

Public Abstract

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Personal financial knowledge has become an increasingly important issue in recent years, particularly given the fact that Americans are faced with an increasingly complex financial marketplace. As a result, numerous financial education initiatives have been developed. However, it remains unclear as to exactly what impact these programs have on financial behavior. Using a sample of 6,520 students from a major Midwestern University, the present analysis establishes a clear connection between financial knowledge and individuals' credit card use behaviors. Individuals who are more knowledgeable of financial matters are noted as carrying larger balances when controlling for a number of other factors such as income, class rank, and parental education. Unfortunately, the present results do not allow for any conclusions to be drawn in terms of causality. The present analysis provides further insight into what factors have an impact on individuals' financial knowledge. Specifically, improved scores are noted among white males who are financially independent, receive financial aid, are married, and have had at least one course in personal finance or are business majors. Further research is necessary to explore the causal relationship between knowledge and behavior in more detail, and should serve as further justification for a more organized financial education initiative in the United States.