

Examining Financial Decisions and Actions among Undergraduate Students from Different Social Class Backgrounds

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Social Class, Finances, & Higher Education

Low-income and first-generation students face many obstacles in higher education

- Work longer hours
- Live off campus
- Much less likely to persist & graduate



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The Gap in Research

The extant literature regarding financial decisions addresses

- Students' decisions about whether to enroll in higher education
- College selection

Yet, little research focuses on students' ongoing financial decisions or behaviors while enrolled.



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Research Question

Are there differences in the financial-related actions and decisions between current undergraduate college students from different social class backgrounds?



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Conceptual Framework:



Bourdieu's Theory of Social Reproduction



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Data Source

- Student Experience at Research Universities (SERU) student survey
- Spring 2012, six large, public research-intensive universities
- Average response rate: 27% ($n = 39,736$)



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Sample

- Social class
 - Low-income (5.4%)
 - Working-class (18.8%)
 - Middle-class (43.7%)
 - Upper-professional (29.7%)
 - Wealthy (2.4%)
- Race/Ethnicity
 - Hispanic (8.6%)
 - Native American (1.3%)
 - Asian (20.4%)
 - Black (5.5%)
 - Pacific Islander (.6%)
 - Unknown (2.7%)
 - International (4.4%)



<i>Variables Used in Analysis</i>	<i>M</i>	<i>SD</i>
Bought fewer books, bought cheaper used books, read books on reserve	.70	.46
Have cut expenses overall / have been more frugal	.56	.50
Applied for financial aid for the first time	.32	.46
Took more courses per term	.30	.46
Decided against study abroad	.30	.46
Worked before but increased the number of hours worked	.25	.43
Increased my annual student loan amount	.25	.43
Took action to graduate more quickly	.20	.40
Skipped meals	.19	.40
Took a job for the first time at college	.19	.39
Took a community college course because it was cheaper	.18	.38
Asked financial aid office to reevaluate my application	.17	.37
Did not retake a class to improve grade	.16	.36
Increased the debt I carry on my credit card	.12	.32
None of the above: cost hasn't been a problem	.11	.31
Took a leave of absence or a quarter/semester off	.02	.14



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Procedures

- Logistic regressions predicting the financial decisions as events (1) or non-events (0)
- Controls:
 - Gender
 - Race/ethnicity
 - Age
 - GPA
 - ACT
 - Academic level
 - Transfer status



Results

- Social class was significant in all models save for enrollment in a community college course
 - Low-income and working-class students were more likely to
 - Apply for financial aid ($e^{\beta} = 3.51$ & 3.09)
 - Increase credit card debt ($e^{\beta} = 2.92$ & 2.17)
 - Increase loan debt ($e^{\beta} = 2.72$ & 2.76)
 - Skip meals ($e^{\beta} = 2.69$ & 2.15)
 - Take a leave of absence ($e^{\beta} = 2.46$ & 1.75)
 - Work more hours ($e^{\beta} = 2.07$ & 2.07)



<i>Results</i>	<i>LI</i>	<i>WC</i>
Applied for financial aid for the first time	3.51	3.09
Increased the debt I carry on my credit card	2.92	2.17
Increased my annual student loan amount	2.72	2.76
Skipped meals	2.69	2.15
Took a leave of absence or a quarter/semester off	2.46	1.75
Have cut expenses overall / have been more frugal	2.09	2.16
Worked before but increased the number of hours worked	2.07	2.07
Asked financial aid office to reevaluate my application	1.91	1.83
Bought fewer books, bought cheaper used books, read books on reserve	1.80	1.93
Decided against study abroad	1.70	1.80
Did not retake a class to improve grade	1.53	1.58
Took more courses per term	1.50	1.60
Took action to graduate more quickly	1.42	1.43
Took a job for the first time at college	1.36	1.19
None of the above: cost hasn't been a problem	.30	.24
Took a community college course because it was cheaper	--	--

LI=Low Income, WC=Working Class. Values represented as (log) odds ratio, significant at p<.001

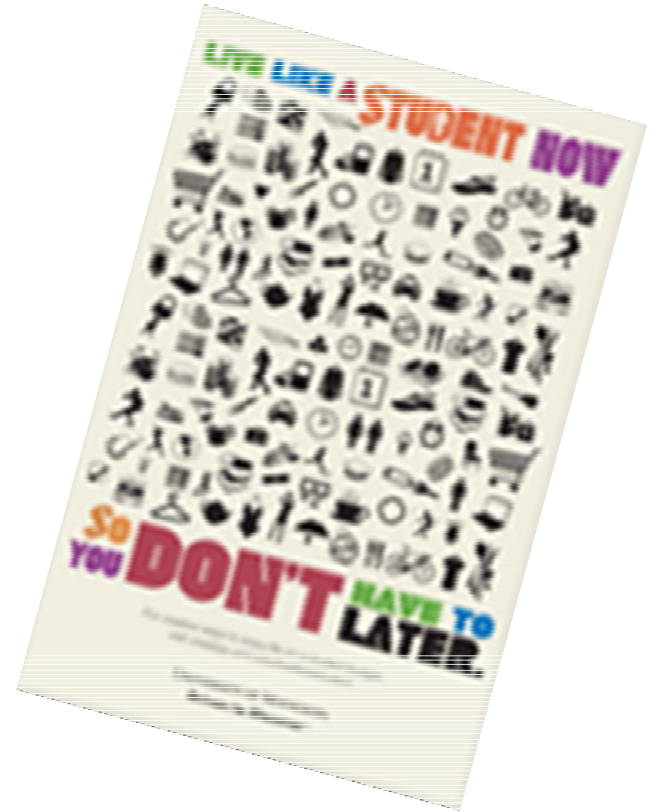


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Recommendations

- Ongoing educational programs related to borrowing and financial literacy
- Increase awareness of price-sensitivity among students from lower social-class backgrounds
- Connect students to scholarships, grants, or work-study opportunities



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Limitations

- Sample limited to one institutional type
- Inability to independently verify student behaviors
- Large sample size presents challenges for model-fitting and/or specification



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Thank You!

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