

Debt anxiety among students differs across international boundaries

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To what extent do international boundaries impact on anxiety around debt amongst students? Do national attitudes about repaying loans mean those students from different countries treat their debt differently? What can University managers learn from student anxiety about debt and how can ethical approaches to helping students understand how their debt is managed be provided?

These questions are addressed in a report that compares the financial literacy and attitudes to debt of 496 [students](#) in England, the United States and New Zealand.

The report's lead author Dr Neil Harrison from the University of the West of England (UWE Bristol) said, "A university education is widely presented as an investment in the future with better employment prospects for graduates. It is also widely known that this investment carries with it a long-term commitment to debt. We wanted to establish if students across international boundaries have different attitudes and/or anxieties relating to this debt."

The latest findings from the research team suggest that anxiety about debt and the belief that debt is useful are unrelated. This means that a student can simultaneously worry about debt, but still see the long-term value for their education, employment and life. Furthermore, greater confidence about debt management was associated with lower anxiety and more positive borrowing behaviours.

The data collected from the three countries showed significant variation in students' attitudes to the debt that they found themselves in. These attitudes were found to have four distinct dimensions along which students could have differing views.

The first dimension related to the extent to which the student was anxious about their debt, while the second and third dimensions measured how useful students felt debt was to their educational investment and their chosen lifestyle, respectively. These three dimensions were statistically unrelated. The fourth dimension captured the student's confidence about managing their debt. Students who scored highly on this dimension also tended to be less anxious and less likely to use debt to supplement their social spending, while expressing higher levels of belief that [student debt](#) was a good long-term investment.

Dr Neil Harrison continued, "This lack of connection between debt anxiety and the value placed on borrowing is fascinating. Our analysis strongly suggests that a student can, for example, be worried about how much they are borrowing, but still believe that it is in their best interests as a step towards getting an enjoyable graduate job with a higher income.

"This finding might begin to explain why the recent increases in tuition fees in England have not been followed by a large downturn in demand for university places from young people from poorer households. Provided that their confidence about their long-term prospects remains high, they are willing to tolerate the short-term unpleasantness of indebtedness. Also, this belief appears to be particularly strong in the US part of the analysis, whereas New Zealand students have higher anxiety levels.

"Indeed, it is important to remember that many students in all three countries report high levels of anxiety and this is likely to impact their

mental health and ability to succeed in their courses. There are also likely to be individuals missing out on higher education who are anxious about debt and who are unconvinced by the benefits that student loans might offer.

"Our research has important ramifications for university managers and policy makers, highlighting a need to improve confidence about money management and presenting information about graduate employment outcomes clearly and ethically. Our findings also point to continued buoyancy in the [higher education](#) market during times of high youth unemployment but this may become more fragile when there is uplift in the economy with more opportunities that are financially attractive competing for young talent."

The study, entitled 'Money matters: a comparative study of students' [financial literacy](#) and attitudes to [debt](#) in England, US and New Zealand', involved 496 first year business and social science undergraduates and was part-funded by the British Academy and the Leverhulme Trust.

The results of this stage of the study were presented at the Society for Research into Higher Education conference in December 2014 and are published in the February 2015 issue of the *Journal of Economic Psychology*.

More information: Neil Harrison, Steve Agnew, Joyce Serido, "Attitudes to debt among indebted undergraduates: A cross-national exploratory factor analysis," *Journal of Economic Psychology*, Volume 46, February 2015, Pages 62-73, ISSN 0167-4870, dx.doi.org/10.1016/j.joep.2014.11.005.

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