

Relationship of Students' Financial Knowledge on University Retention Rates

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Objectives: Several studies have evaluated the financial knowledge of the population (Norvilitis, Merwin, Osberg, Roehling, Young, & Kamas, 2006). The objective of the current study was to 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.

Significance: There is growing evidence of research discussing financial knowledge and its impact on retirement planning, wealth accumulation, and debt (Lusardi & Mitchell, 2011). Limited research has been conducted on the financial knowledge of college students and its relationship to student retention.

Method: The study population was defined as students in the Fall 2013 entering freshmen cohort who were enrolled in the Spring 2015 semester. The sample consisted of 4,407 students and 695 students responded to the survey instrument. Two instruments were used. The first instrument consisted of 13 items on financial knowledge and 7 items designed to measure selected demographic characteristics. Instrument two contained 12 demographic characteristics collected from the university's electronic student information system.

Results (Preliminary): 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, resident/nonresident, on/off campus living, 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 financial knowledge score.

Conclusions/Relevance: This study determined the financial knowledge score did not have a strong relationship with student retention. However, the study found students had a poor level of financial knowledge, as determined by a written survey instrument. Specifically, the students surveyed scored an average grade of 68% 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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