

## **HOPE or No-HOPE: Merit-based College Scholarship Status and Financial Behaviors among College Students**

This study explores differences in financial behaviors between college students in Georgia who retained the merit-based HOPE scholarship and those who lost it. Students who initially had HOPE scholarships but lost them had higher credit card and student loan debts and were less likely to use recommended financial management practices than students who retained HOPE scholarships. The results suggest students who lost the HOPE scholarship may be more financially vulnerable than initially expected. Specific programming may be necessary to support this population of students.

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### **Introduction**

This study explored differences in financial behaviors between college students in Georgia who retained the merit-based HOPE (Helping Outstanding Students Educationally) scholarship and those who lost access to this monetary support due to their academic performance. The research question for this study is how various financial behaviors differ between college students who retained the HOPE scholarship and those who lost the HOPE scholarship. The sample consists of 557 undergraduate students from a large southeastern university who had either retained (n=436) or lost (n=121) the HOPE scholarship at the time of data collection.

The HOPE Scholarship program in the state of Georgia is available to entering freshmen at public and private colleges and universities who are Georgia residents and have a Grade Point Average (GPA) of 3.0 or above; the GPA in course work since high school also is considered in determining eligibility for transfer students (Georgia Student Finance Commission, 2006). To retain the scholarship, students must maintain a GPA of at least a 3.0 each year. The award amount for public institutions covers full tuition, mandatory fees, and up to \$300 per academic year in a book stipend. The award amount for private institutions is \$3,000 per academic year for full-time study. Students are eligible for the HOPE Scholarship up to completion of a bachelor's degree or 127 attempted semester hours, whichever comes first. In 2005-06, 212,940 students in Georgia received the HOPE scholarship (Georgia Student Finance Commission, 2006).

### **Previous Research**

Previous research examining college students' financial management practices suggested an association between their financial behaviors and their demographic characteristics (Hayhoe, Leach, Turner, Bruin, & Lawrence, 2000; Hayhoe, Leach, Allen, & Edwards; 2005; Jones, 2005; Lyons, 2004). Furthermore, past research identified a link between students' financial behaviors and their academic performance, health status, future employment, and graduation rates (Cooke et al., 2004; Lyons, 2003), demonstrating the importance of the current study to explore how loss of the HOPE scholarship relates to college students' financial behaviors.

### **Data and Sample**

Respondents for this study were 557 in-state Georgia students who were 18 years of age or older, degree-seeking, and U.S. citizens or permanent residents who participated in an online survey conducted in 2005. A random sample of 3,261 undergraduate students, which was about 10% of the student population, with an over-sampling of Non-White and rural students, was recruited to participate in the study. The survey questions were based on the work of Lyons (2004). The contact was made through e-mail, and the participants accessed and completed the

survey online. Respondents were entered into a drawing for a gift certificate. The response rate was approximately 20%.

### **Methodology and Results**

We used logistic regression to assess the association between financial behavior variables and the HOPE scholarship status of undergraduate students after controlling for socio-demographic characteristics. The response variable was dichotomous indicating whether a student held the HOPE scholarship or had lost it at the time the questionnaire was completed.

Among the financial behavior variables, having higher total credit card debt, higher student loan debt, higher income and adopting fewer (rather than more) of a set of recommended financial management practices were associated with greater likelihood of having lost the HOPE scholarship. Among the socio-demographic control variables, there was a significant relationship between being male and having lost the HOPE scholarship. The students' race was not associated with the odds of having lost the HOPE scholarship. In sum, students who lost the HOPE scholarship had higher amounts of both credit card and student loan debt and were less likely to use recommended financial management practices such as following a budget and regularly checking the balance in one's checking account.

### **Implications and Discussion**

The study implies that students who initially had HOPE scholarships but lost them tend to engage in maladaptive financial behaviors. Therefore, students who have lost the HOPE scholarship may be even more financially vulnerable than initially expected. Although the direction of the relationship between variables in the study cannot be clearly established, the findings suggest that students who struggle academically also may be more likely to struggle with financial management, indicating a specific need for financial education for this particular student population.

In terms of educational programming, incorporating a broad goal-based planning component may be more effective in addressing both academic and financial behaviors. Given a substantial proportion of students lose merit-based scholarships, alternative college planning should take place rather than full dependence on scholarships to finance education. A suggestion for future research is to explore personality characteristics that may affect management of financial and academic resources similarly.

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### **Endnotes**

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