

Educating students on financial responsibility

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New research from the USA suggests that college students are well aware that they should be personally responsible for their finances, including their card obligations, but this awareness rarely correlates with limiting the debts they accrue during their time in higher education. Details of the study are reported this month in the *International Journal of Behavioural Accounting and Finance*.

Lucy Ackert of the Department of Economics and Finance, at Kennesaw State University, in Georgia, and Bryan Church of the Scheller College of Business, at Georgia Tech, Atlanta, USA, explain that policymakers are concerned about the limited financial expertise of young adults and how inexperience with financial matters can leave students with excessive debts. Ackert and Church have undertaken three parallel studies to better understand the financial acumen or otherwise of college students and whether or not their level of awareness correlates with financial responsibility.

"Credit cards have become a way of life, offering convenience and purchase protection, allowing for online shopping, and providing a cushion in case of emergencies," the researchers explain. Many young people with no credit history can successfully apply for a [credit card](#). As such, consumer advocates have expressed concerns over the years that those who may not necessarily have the financial means to support such credit card use are vulnerable to unscrupulous companies and can be led into serious, long-term financial harm.

College students are an important demographic for financial services, the team adds. However, they may be characterized in general as "having limited resources and being financially naïve and not only lacking experience but being susceptible to lapses in self-control." The team points out that credit card issuers compete vigorously for college students' business, partly in the hope of attracting potentially loyal customers for future dealings, such as car loans and mortgages, after graduation.

The disconnection between recognizing the need to be financially responsible and actually being so must be addressed before students learn too many bad habits with their money, the team's results suggest. "If [college students](#) are to make wise financial decisions they must internalize the obligation to exercise financial responsibility," they say. "It is their duty to spend prudently and to pay their bills when due, and a failure to do so is unacceptable." Education regarding the misuse of credit cards and the consequences of long-term debt ought to be enshrined in a college education at an early stage of the academic career, the research suggests.

More information: Ackert, L.F. and Church, B.K. (2015) 'Credit cards, financial responsibility, and college students: an experimental study', *Int. J. Behavioural Accounting and Finance*, Vol. 5, No. 1, pp.1-26.

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