

An Exploration of the Relationship between College Student Personal Financial Knowledge and Credit Card Use Behaviors

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This paper presents a detailed exploration of the relationship between personal financial knowledge and financial behavior, specifically credit card use behavior. The widespread availability of credit cards has raised concerns over how college students might use those cards, as there are many negative consequences (both immediate and long-term) associated with credit abuse and mismanagement. Using a sample of 1,354 students from a major southeastern university, results suggest that financial knowledge is a significant factor in the credit card decisions of college students. Students with higher scores on a measure of personal financial knowledge are more likely to engage in more responsible credit card use. Five specific credit card behaviors were selected; whether credit cards are usually at their maximum limit, whether students make only the minimum payment, how often cards are paid off at the end of the month, delinquency, and whether cash advances are taken. The specific behaviors chosen have been associated with greater costs of borrowing and adverse economic consequences in the past. If financial knowledge can be improved, the present results suggest several positive outcomes from a policy standpoint.

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