

Exploring the Impact of Arkansas' Act 480 on the Financial Knowledge of College Students

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Many in the U.S. struggle to manage their finances. To address this, several states now incorporate financial education requirements into their public school curriculum. This is especially true in Arkansas, where the state legislature passed Act 480 in 2017, making financial education mandatory for high school students (State of Arkansas, 2017). It is unclear however whether Act 480 has resulted in increased financial knowledge once these students reach the college classroom. This study examines whether such recent policy changes result in increased financial knowledge in college students that took a high school financial education class.

Recent work by Burke et al. (2020) on state-mandated financial education requirements suggests such mandates particularly improve the financial well-being of those who attend college. However, it is unclear whether such mandates are successful at improving financial outcomes of students on their own, or if college attendance is a contributing factor. Such information would be helpful for state policymakers and educational stakeholders.

To examine whether high school financial education results in higher levels of financial knowledge in college, a survey of 482 undergraduate students from a 4-year public university was conducted. Students enrolled in a general education personal finance course were recruited to participate. Students were 65% female, on average 23 years old, 70% had taken a high school personal finance course, and 86% were in-state students. Students completed survey measures of subjective and objective knowledge pre- and post-course. The subjective knowledge question was based on prior efforts by Woodyard et al. (2017), and objective knowledge questions were framed after questions in the FINRA Foundation's National Financial Capability Study (NFCS, 2016). All study procedures were approved by the university's Institutional Review Board.

Preliminary results indicated higher levels of subjective financial knowledge among those who had previously taken a high school financial education course, both pre-and post-course, compared to those who had not. Differences between groups were examined using χ^2 tests of proportions adjusted for multiple comparisons. Pre-course, 10.6% more students who had previously taken a high school financial education class indicated their knowledge was 'slightly high to very high' compared to students without a high school financial education course ($P=0.063$). Post-course, this difference increased to 16.4% ($P=0.058$). There were no statistically significant differences in objective financial knowledge observed between groups, both pre-and post-course.

Results suggest college students with prior high school financial education are perhaps more confident in their financial knowledge, but that they may not actually have significantly higher levels of knowledge compared to peers. While state-mandated high school financial education may improve the financial confidence of students, more work is needed to uncover whether financial knowledge itself is improved.

References

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