

## Influence of Financial Knowledge on College Student Retention

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The current study builds on previous research related to college students by reporting the relationship of financial knowledge on college student retention from the second to the third year at a public research university located in the southern United States. A total of 695 students responded to a financial knowledge instrument. Results indicated that financial knowledge did not have a significant relationship with student retention. Factors that did influence the retention rate are discussed.

Several studies have evaluated the financial knowledge of the population (Norvilitis, Merwin, Osberg, Roehling, Young, & Kamas, 2006). The objective of this study was to evaluate the financial knowledge of college students and also evaluate what influence financial knowledge had on student retention at a public research university. Students were asked to complete a financial knowledge instrument and various demographic characteristics were collected from the university's electronic information system.

The financial knowledge of citizens is low (Lusardi & Mitchell, 2014). There is growing evidence of research discussing financial knowledge and its impact on retirement planning, wealth accumulation, and debt (Lusardi & Mitchell, 2011). There is not a large breadth of research on the financial knowledge of college students or any connection it may have to student retention.

The study population was defined as students who entered their freshman year in the Fall 2013 and who were enrolled in the Spring 2015 semester. The population consisted of 4,407 students and 695 students responded to the survey instrument. Two instruments were used. The first instrument consisted of thirteen items on financial knowledge and seven items designed to measure selected demographic characteristics. Instrument two contains twelve demographic characteristics collected from the university's electronic student information system.

Students who did not persist scored lower than students who did persist, however, other characteristics had a stronger relationship with student retention. The average score on the financial knowledge instrument was 68% with a range of 15% to 100% for students who did persist and 23% to 92% for students who did not persist. Student loan debt, whether the student was a resident or nonresident, whether the student lived on or off campus, race, college GPA, and high school GPA were more highly related to student retention as compared to the financial knowledge score. Researchers evaluated which characteristics impacted the financial knowledge score and found that ACT score, Pell Grant recipient, and first generation college student were related to the score.

This current study determined the financial knowledge score did not have a strong relationship with student retention; however, the study found students had poor levels of financial knowledge, as determined by a written survey instrument. Specifically, the students surveyed scored an average grade of 68% on the financial knowledge instrument, and a failing grade on questions related to taxes and retirement. The findings are important and provide actionable opportunities for colleges and universities who are evaluating ways to improve student success, specifically, student success from the second to third year. Additionally, these findings can provide a basis for additional research on financial knowledge of college students – a topic of importance considering the increasing amount of student loan debt in America.

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