College Students’ Financial Behaviors and Socialization

Abstract

Previous research on college students’ financial behaviors has found strong connections to a variety of parental/guardian influences. Our study aimed to explore relationships between parental/guardian socioeconomic status, socialization, and college student financial behaviors. A random sample of students was selected and surveyed from those enrolled at a small private liberal arts college in the Midwest. We tested two hypotheses: hypothesis 1 predicted a positive relationship between parental financial socialization and students’ financial behaviors while hypothesis 2 predicted that parental socioeconomic status would be associated with financial behaviors. Our team found support for a negative relationship between socioeconomic status (SES) and financial behaviors, and partial support for a positive relationship between parental socialization and financial behaviors.

Review of Literature

Given the interconnectivity between financial matters and an individual’s social reality, it is no surprise that financial behaviors are of significant interest to social science researchers. Financial attitudes and behaviors among college students and other emerging adults has become an important topic as college tuitions have risen steadily over the last ten years, and economic uncertainty persists following the 2008 financial collapse. Previous research has studied credit card debt (Wang and Xiao 2009), anticipatory socialization (Shim et al. 2010), impulsive buying (Kathy and Khalifa 2012), and many other potential connections between students and financial matters.

Studies of college students and finances have found strong correlations between parental socialization and later attitudes and financial behaviors (Norvilitis and MacLean 2009; Shim et al. 2010). For most emerging adults, college initiates an increase of independent financial activities including using credit cards, taking out loans, and spending behaviors (Borden et al. 2008). The influence of parental/guardian socioeconomic status (SES) has factored prominently in studies of these behaviors, though the emphasis has varied (Bosch 2013).
Anticipatory socialization, though not exclusively a parental/guardian function, is one of the primary roles fulfilled by caregivers. Those patterns of behavior modeled formally and informally have been subject of much investigation (Bosch 2013; Norvilitis and MacLean 2009; Shim et al. 2010). Anticipatory socialization, financial behaviors, and SES have their own variations in measure and in application that our study sought to acknowledge and incorporate.

*Anticipatory Socialization*

Anticipatory socialization refers to socialization that is provided at a time when it is not directly applicable to an individual with the intent of influencing later behaviors when the concepts learned are applicable. Piggy banks are a classic example. Children are given a piggy bank with the intent that they learn to save their money, and apply this attitude later in life. Previous research has shown that parental socialization is the primary and most influential form of anticipatory socialization.

Preliminary research showed a strong correlation between the influence of parents on college students and how they handle their individual finances. Bosch (2013) found that parental socialization and involvement in finances strongly contributed to college students’ financial attitudes. Grable and Heckman (2011) also came to this conclusion two years prior in their research focusing on parental attitudes towards financial matters and their relationship to student knowledge and behaviors in personal finance.

Research which focused on parental socialization of college students showed one strong pattern, which was focusing on financial behaviors as an indicator of a wholly independent person. Each article framed its argument differently with distinctions between financial independence and social and psychological well-being. Parents’ financial help and their financial conversations with their college-age children appear to affect young adults’ financial well-being.
Padilla-Walker, Nelson, and Carroll (2013) surveyed college students and their parents in order to study the impact of parental financial assistance on emerging adults. “Emerging adults” are defined as college students that exhibit behaviors like working more hours, less drinking and drug use, and attitudes like confidence in their career path. Padilla-Walker et al. (2012) found that parental approaches to giving financial assistance are linked to monetary aspects of the transition to adulthood, including financial stability and independence. Serido, Shim, Mishra, and Tang (2010) also found positive correlations between the amount and quality of parent-offspring conversations about financial education and students’ positive financial well-being.

Socioeconomic Status

Parental socioeconomic status has been shown to be associated with students’ financial attitudes and behaviors, encompassing general financial well-being and financial competence. Perceived parental social status (not to be confused with SES) proved to be a correlate of financial well-being, in addition to effective parental communication regarding finances (Shim et al. 2010). Perceived parental SES, measured by combined levels of parents’ education and annual family income, is also a predictor of financial identity formation during students’ transition to adulthood. Financial identity formation focuses on financial attitudes and behaviors and how they relate to factors like self-esteem, internal locus of control, and anxiety. For example, students who report coming from lower socioeconomic backgrounds may be more likely to be financially responsible and display positive behaviors such as controlling impulse spending (Bosch 2013). In contrast, Morris and Perry (2005) found a positive relationship between income and responsible financial behaviors. These findings exhibit the variability and sensitive nature of measuring parental socioeconomic status, and therefore may not convey reliable results.
Similar to these studies, the main focus of this aspect of our research is on parental socioeconomic status as a part of parental socialization and how this factor affects students' financial attitudes and behaviors. Perceived SES was an important factor to consider during our research because it predicts the parents' need to teach positive financial behaviors and students' need to practice them. For example, students who report coming from higher SES backgrounds may be accustomed to a lifestyle in which they do not need to practice saving money or create budgets (Bosch 2012). Comparatively, students from lower SES backgrounds may need approach their finances more actively: needing to work, budget expenses, and practice saving habits. Our research attempted to include students who might not be of the same socioeconomic background as their parents or guardians, although this type of situation is not prevalent at this college.

Financial Behaviors

A substantial amount of research has been applied to exploring the financial behaviors of college students. According to research that analyzed first-year college students’ financial socialization, students who reported to have higher intentions of practicing positive financial behaviors, such as budgeting and credit card ownership, and who have perceived control over their personal finance will be able to develop a “satisfying financial status” and less likely to incur debt (Shim et al. 2010). Although the research that we conducted looked at various levels of college education, our approach is to gain insight into current students’ financial behaviors based on their attitudes and actions they take on their finances such as budgeting, saving, credit card usage, and general financial knowledge.

Since the emergence of possession of credit cards among college students, many students rely on this method of personal finance, which, if mishandled, can result in excessive
amounts of debt. Past studies which focused on credit cards held by college students showed that those who reported not having credit cards were more likely to have a higher score on behavioral and cognitive credit attitudes, and also have more frequent finance-related conversations with their parents as opposed to students with credit cards (Hayhoe et al. 2005). This study identified that students who do not possess credit cards have a better understanding of how credit works and made the decision not to have one (Hayhoe et al. 2005). In order for us to qualify a respondent’s financial well-being, our research paid particular attention to self-reported financial behaviors.

The determination of what constitutes a positive or negative behavior requires thoughtful consideration, and past research has sought to define various activities as being inherently positive or negative from a financial perspective. For example, credit card ownership is in itself a neutral activity, however, paying the balance off every month is considered a positive behavior (Brougham et al. 2011). Budgeting, likewise, may be considered a neutral (some studies claim positive) activity, while following a budget is generally considered a positive behavior (Shim et al. 2010). Other behaviors such as receipt tracking and routinely inspecting one’s bank account have also been investigated as signs of positive financial behavior (Shim et al. 2010). Our study embraced many of these definitions of positive behaviors, but not all. Some activities have too much ambiguity, such as student loans. Whether taking on debt to finance one’s is a positive or negative action largely depends on the student’s future ability to repay such debts. Without detailed context, certain activities simply do not lend themselves to easy classification.

The same case of ambiguity may be found in negative behaviors as well, although foundational research indicates that some behaviors, more than others, are significantly related to poor financial well-being. For instance, Hibbert (2004) found in his research that credit card debt was significantly related to financial strain and could be considered “credit card misuse”.
Another example of negative financial behaviors we will be looking at, include impulsive and compulsive shopping, both online and in-store. They are generally considered negative because impulsive/compulsive purchases are often considered unnecessary by the buyer, yet dictate the financial action nonetheless (Roberts et al. 2001).

**Our Research**

This study places itself alongside previous research that has attempted to develop greater understanding of how individuals conceptualize and enact financial behaviors, and how parental socialization influences later financial behaviors. Past studies have demonstrated that anticipatory socialization finds its strongest outlets in the formative period after completing secondary education (Wang and Xiao 2009). Our study attempted to corroborate existing claims regarding the impact of anticipatory socialization, forming the basis for our first and second hypotheses.

**H1**: College students who have had more anticipatory parental financial socialization will tend to have more positive financial behaviors than students with less parental financial socialization.

Additionally, the influence of parental socioeconomic status has been examined in a variety of manners. Often parental SES is used as a contributing factor to other variables such as financial attitudes, or financial education. Here we examined the direct relationship between parental/guardian socioeconomic status and students’ financial behaviors in college.

**H2**: Parental/guardian socioeconomic status will be associated with financial behaviors among college students.

We recognized the limits of attempting to directly associate these variables, and more importantly, how it can be mishandled. Previous research has shown that SES directly affects
many facets of an individual’s socialization so that it may be said to have a strong indirect effect on later behaviors (Shim et al. 2010). This study sought to describe the ways in which socioeconomic status connects with college students’ financial behaviors directly.

**Methods**

In the fall of 2013, we constructed our survey of college student financial behaviors and parental socialization using undergraduate student participants at a small liberal arts college in Minnesota. We collected data using an anonymous online survey which used a combination of Likert-type scales along with both multiple choice and open-ended questions. Our research tested two hypotheses and was part of a larger research project that explored students’ experiences with financial behavior, financial literacy and financial independence.

**The Sample and Sampling**

Our target population for this research was full time adult students who attended the college. As we developed our survey however, we came up with a list of student groups that would not be included in our sampling frame for either ethical reasons or because their inclusion would cause our results to be non-representative of the student body.

We excluded the following student groups:

- Both sections of our Quantitative Research Methods class
- Students who participated in our focus group session
- Students studying off-campus or abroad
- Part-time students
- Students who are primarily employees of the college but take classes as an employee benefit
- Students between the ages of 18-24
We used a simple random sample, which meant that every student within our sampling frame had an equal chance of being selected to take the survey. This eliminated any bias in the results on our end. We then sent our list of exclusions to Susan Canon, the Director of Institutional Research at the college. She took that list, applied the simple random sample, and created an alias of students for us to use for our sample. This assisted in retaining anonymity for the participants, as we never knew who took our survey unless we were approached by the participants themselves. Before the survey was administered, it was sent to Jo Beld, the Director of Evaluation and Assessment at the college. She checked the survey for integrity, keeping ethical considerations in mind before giving us permission to launch the survey. Our professor Ryan Sheppard administered the survey to 530 students, or 16% of the target population. The survey respondent demographics by year and gender were as follows: 30%(55 students) were 1st years, 27%(51) were Sophomores, 21%(39) were Juniors and 22%(41) were Seniors. 73%(138) of the respondents were Women, and 27%(50) were Men.

Variables

Our team was aided by past research in identifying factors such as parental influence and socioeconomic status that were consistently associated with the financial behaviors of college students (Shim et al. 2010; Norvilitis and MacLean 2010). We predicted that these variables would likely provide a compelling explanation for the patterns of financial behaviors found among college students.

We defined parental socialization as behaviors, ideas, and practices that were modeled or taught to students by their guardians throughout their youth. Previous literature compelled our team to consider various types of socialization and their potential influences on financial
behaviors during college. Parental influence, for instance, has been found to have a strong association with later financial behaviors and attitudes (Shim et al. 2010; Norvilitis and MacLean 2010). With this literature in mind, we proceeded to develop our own measure for parental socialization. Previous studies have identified direct observation, indirect observation, and sanctions as primary means of socialization, so we integrated that categorical framework into our survey instrument (Shim et al. 2010). Our study employed a scale matrix to measure parental socialization, which asked respondents to rate their level of agreement (from Strongly Agree to Strongly Disagree) with statements regarding parental/respondent actions, behaviors, and attitudes. For example, “my financial knowledge comes from observing my parents/guardians” and “my parents/guardians are not my financial role models”. These statements were developed throughout the literature review and the operationalization process. Our team developed a Parental Financial Socialization Index (PFSI) in order to provide a single value to describe a respondent’s level of parental financial socialization.

We defined socioeconomic status as the economic, social, or cultural capital which individuals have access to. SES has been a focus of research across disciplines, and has led to the development of an established measurement (Bosch 2013; Shim et al. 2010). Our team utilized three metrics common throughout the literature which measured SES: total household income, level of education achieved, and profession/vocation. We initially utilized a fourth metric, perceived parental SES, in order to identify any associations or discrepancies with measured SES (Bosch 2013; Shim et al. 2010). In the case of those dependent upon their parents/guardians, including college students age 18-24 years, parental SES is used in place of their own. This more accurately reflects most students’ actual access to socioeconomic resources, as parental resources are typically shared.

We defined financial behaviors as those actions which involve the planning, use, and
organization of financial resources. We conceptualized positive and negative behaviors as those that would readily be agreed to be responsible or irresponsible respectively. For example, “I save a portion of my income,” would generally be agreed to be a responsible financial action, and is therefore coded as positive. In contrast, the phrase “I make purchases without sufficient funds to cover them” would readily be considered an irresponsible financial action, and is therefore coded as negative. Our team avoided surveying behaviors that were ambiguous or that required in-depth context to assess. Our survey used a scale matrix to measure the frequency (from Almost Always to Never) with which respondents engaged in specific financial actions. We then coded these behaviors as positive or negative, and gave them a score from 0-5 (Xiao, Tang, and Shim 2008). We reverse scored negatively worded questions, which allowed us to sum a respondent’s individual responses into a single number. Higher scores meant better financial behaviors, the opposite being true for lower scores. We called this the Student Financial Behaviors Index (SFBI).

Validity and Reliability

Neuman (2012) describes three main types of measurement validity, the degree to which a measure actually measures what it is designed to. Face validity, content validity, and criterion validity are ways to examine the validity of an indicator for a purpose. Face validity measures the extent to which an indicator “‘makes sense’ as a measure of construct” to participants (Neuman 2012). We achieved through the examination of our work by other students and Professor Ryan Sheppard. We also have concerned ourselves with content validity, the requirement that a measure represent the totality of a construct’s conceptual definition (Neuman 2012). The members of our team scrutinized and rewrote each of the variables and measures of our survey many times to insure that they accurately reflected our intentions with the research, and that the
respondents were given a sufficient range of possible answers with which to express themselves.

To improve the reliability (dependability or consistency) of our measures, we used multiple techniques recommended by Neuman (2012). These techniques included a focus group session that was instrumental in the development of our hypotheses, the use of indices which gave us a single numeric value for each variable, the use of multiple indicators for each variable, and the use of the pilot test of survey questions to the rest of the research class (Neuman 2012). Our focus group consisted of five students from the college who discussed multiple factors that contributed to their current financial behaviors. This gave us the opportunity to hear how behaviors that we had read about in our literature might be conceptualized at the college. By pretesting our survey questions with classmates, we received feedback that helped as we strove for mutually exclusive and exhaustive response options. These efforts aided in making our research consistent.

_Ethical Considerations_

In the early stages of our research, we were confronted with ethical issues concerning anonymity and consent. The survey itself was not problematic regarding anonymity, because data was collected via “form-creator,” a tool that allows virtually untraceable survey responses. After the survey closed, we received the results in the form of a spreadsheet with each respondent's name replaced by a number. This way, we as the researchers were unable to determine who had taken the survey, which protected the respondent’s anonymity.

We recognized that informed consent, the assent to continue with research in full awareness of all risks and relevant fact, was necessary (Neuman 2012). In order to obtain informed consent from research participants, we included in our cover letter the purpose of our research, which gave them a clear idea of what relationships we hoped to explore in our survey.
Following this, we stated clearly that by completing the survey the participant was giving their consent for their information to be used in our research, and that participation in all or part of the survey was completely voluntary. We thought this was necessary because finances can be a sensitive topic. To avoid consent issues beyond this, we restricted the survey to students 18 years of age and older. Respondents younger than this would require parental/guardian permission, required by the Institutional Review Board deems because those under the age of 18 are deemed incapable of offering informed consent.

In addition, we attempted to minimize the risk of harm to participants by crafting the questions and statements in a sensitive manner, while constructing the survey in a way that promoted ease and comfort in answering the questions. This was done by paying particular attention to the questions that were placed at the beginning of the survey, as we wanted these to ease the reader before they began answering questions about potentially sensitive topics. Our cover letter clearly stated that participation in all or part of the survey was completely voluntary, and participants were welcome to skip sections of it. Finally, before our survey could be launched, it was reviewed for ethical considerations and approved by Jo Beld, the Director of Evaluation and Assessment at the college.

**Results**

Data analysis utilized indices of parental socialization, financial behaviors, and socioeconomic status. We constructed these indices using information gathered from our study of past research, focus group, and team discussions. Necessarily, we excluded some variable data due to low response rate, or missing data. The financial behaviors index excluded data collected on credit card usage and balance payment owing to the majority of respondents (n=109) answering “Not Applicable.”
Scores from the Parental Financial Socialization Index (Table 1) ranged from 5 to 42 points out of a possible 50. The median score for the index was 27, and was normally distributed (Figure 1). The mean was 26.74 with a standard deviation of 5.8. This indicates that respondents were grouped tightly around the center of the index. From this our team concluded that differences among students and their financial behaviors would be difficult to detect.

Table 1: Parental Financial Socialization Index Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Valid</th>
<th>Missing</th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Parental Openness about Finances</td>
<td>190</td>
<td>6</td>
<td>6</td>
<td>3.40</td>
<td>4.00</td>
</tr>
<tr>
<td>Precollege Parental Financial Discussions</td>
<td>190</td>
<td>6</td>
<td>6</td>
<td>3.74</td>
<td>4.00</td>
</tr>
<tr>
<td>Currently Talk with Parents About Finances</td>
<td>190</td>
<td>6</td>
<td>6</td>
<td>3.56</td>
<td>4.00</td>
</tr>
<tr>
<td>Financial Knowledge From Observing Parents/Guardians</td>
<td>190</td>
<td>6</td>
<td>6</td>
<td>3.60</td>
<td>4.00</td>
</tr>
<tr>
<td>Financial Knowledge from what parents told me</td>
<td>189</td>
<td>7</td>
<td></td>
<td>3.60</td>
<td>4.00</td>
</tr>
<tr>
<td>Parents/Guardians Gave Financial Tools</td>
<td>189</td>
<td>7</td>
<td></td>
<td>3.57</td>
<td>4.00</td>
</tr>
<tr>
<td>Parents/Guardians Used Money to Motivate Behavior</td>
<td>190</td>
<td>6</td>
<td>6</td>
<td>1.37</td>
<td>1.00</td>
</tr>
<tr>
<td>Saving Money was Rewarded by Parents</td>
<td>190</td>
<td>6</td>
<td>6</td>
<td>2.06</td>
<td>2.00</td>
</tr>
<tr>
<td>Parents were not Role Models</td>
<td>190</td>
<td>6</td>
<td>6</td>
<td>3.68</td>
<td>4.00</td>
</tr>
<tr>
<td>Parents recommended taking a finance course</td>
<td>190</td>
<td>6</td>
<td>6</td>
<td>1.79</td>
<td>1.00</td>
</tr>
</tbody>
</table>
The Student Financial Behaviors Index (Table 2) also produced tightly grouped scores. The range for the SFBI was 7 to 26 points out of a possible 30. The median score was 19, and normally distributed (Figure 2). The mean score was 18.46 with a standard deviation of 3.48. Within our index, we excluded several variables related to credit card usage due to insufficient data. Our team chose to include the data for responses to overdrawing one’s bank account and spending one’s total income, even though few people responded to these questions. Overall the SFBI showed a high degree of similarity between respondents with regard to the types of financial behaviors they are engaging in while in college.

Table 2: Financial Behaviors Index Variables

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Valid</td>
<td></td>
</tr>
<tr>
<td>I create a written budget</td>
<td>189</td>
<td>7</td>
<td>1.04</td>
</tr>
<tr>
<td>I put money into savings</td>
<td>189</td>
<td>7</td>
<td>2.96</td>
</tr>
<tr>
<td>I track my expenses</td>
<td>189</td>
<td>7</td>
<td>2.67</td>
</tr>
<tr>
<td>I think about ways to improve</td>
<td>189</td>
<td>7</td>
<td>2.57</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Compares prices</td>
<td>189</td>
<td>7</td>
<td>3.42</td>
</tr>
<tr>
<td>Buys to Improve Mood</td>
<td>189</td>
<td>7</td>
<td>2.44</td>
</tr>
<tr>
<td>Attempt Price Reduction</td>
<td>187</td>
<td>9</td>
<td>2.45</td>
</tr>
<tr>
<td>Borrow Money From Friends</td>
<td>189</td>
<td>7</td>
<td>3.37</td>
</tr>
<tr>
<td>Overdraw Bank Account</td>
<td>174</td>
<td>22</td>
<td>3.91</td>
</tr>
<tr>
<td>I Spend All of My Income</td>
<td>179</td>
<td>17</td>
<td>3.51</td>
</tr>
</tbody>
</table>

Figure 2: SFBI Histogram

Results from the SES Index (Table 3) were more difficult to assess than were our other indices. Respondents consistently answered the items regarding parental education and occupation, but many choose either the “Don’t Know” (n=36) or “Decline to State” (n=20) options for the household income item. The scores from the SES Index ranged from 120 to 397 out of possible 400 points, with a higher score corresponding to a higher SES. The Mean score was 274.39 with a standard deviation of 65.5. The median score on this index was 279. The scores were normally distributed (Figure 3).
Table 3: Socioeconomic Status Index Variables

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Valid</td>
<td>Missing</td>
<td></td>
</tr>
<tr>
<td>Highest Education</td>
<td>196</td>
<td>0</td>
<td>127.51</td>
</tr>
<tr>
<td>Parental/Guardian</td>
<td>196</td>
<td>0</td>
<td>167.29</td>
</tr>
<tr>
<td>Occupation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Household Income</td>
<td>131</td>
<td>65</td>
<td>117.94</td>
</tr>
</tbody>
</table>

Figure 3: SES Index Histogram

Hypothesis 1: College students who have had more anticipatory parental financial socialization tend to have more positive financial behaviors than students with less parental financial socialization.

Our first hypothesis theorized that the degree to which parents/guardians modeled or discussed financial behaviors would correspond to the degree to which students engaged in positive and negative financial behaviors. We tested the PFSI against the SFBI using Pearson's
Correlation Coefficient (Table 4). This found a weak Pearson’s r (r = .106) and an insignificant p-value (p = .077) (Figure 4). This finding did not support our hypothesis. Our team tested the individual variables of the SFBI using Pearson’s in order to explore this result further.

Figure 4: Scattergram PFSI with SFBI

<table>
<thead>
<tr>
<th>Correlations</th>
<th>SFI</th>
<th>PFSI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Financial Behaviors Index</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>189</td>
</tr>
<tr>
<td>Parental Financial Socialization Index</td>
<td>Pearson Correlation</td>
<td>.106</td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>184</td>
</tr>
</tbody>
</table>
Analyzing the SFBI by individual variable revealed that the majority of variables (7 of 10) were not significantly related to the PFSI index at the .05 level. Of the three variables that did have statistical significance, two revealed some support for our hypothesis that had been obscured by the weakness of the other index variables. Notably, parental financial socialization was positively associated with saving money ($r = .195$, $p = .004$). This supports our prediction that greater parental financial socialization is associated with some positive financial behaviors. Conversely, parental socialization was negatively associated with making purchases to improve mood ($r = -.128$, $p = .041$). This supports the logical corollary of our hypothesis; greater parental financial socialization is associated with a reduction in some negative financial behaviors.

_Hypothesis 2: Parental/guardian socioeconomic status (SES) is associated with financial behaviors among college students._

Our second hypothesis anticipated that parent/guardian SES is associated with students’ financial behaviors to some extent. Based on our test results, our predictions for hypothesis two were supported. Utilizing Pearson’s Correlation Coefficient, we were able to test our parental socioeconomic status index (PSES) with SFBI (Table 5). As shown on Figure 5, the scattergram illustrates that a higher score on the PSES was associated with lower score on the SFBI with a weak Pearson $r$-value of $-.175$, and a significant $p$-value of $.026$. This finding states that our anticipated hypothesis is fully supported.
Figure 5: Scattergram of PSESI and SFBI.

![Figure 5: Scattergram of PSESI and SFBI.](image)

Table 5: Pearson’s Correlation of PSESI and SFBI

<table>
<thead>
<tr>
<th></th>
<th>Index of Parental SES</th>
<th>Financial Behavior Index 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index of Parental SES</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (1-tailed)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>125</td>
</tr>
<tr>
<td>Financial Behavior Index 2</td>
<td>Pearson Correlation</td>
<td>-.175*</td>
</tr>
<tr>
<td>Sig. (1-tailed)</td>
<td></td>
<td>.026</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>124</td>
</tr>
</tbody>
</table>

Though our predicted outcome of the hypothesis 2 was fully supported, the broad nature of this association requires further exploration of our data to pinpoint which associations are the strongest. As it is however, the current data analyses results show that a higher score on
parent/guardians’ SES index was associated with negative financial behaviors among college students.

**Discussion**

*Hypothesis 1*

Hypothesis one predicted the more that students have had anticipatory parental financial socialization, the more likely they are to show positive financial behaviors. Our focus group participants indicated that parental socialization played a large role in their financial socialization through indirect means, rather than explicit conversations about finance. We found that this hypothesis was not supported by our total index. However, when we pulled the financial behavior variables apart, we found that spending to improve one’s mood and saving money, spending one’s total income were associated with financial behavior. Saving money and a decrease in spending to improve mood were positively associated with increased parental socialization. Due to this association, we were able to find partial support for our hypothesis overall. These findings correspond to previous research which found positive correlations between the amount and quality of parent-student conversation on finances and student positive financial well-being (Serido et. al 2010). We were surprised to find that parental financial socialization was positively associated with spending all of one’s income. This particular result may have several causes. Our team suspects that students had varying conceptions of ‘income.’ Some may have taken this to mean only their income from working, while others may have believed ‘income’ referred to money provided by a third party (parents, friends, etc.).
Hypothesis 2

Hypothesis two stated that parental/guardian SES is associated with student financial behaviors and was fully supported by our findings. At the beginning of our research we were unsure of the direction of the correlation or if there would even be a correlation. Unexpectedly, we found that there was a decrease in the positive financial behaviors of college students that corresponded with an increase in parental/guardian socioeconomic status score. This contrasted the study by Morris and Perry (2005) found that those from a higher income background often have more experience with resources and thus have more positive financial behaviors. However, our findings identify behaviors similar to those found in the work of Bosch (2013) wherein college students of lower socioeconomic backgrounds might be more likely to be more positive financial behaviors. Our group speculated that this correlation could be due to the necessity of people from a lower class to budget their funds and spend money wisely. College students that grew up with less accessible funding would watch their parents working hard to provide and internalize more positive financial behaviors. Contrarily, students socialized to a vast amount of wealth might have a more difficult time budgeting their own money if they know they have a safety net. Growing up with parents that do not have to worry about funding could affect the perception of money and the role it plays in a child’s life.

Implications

The results of our bivariate analysis of parental socialization and SES indicated that students’ financial behaviors were affected by these variables. Parents and guardians could apply the results which proved significant to our research by being better equipped to educate their children about financial matters. In our changing world, financial behaviors more than ever
can affect a person’s life chances and children should have access to knowledge about
finances. Parents could also use this information to better understand the role that their SES
plays in their children’s financial development. Faculty and administration, if given this
information, might have more thorough insight on the financial situations of college students at
private liberal arts institutions. This information could be used as a resource in drafting practical
general education requirements that will aid students once they graduate; such as requiring a
personal finance course.

Conclusion

Our study investigated and corroborated key findings from previous literature, and draws
conclusions from a random sample of students enrolled at a small private liberal arts college in
the Midwest, and although these results are not generalizable beyond that population, the
combination of these findings with past research gives substantial support to theorize broader
trends. We created indices for financial behaviors (10-item index), parental socialization (10-item
index), and socioeconomic status (3-item index) to test our hypotheses using simple bivariate
analysis. We hypothesized and found partial support for parental/guardian financial socialization
being predictive for the financial behaviors of college students. Most importantly our study
showed that parental socialization is positively associated with certain financial behaviors, such
as putting money into savings, and negatively associated some non-positive financial behaviors,
such as making purchases to improve one’s mood. Additionally, we predicted and found support
for a relationship between parental/guardian socioeconomic status and the financial behaviors of
college students. These findings fit into previously researched topics about parental/guardian
influence on the financial behaviors of college students.

Our research demonstrates that the relationship between parental/guardian influence and
college students’ financial behaviors is multifaceted and complex. These complexities present compelling areas for future research, such as the research about interactions between other demographic information and financial behaviors, yet they should not distract from the main finding of partial support for a relationship between parental/guardian activities and student financial behaviors. This finding, at a minimum, demonstrates that parents and guardians can have some impact on their children's’ financial futures. Our findings suggest that willingness to openly discuss finances, and modeling positive financial behaviors can potentially improve financial behaviors. This may be of even more importance to those of higher than median socioeconomic status. Our second finding was a weak negative correlation between SES and financial behaviors.

Though our research provided significant results, the study has various limitations in regards to the generalizability and validity of our findings. Primarily, our study was conducted at a single college, which does not allow us to generalize our results beyond the institution. In addition, the nature of our investigation forced us to exclude a large portion of the population, which limits our ability to generalize our results to the students of the institution. Third, our response rate (35%) was fairly low, which makes it fairly difficult to extend our findings to the population. Fourth, the demographics of the students who responded did not accurately represent those of the school, with women over-represented and people of color under-represented. Fifth, the research we conducted was done in the course three months, which did not allow an in-depth study of our results. Finally, the construction of the indices and the questions themselves were left to our discretion, and though they were proofread by peers and our professor, the primarily likert scale times may not have allowed respondents the full range of expression in their answers.
Sources


Shim, Soyeon, Bonnie L. Barber, Noel A. Card, Jing J. Xiao, and Joyce Serido. 2010."Financial
