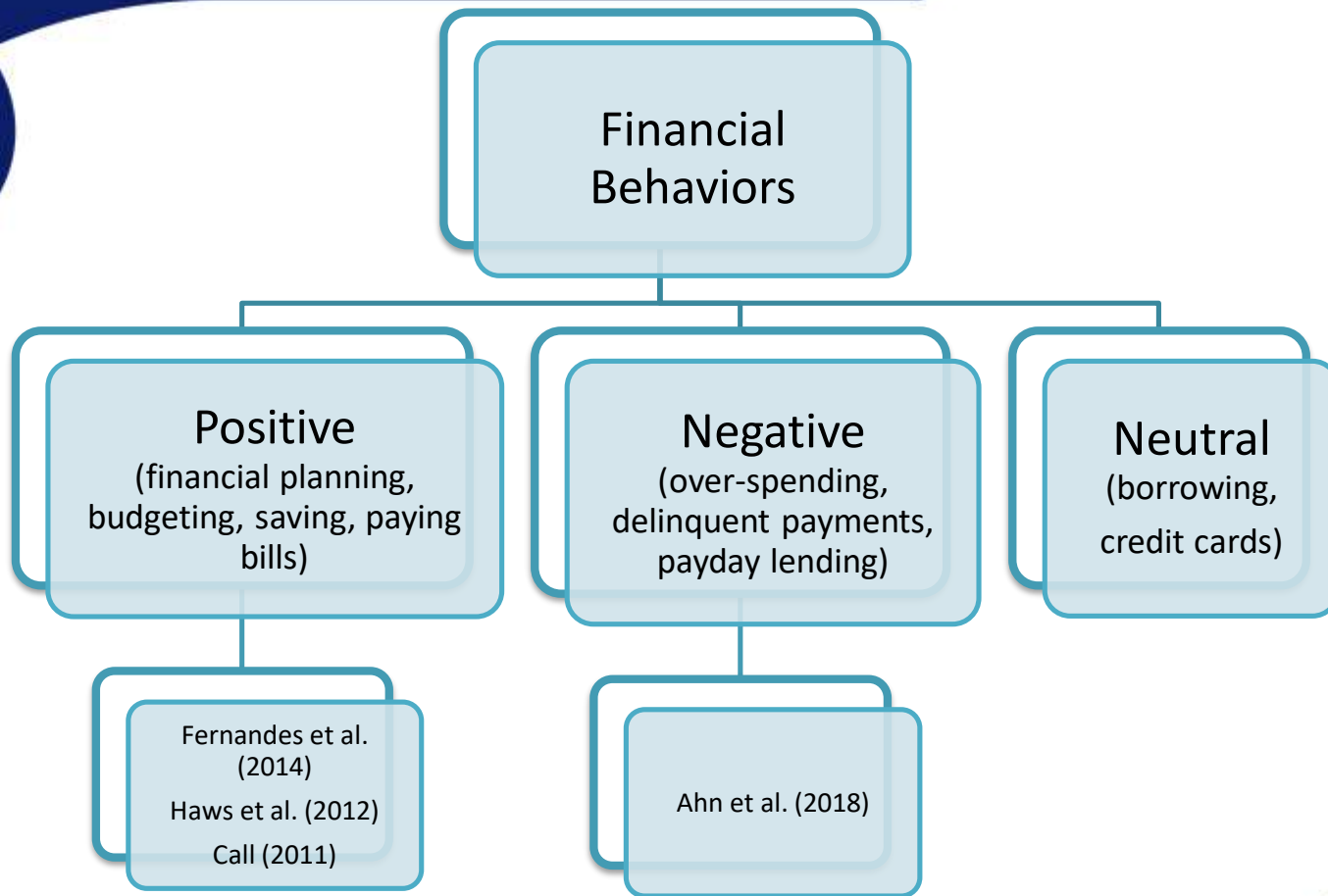
Constructs are related:

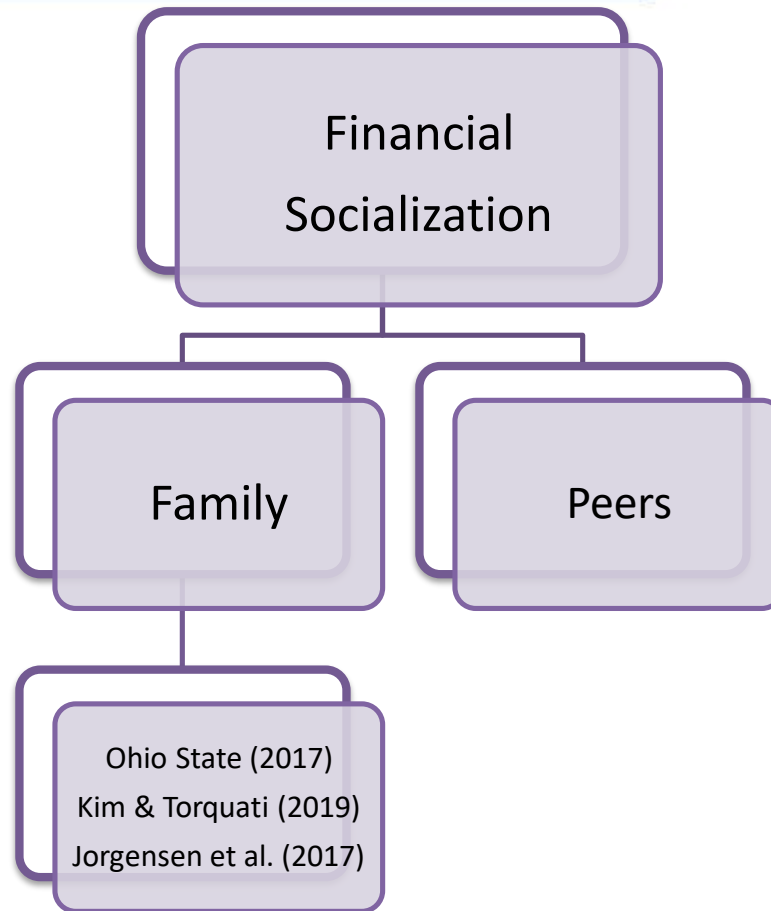
Financial literacy is associated with reduced loan aversion for non-borrower CC students and adults

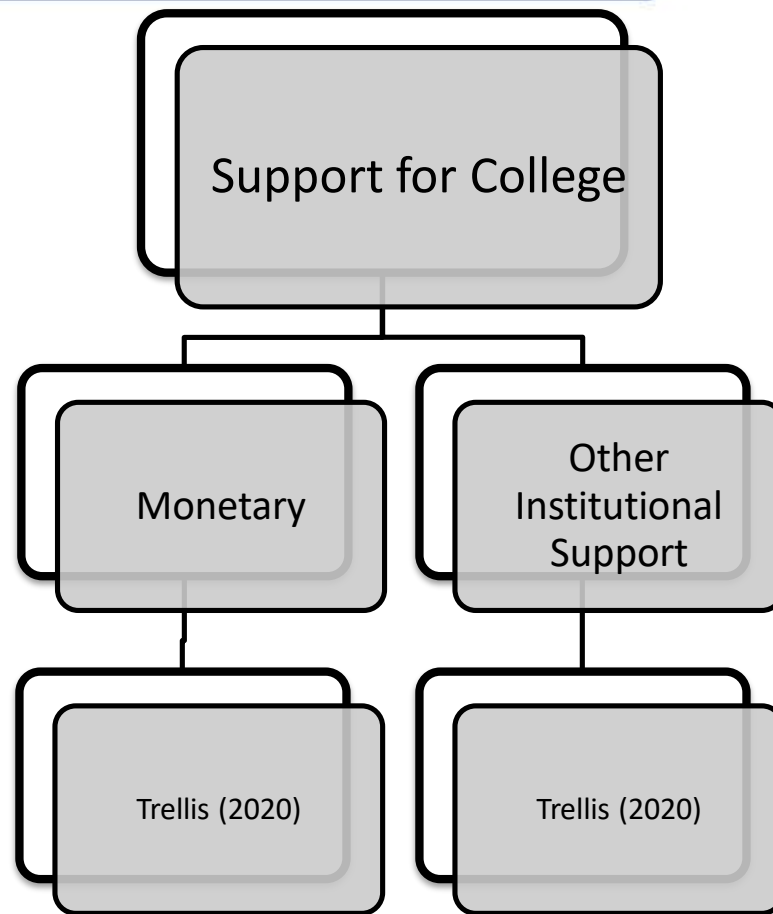
Knowledge about federal student loans is associated with reduced loan aversion

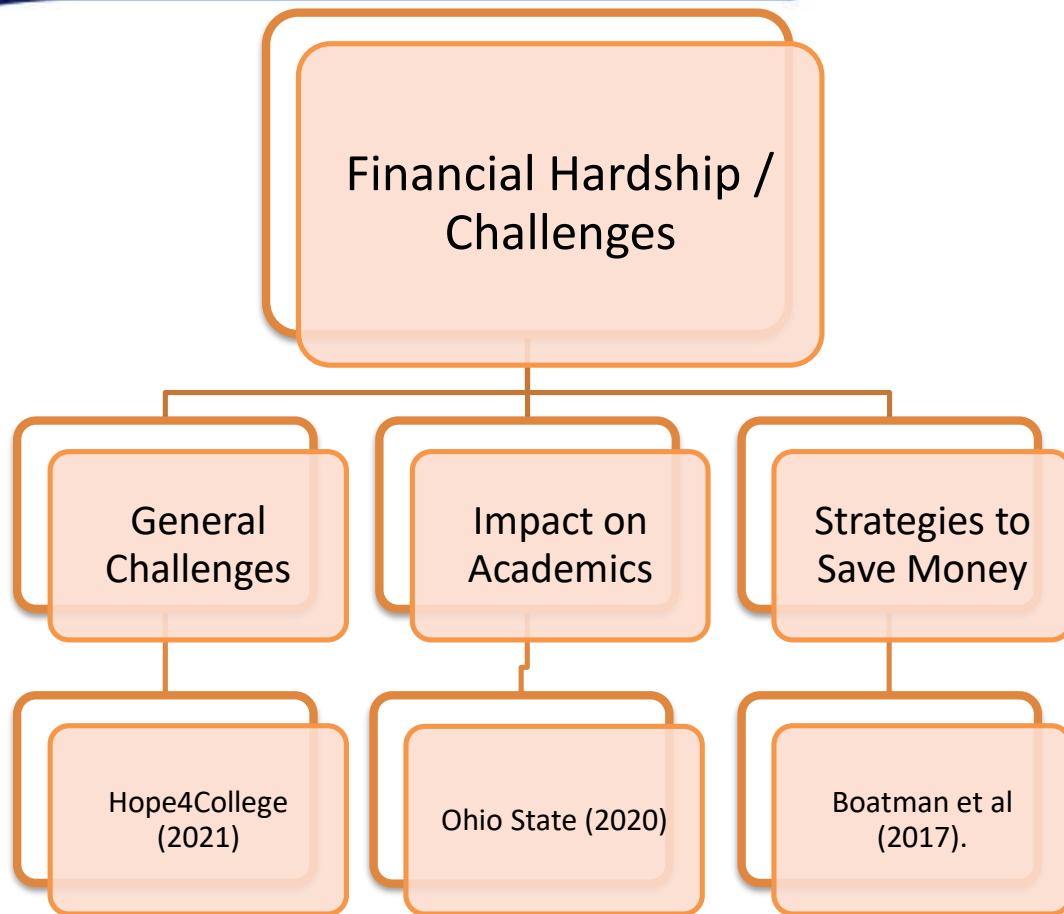
Prior experience with mortgage or student debt is associated with reduced loan aversion











Measuring Financial Literacy, Wellness, and Attitudes about Loans

What defines it?

Can we change it?

How varied is it?

Does it vary across different groups and by individual characteristics?

- Information is important
 - Financial literacy education
 - Provide information before borrowing decision
- Understand how constructs are related
- Design policy interventions to target specific knowledge and experience gaps



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