

Borrowing more than money: the experiences of second-generation student borrowers.

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Research Domains

Student Access and Experience (SAE)

Abstract

The uptake of student loans globally has been growing in line with the expansion of higher education. In many countries, current students are "second-generation borrowers:" their parents once borrowed to pay for their own higher education. Yet, no research has explored the interaction between parents' experiences of student loans and their children's higher education financial decisions. To fill this research gap, this paper first introduces the concept of "second-generation borrowers" theoretically. It then provides a first insight into the importance of the concept through a survey of parents in the Netherlands, using an existing Dutch research panel. It investigates specifically financial attitudes and decisions around student loans within the family.

Full paper

The expansion of higher education (HE) as well as the introduction and expansion of student loans [1] since the 1980s mean current students taking up student loans are likely to have parents who also borrowed to pay for their own studies. This research provides the first theorisation of what it means to be a "second-generation borrowers." It explores how parents' experiences of student loan might influence their children's HE financial decisions, both in theoretical terms and in practice through a survey in the Netherlands.

It is widely assumed by policymakers and others that parents play an important role in their children's HE choices and financial decisions. However, there is limited research on how student funding policies impinge on the private sphere of the family [2]. And no study has explored the potential interaction between parents' experiences of student loans and their children's HE financial decisions.

Yet, the significance of parental involvement in their children's HE finances is evident. First, parental income and financial contributions are integral to the design of student funding policies. In many countries, eligibility to student aid is means-tested and based on family income [1]. Parents are often expected to and do participate in the HE costs of their children. But their role also extends to borrowing decisions: parents tend to shield their children from debt - by saving, helping them financially when possible, or encouraging cost-saving behaviour [2].

Second, the transmission of financial values can play a role in HE finances. Family financial socialization theory states that children learn financial attitudes and behaviour from their parents, through direct teaching and family interactions [3]. Studies indeed show the intergenerational transmission of social norms and economic preferences [4], including attitudes towards general debt [5]. While these studies have not examined student debt in particular, continuity of financial values over generations has been observed in the case of HE in other areas. For instance, parents who received parental financial support for their studies are more likely to contribute toward their children's studies [6]. Negative parental experiences with general debt has also been shown to lead to extreme student debt aversion [7].

As countries globally rely increasingly on student loans to fund HE, more students will become "second-generation borrowers." They will face challenges their predecessors did not. Because their parents had to repay their own student debt, family financial assets may be depleted [8], potentially leading to reduced levels of parental financial support for HE. This is likely to be even worse for students whose parents are still repaying their own student loans. Additionally, parental experiences of student debt could influence the advice they give their children about HE financial decisions.

This research explores whether parents' experiences of student loan debt in the Netherlands shape their children's HE financial decisions. It uses a survey research design as this approach is considered optimal to assess attitudes that are otherwise difficult to measure [9]. The survey was undertaken in February 2024, using an existing Dutch research panel survey. It resulted in 1622 responses of households with at least one child over 18: 913 households where no parent has been to HE, 479 households where at least one parent has been to HE but without a loan, and 230 households where at least one parent went to HE and took a loan - i.e. their children could be "second-generation borrowers." In addition to details about HE choices and financial decisions for parents, as well as loan take up and repayment for parents who took out a loan, all respondents were asked in-depth questions about their children's HE choices and associated financial decisions.

This paper will use descriptive statistics and regression analysis to assess whether parental financial HE experience, particularly regarding loans, has a bearing on their children's HE choices and financing, the advice they give their children, and their own financial preparedness for their children's HE plans.

This research is essential to understand the student experience of coming generations. As loans have become more widespread, new students are more likely to have parents who have borrowed themselves: they are therefore different from previous generations whose parents did not experience such a financial burden. This study not only theorises the concept of "second-generation borrowers," it also provides a first insight into their experience in the case of the Netherlands. Results from this study could influence future research in many countries and provide a cautionary tale for policies worldwide that tend to favour the implementation of loans to fund HE.

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