

Money Matters: a comparative study of students' financial literacy and attitudes to debt in England, the US and New Zealand (Interim report – July 2014)

Project outline

The indebtedness of higher education students in the UK has become ubiquitous since the introduction of student loans in the early 1990s. However, this is not an isolated situation and most countries in the developing world now have systems that require many or most students to borrow to meet the costs of their education. Each is unique in history, scale, criteria and the meaning attached to debt by students and wider society.

Money Matters is an international comparative study contextualising England with the United States (US) and New Zealand (NZ). The three systems of student finance vary in key ways, providing students with a different experience of indebtedness. It uses quantitative techniques to probe the ways in which the prevailing system impacts on their attitudes, understanding and behaviours, based on a blend of theoretical concepts from the fields of economics, psychology and sociology, including financial literacy, personality theory and social class. The principal research questions are:

- **RQ1:** To what extent are students' attitudes to debt explained by personality, financial literacy and demographic variables?
- **RQ2:** To what extent does national context play a role in determining attitudes to debt, either directly or mediated by personality, financial literacy and demographic variables?
- **RQ3:** If national context is important, what components of the student finance systems or wider societal values might be relevant?

Data collection

Data collection was undertaken between October 2013 and February 2014 using an online questionnaire tool. A total of 624 usable responses were received from first year full-time students on social science and business programmes: 199 from England, 189 from NZ and 136 from the US. Of these, 496 responses were from students who had taken out a student loan and the first phase of data analysis has focused on this subgroup.

Initial results

The analysis to date has focused on debt attitudes and specifically on two areas: (a) inter-country differences in attitudes, and (b) the construction of attitudinal dimensions to explore how students contextualise borrowing decisions.

English students were significantly more likely than US or NZ students to view debt as an expected part of attending university and less prone to worry about the affordability of repayments than US students, but also more likely than NZ students to view this as unfair. US students had a significantly higher propensity than English and NZ students to see a degree as a means of securing a job and higher earnings. US students also professed less use of debt for luxuries than both other nationalities and less use of debt to fund their social life than English students. NZ students had a lower propensity to believe they knew the repayment terms for their loan and a higher propensity to report feel socially isolated by their debt.

Using factor analysis, four dimensions of debt attitudes have been isolated, which have been named as Anxiety, Utility-for-Investment, Utility-for-Lifestyle and Confidence. The first three of these dimensions were found to be uncorrelated, such that there is no relationship between whether someone is anxious about debt and the usefulness they believe that debt offers to them – either for their educational investment or to maintain their expected lifestyle. The fourth dimension is related to all three of the others, with confidence being associated with lower anxiety and lower use of debt for social expenditure and a stronger belief that student loans offer a good long-term return.

The next stage of analysis will focus on (a) the relationship between attitudinal dimensions, personality and demographic variables, and (b) the relationship between gender, financial literacy and debt attitudes.

Dissemination

The first article from **Money Matters** is currently under review with a leading international journal.

Papers have also been accepted for the *European Conference on Educational Research* and the *British Educational Research Association* annual conference (both September 2014). Two further journal articles are now in production and are expected to be submitted for review by the end of 2014.



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Money Matters is a collaborative study between Dr Neil Harrison (University of the West of England), Steve Agnew (University of Canterbury, NZ) and Dr Joyce Serido (University of Arizona, US). The former's involvement is kindly funded by the Leverhulme Trust via the British Academy's Small Grants Programme (grant reference SG130227).