COVID-19 Impact on Underrepresented College Students' Financial Experiences

Joy Clady, Grand Canyon University[1]
Mary Taggart, Oklahoma State University[2]
Kate Mielitz, Oklahoma State University[3]

Objective

The COVID-19 pandemic has been financially difficult for millions of Americans. In particular, the hardest hit are reportedly Black and Hispanic American families (Lopez et al., 2020; Krogstad et al., 2020). College students have also experienced unprecedented changes as residence halls abruptly closed, classes moved online, and campus jobs disappeared due to closures. Using a grounded theory approach, this research investigates how the COVID-19 pandemic influenced racially underrepresented university students' relationships with money.

A college degree has often been shown to lead to higher earnings (Carnevale et al., 2013). Students of color in higher education are still at a level of underrepresentation (Hussar et al. 2020) and face higher rates of attrition (Pretlow et al., 2020; Shapiro et al., 2017). Minoritized students who have difficulty paying for college are more likely to take a break from college (Terriquez & Gurantz, 2015). Understanding underrepresented student financial relationships amid a global pandemic, which this study endeavors to do, will expand the literature available that focuses on minoritized students and their experiences with money. Finally, the current research may provide insight into how to help these students navigate the financial benefits of staying in college even when times are financially tough.

Literature

A pandemic the scale of COVID-19 has not been experienced in the United States in over a century, leaving a gap in research on racially underrepresented students' relationship with money during such an event. A recent article, however, by Lusardi et al. (2020) showed that American families were already at risk financially prior to the onset of the COVID-19 pandemic which made them "ill-equipped to deal with the financial decisions needed to navigate through a financial crisis."

Financially, some of the conditions experienced by college students during the COVID-19 pandemic could be compared to events such as the most recent 2008 Great Recession, with shared characteristics such as a sharp decline in consumer spending and increased unemployment, particularly among young adults. A study by Serido et al. (2014) followed college students during the Great Recession and examined changes in financial strain as a predictor to changes in financial coping behaviors, which were categorized as reactive, preventative, and proactive. The results suggest that students cope with perceived financial stress by taking reactive steps such as eating out less or curbing immediate purchases.

According to a recent study with pre-pandemic data, college students, particularly as they approach graduation, are financially capable (Xiao et al., 2020). Another recent study (De Beckker et al., 2020) suggests that national culture plays a role in financial literacy. This study takes a first look at how an international health crisis may impact the financial capability of college students as they adapt to a new financial reality during this crisis which, to date, has arguably impacted the American culture.

Method and Analysis

Building off research that began prior to the pandemic and which aimed to further understand how racially underrepresented students experienced their relationship with money, 19 students were randomly selected to complete interviews eligible students who identified as non-white. When the COVID-19 pandemic struck, these 19 students who had previously been interviewed were contacted for the purpose of the current study, of which 17 (11 Black and 6 Hispanic) opted in for an additional interview.

[1] Joy Clady (joy.clady@my.gcu.edu), Instructor, Colangelo College of Business
[2] Mary Taggart (mary.taggart@okstate.edu), Academic Advisor, Human Development & Family Science
[3] Kate Mielitz (kate.mielitz@okstate.edu), Assistant Professor, Human Development & Family Science

Interviews were conducted April 22-29, 2020. The overarching research question of the study was "How has the Covid-19 pandemic influenced racially underrepresented students' relationships with money?" This question was prompted through the open-ended question "Overall, how do you feel the Covid-19 pandemic has influenced your relationship with money?"

The 3-person research team employed thematic analyses to identify and report patterns among responses. Data were analyzed using content analysis techniques to code responses and identify themes (Babbie, 2016; Patton, 2002) in NVivo 12. In-depth interviews, in which individuals describe their experiences from their own perspectives, provide rich data for analysis. Interviews were read line-by-line to search for recurring information, which was then condensed into short phrases, or codes. As codes were identified, the three research team members established a universal codebook. To establish a code, all three researchers had to agree upon the code (i.e., $\kappa = 1.0$). Codes with similar definitions were collapsed into broader themes. Codes must have been referenced in a minimum of 10 unique files to be retained as a major theme from the analysis.

Results

A total of nine themes emerged: (1) Change in Financial Behavior, (2), Needs are Met, (3) Priority Change, (4) Giving and Community, (5) Decrease in Expenses, (6) Income-Related Stress, (7) Looking to the Future, (8) Change to Planning, and (9) Uncertainty. The upheaval from the pandemic spurred various study participants to change their priorities and behavior around money, mostly for the better. The results of this research suggest that university students who have their needs met are not only thinking about what to do, but also taking action to adjust financially in the present and to prepare for the unknowns that may arise in their futures.

Change in Financial Behavior

The change in financial behavior theme derived from respondent comments on how the COVID-19 pandemic affected their saving or spending behaviors, often by saving more or spending less. Some mentioned finding cheaper alternatives when spending, having fewer opportunities to spend, or changes to online shopping habits. Excerpts from quotes include, "It has made me not spend as much. I just don't feel the need to be spending as much as I used to," and "I'm learning to save a lot more."

Needs are Met

Respondents reported that their basic needs were met, in large part due to access to other financial resources, family support, or the mention of no (additional) financial responsibilities. For example, Catherine, a Hispanic female, aged 18 years, said, "I definitely think it's made me happy that I did have money set aside during this time because I know, yes, I'm out of a job, but I'm still going to be able to pay what I need to."

Priority Change

Students expressed new priorities during the pandemic, such as prioritizing needs over wants or saving for emergencies. For some students, this was a large shift from their prior perspective on finances; for others it reinforced their beliefs on savings and spending. Thomas, a Black male, age 21 years and a junior, said, "…it makes me want to plan for the future in case anything crazy like this happens again." Some students believed that the pandemic made them "grow up" or opened their eyes to financial responsibilities.

Change to Planning

This Change to Planning theme reflected the students' active planning steps taken to meet their financial obligations and achieve their personal goals. In several cases, students described adopting new behaviors of budgeting. Some participants described the intent to apply lessons learned from their current experiences to the future.

Giving and Community

Numerous respondents discussed the importance of giving in their interviews. The pandemic, in many cases, helped the respondents identify struggle within their community. Alexandra commented, "there are a lot of charities that want to help out during the COVID-19 situation, and I want to be a part of stuff like that."

Decrease in Expenses

At the time of the interviews, the pandemic was providing the unanticipated effect of reducing some college costs for many of the respondents. More than one participant mentioned having received a refund from prorated housing costs or from what they identified as a new "scholarship" (believed to be university funding from the CARES Act). Noting a decrease in school stress, Regina said, "you know they took off our housing things so my bursar bill went down really low so like we aren't really worried about that anymore."

Income-Related Stress

Financial stressors for these students were most apparent in the Income-Related Stress theme. Several students' incomes had suffered due to a reduction in work hours or the loss of a job. Others felt stress from predicting that their anticipated upcoming summer jobs were in jeopardy. Alejandro, a Hispanic male, 18-year-old freshman, said that the pandemic had a stressful financial impact on his family.

> Well…for a while it was just one of us working out of the whole family, out of four out of the household there was just one income. So, it was kind of difficult to budget while we all still had to pay the bills and stuff and get food.

Looking to the Future

As soon as the pandemic started many people were looking to its end. Olivia, a 23-year-old Hispanic female and senior noted that the pandemic disrupted her future plans. She said,

> We were planning on moving…and my husband had his start date…pushed back two months because of the uncertainty...the biggest stress is now planning for the next year. Now I have the uncertainty and stress of where my income will be coming from and what the pay will be like since there are a lot of jobs that could be posting lower pay because we are entering a recession. The pandemic has changed our plans quite a bit.

Uncertainty

The Uncertainty theme was evidenced by remarks of not knowing when the pandemic would end or what the future held, and this uncertainty impacted students' finances. David, a 19-year-old Hispanic sophomore reflected, "Right now I'm still going to be not spending money until it's over…which who knows when that will be and then when it is over, I don't even know what's going to be the same."

Significance and Implications

This phenomenological exploration of underrepresented college students' relationship with money is one of the first of its kind—a "striking while the iron's hot" sampling of students during a global pandemic. While each student's story is unique, various themes were found which, when evaluated together, have valuable implications.

These students generally had their basic needs met, but also experienced financial stress from reduced or eliminated wages. Many students reacted by acting where they could – often, by curbing spending. Cancelled events and closures account for some of this change, but students also acted to find cheaper alternatives for food, gifts, or entertainment. Only one student interviewed discussed new borrowing behavior, and none indicated damaging actions like amassing credit card debt or harmful-in-the-long-run actions such as stopping their studies.

Usually, there is a gap between financial knowledge and behavior change, yet this group of students bridged that gap and reacted in the way that professionals would want them to react. What contributed to many of these students modeling not only priority change but also behavior change? Perhaps three main factors contributed to this leap from knowledge to intention and action. First, the uncertainty and income shocks may have created a need in which reactive measures such as spending less, and proactive measures such as budgeting, suddenly became particularly relevant and necessary. Second, the students' ability to implement change may have been influenced by the larger cultural context of feeling that everyone was curbing spending. Implementing behavior change such as controlling spending might be easier in an environment in which such behavior has become a social norm. Third, the fact that these students' basic needs were met may also have contributed to their ability to act. The mid-semester timing of the pandemic meant that these students had already solidified their spring semester funding. Conceivably, they were not under such overwhelming stress that rational thought was inhibited. Instead, a confluence of necessity, the overall environment, and their abilities may have contributed to financial priority and behavior change.

The results from this article may be useful in expanding discussion regarding underrepresented college students and financial behaviors that are important for financial success. Furthermore, this study sheds additional light on the need for emergency savings. The results suggest that college students who have their needs met are acting to address their financial constraints and uncertain futures. Finally, the combination of circumstances described may provide insights for further study on the elusive yet coveted goal of progressing from financial knowledge to attitude and behavior change.

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