

SEMINARIO INTERNACIONAL



**Crédito Educativo en la  
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## Measuring Financial Literacy, Wellness, and Attitudes about Loans

**Angela Boatman, Boston College**

- 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

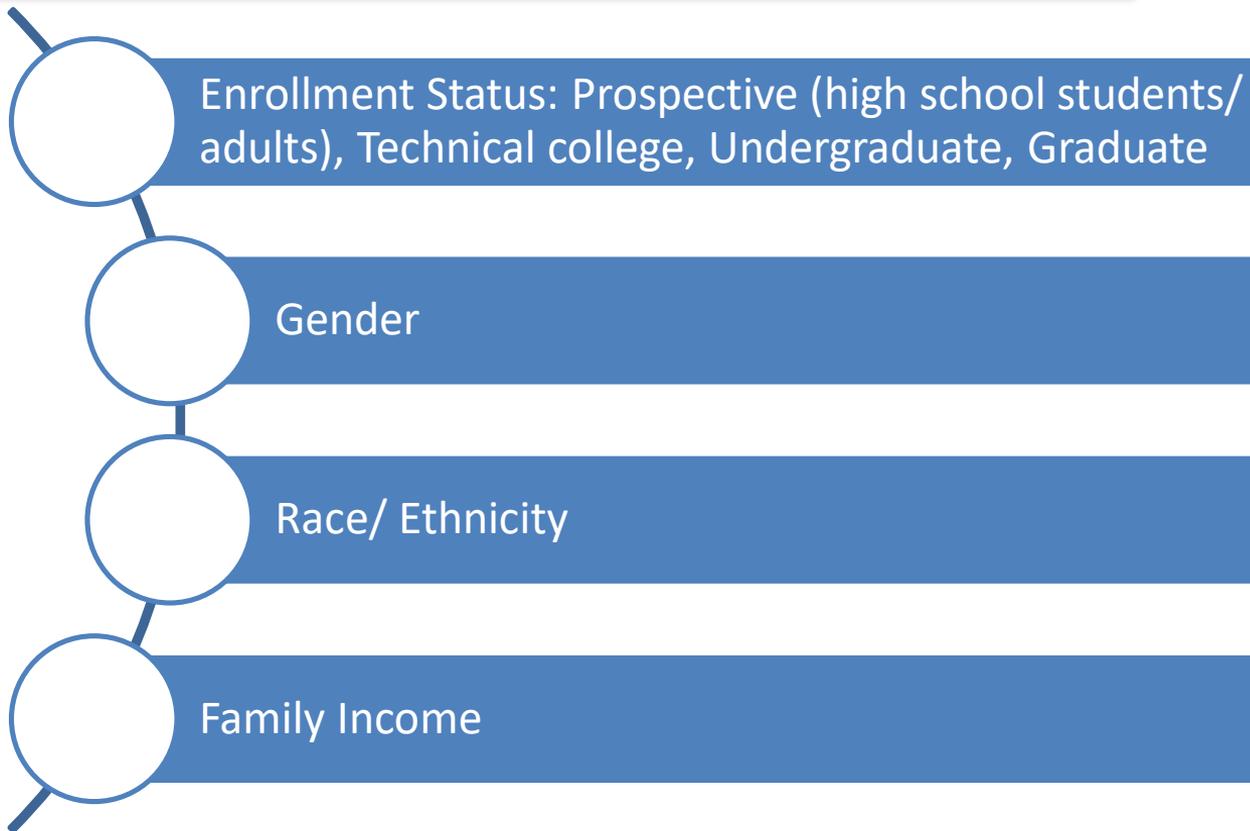
- What defines it?
- Can we change it?
  - Ex: National Financial Education Strategy in Colombia
- How varied is it?
- Does it vary across different groups and by individual characteristics?



## 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?



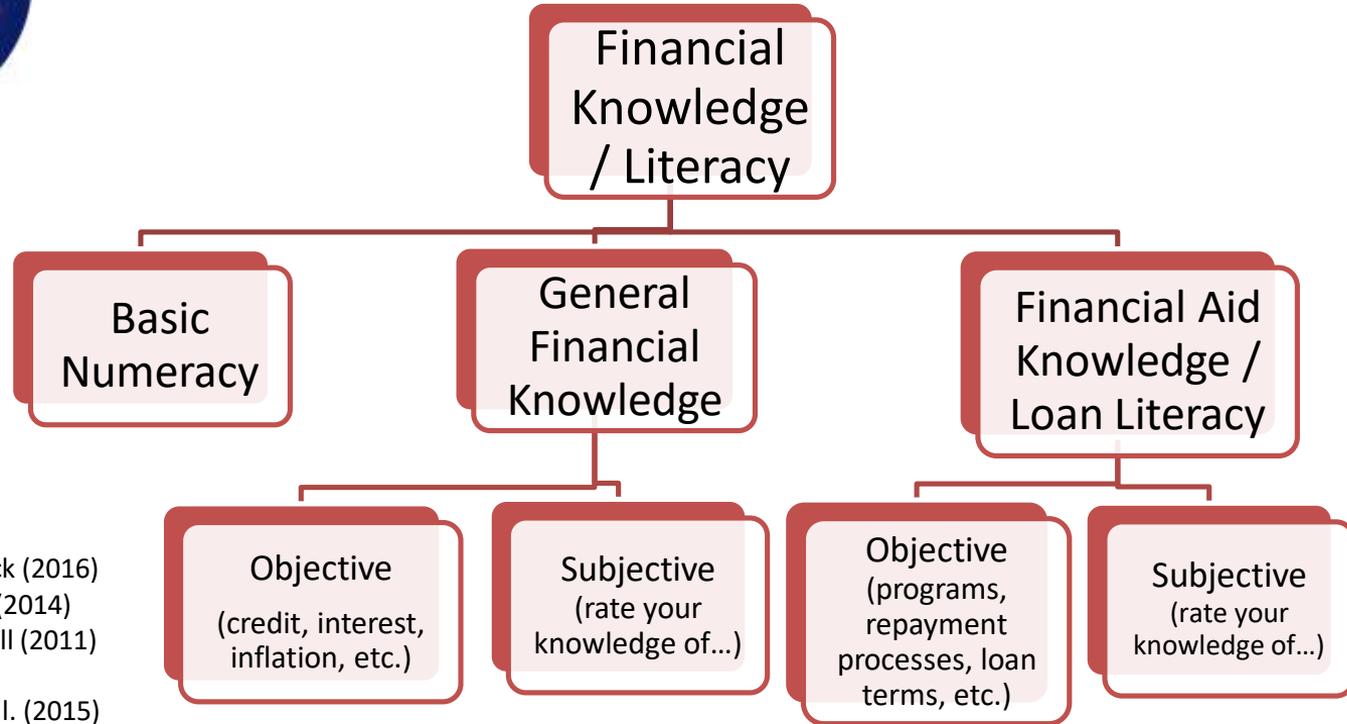
# Survey Domains

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



Student Background Characteristics

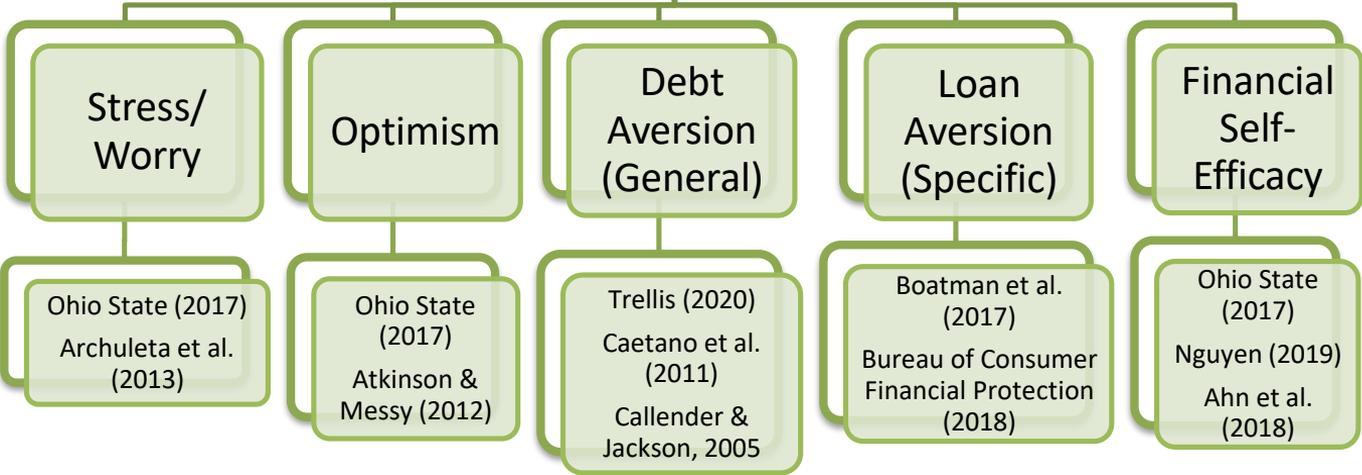




Walsted & Rebeck (2016)  
Fernandes et al. (2014)  
Lusardi & Mitchell (2011)  
Adeleke (2011)  
Ambarkhane et al. (2015)  
Boatman et al. (2017)  
Ohio State (2017)  
Anderson et al. (2018)



# Financial Attitudes





## 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
<b>You should always save up before you buy something.</b> (Agree or Strongly Agree)	0.899	0.878	0.871
<b>Owing money is basically wrong.</b> (Agree or Strongly Agree)	0.312	0.222	0.590
<b>There is no excuse for borrowing money.</b> (Agree or Strongly Agree)	0.116	0.080	0.123
<b>Attitudes Scale</b>	1.389 (0.796)	1.225 (0.741)	1.618 (0.842)
<b>Do you think it's okay to borrow for education?</b> (No or I don't know)	0.218	0.092	0.197
<b>Avoid Loan Packages</b>	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

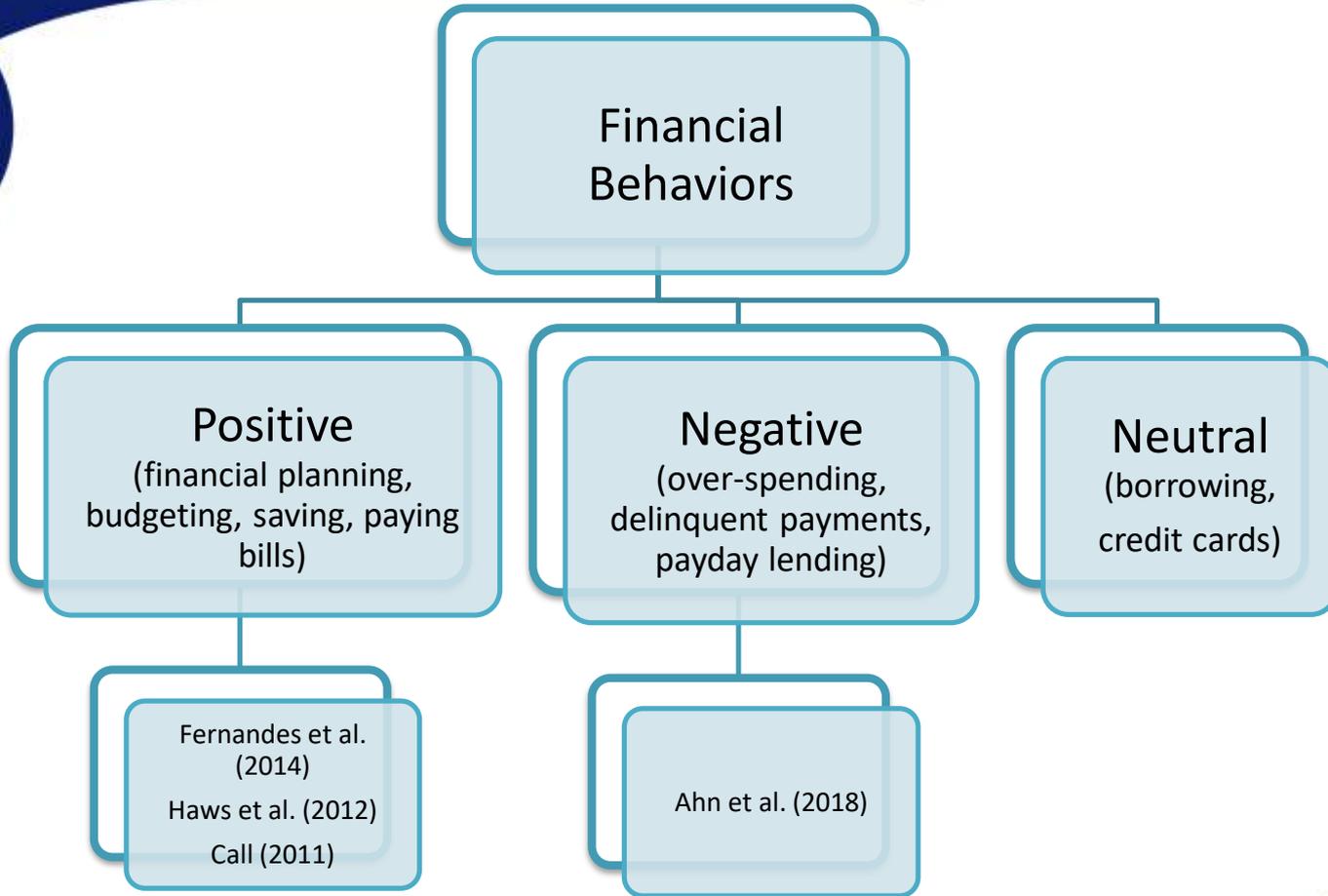
**Knowledge about federal student loans** is associated with reduced loan aversion

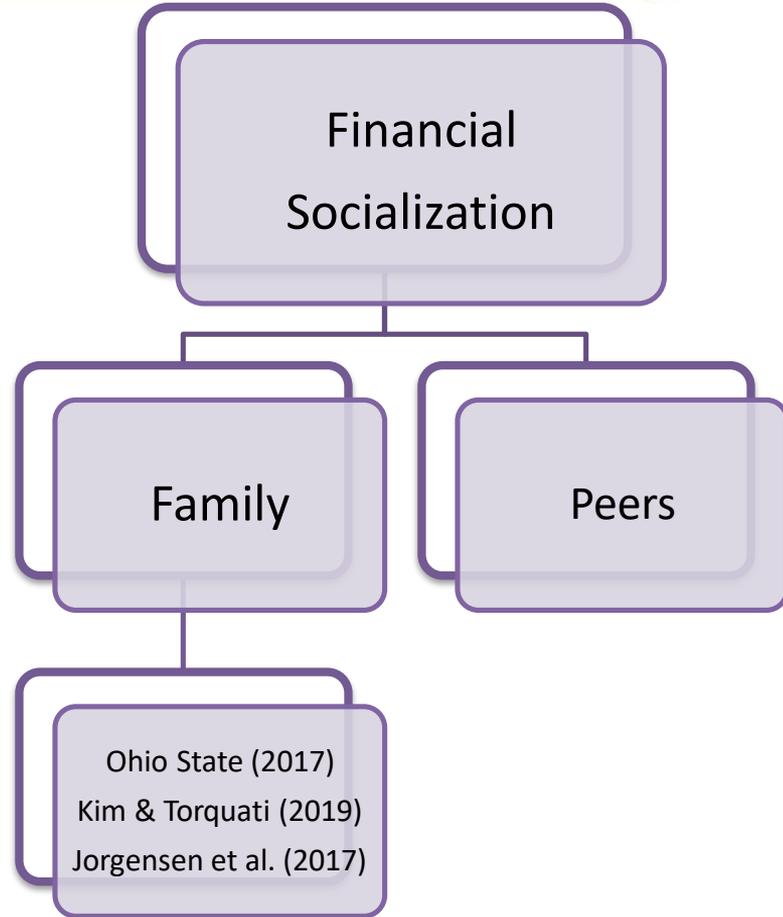
**Prior experience with mortgage or student debt** is associated with reduced loan aversion

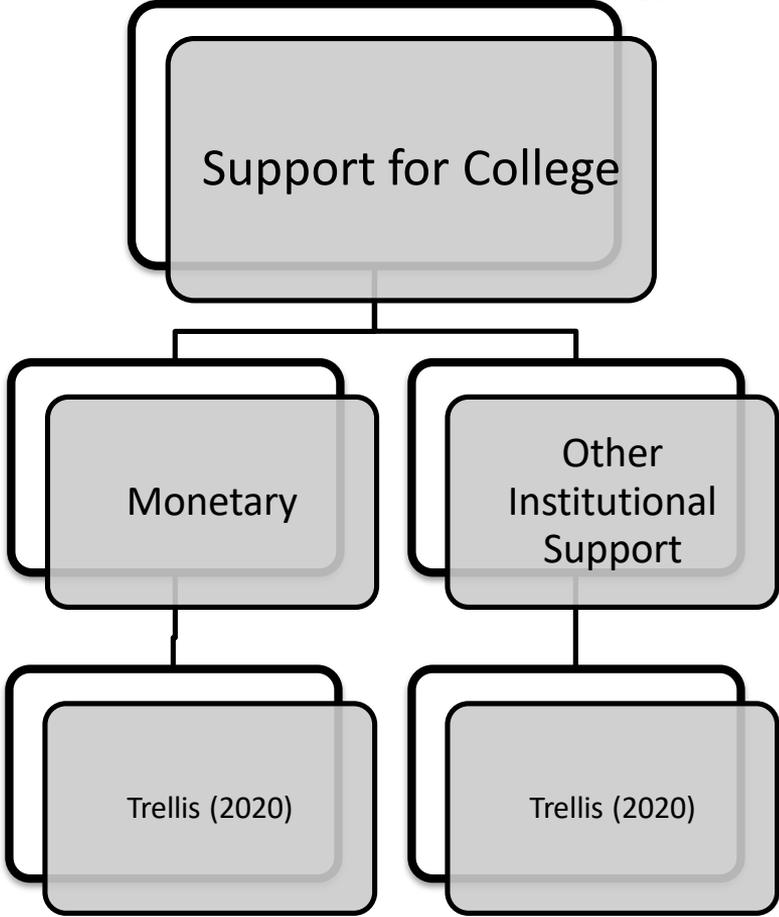


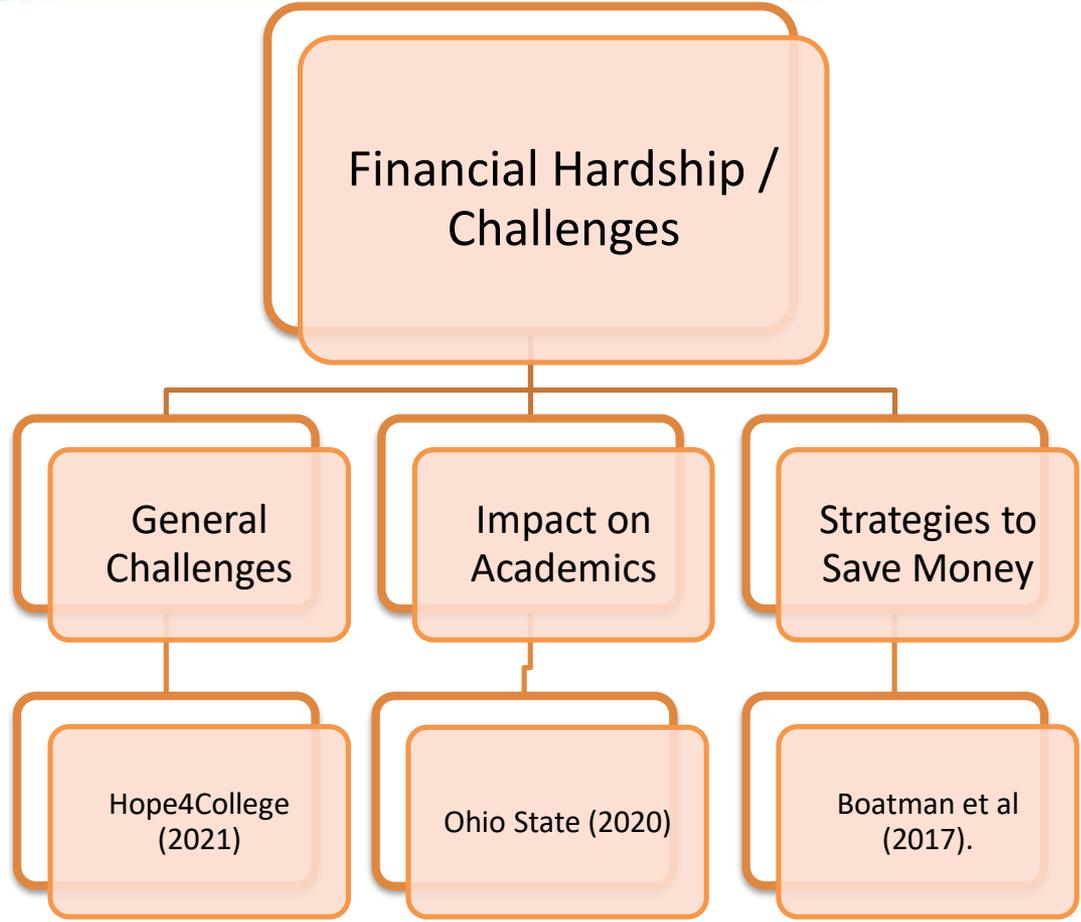


INFORMACIÓN DE LA EDUCACIÓN FINANCIERA









# 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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