

Constructing university students' attitudes to debt: a cross-national study

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Abstract

Since the 1990s, it has been increasingly common for higher education students in the UK to pass into debt – it is now approaching being a universal experience. Indeed, many countries now have systems that require students to borrow to meet the direct or indirect costs of their higher education. Each of these systems is unique in its history, scale, operating procedures and the meaning attached to debt by students and wider society.

This paper will report the findings of an international study using quantitative data from England, New Zealand and the US. The sample comprises 496 full-time 'home' undergraduates on business or social science programmes who completed an online questionnaire around four months into their first year. Factor analysis was used to explore the data, with four attitudinal dimensions being isolated. Of particular note, debt anxiety was found not to be related to the perceived educational utility of debt.

Main paper

Student indebtedness in the UK has become ubiquitous since the introduction of student loans in the early 1990s. It has been argued that this has had multiple impacts on the student experience, including a fear of debt dissuading prospective students (Callender and Jackson 2005), a link with mental health issues (Cooke et al 2004) and an increased long-term comfort with borrowing (Lea et al 2001).

However, the UK is not in an isolated situation, with many OECD countries moving towards systems that require many of their students to borrow to meet some/all of the costs of their education. Each is unique in history, scale, criteria and the meaning attached to debt by students and wider society. For example, interest and repayment terms vary considerably between countries, potentially influencing behaviour and the individual's responses to the experience.

Despite the growing issues with student debt, whether incurred through student loans or commercial borrowing, it remains an under-researched phenomenon. In particular, there are no international comparative studies which seek to understand how and why responses to debt may differ within and between countries. The *Money Matters* (part-funded by the British Academy and the Leverhulme Trust) study reported in this paper seeks to address this gap by focusing on three countries in which student indebtedness is widespread: England, the US and New Zealand. These three countries form a useful basis of comparison due to their shared language and elements of their national culture (Hofstede 2001). However, the findings of this study are expected to have a wider relevance for other countries in Europe and elsewhere.

Being focused on theory development in a relatively new field, this study primarily takes its lead from previous empirical studies. Harrison et al (in press) used rich interview data to reveal a wide range of attitudes to debt among UK undergraduates, proposing seven types ranging from anger to positivity, with most students reporting a stoical acceptance based on an understanding that debt was a 'necessary evil' to achieve a graduate career. Haultain et al (2010) suggest that students' debt attitudes are mainly explained by recourse to just two underlying dimensions: fear of debt and an appreciation of the utility of debt. Using data from the Netherlands, Oosterbeek and van den Broek (2009) argue that an aversion to debt is a key determinant of students' behaviour. In their large-sample Irish study, Daly et al (2010) find that personality traits including extraversion, neuroticism and openness are significant predictors for commercial borrowing, while Bachan (in press) argues that perceptions of long-term risk are salient.

The aim of the *Money Matters* study is to explore how attitudes to debt are constructed by contemporary university students, expressed through the following research questions:

1. What are the underlying latent variables that construct a students' affective and cognitive experience of indebtedness?
2. Are these related to aspects of individual personality or to demographic circumstances and, if so, what is the nature of the relationship?
3. Is the construction of debt attitudes similar between countries and, if not, what aspects of national policy or culture might contribute to the differences?

This paper will focus on the first of these, using data collected from three universities having a comparable mid-range status within their own country and teaching across a wide curriculum. The sampling frame comprised full-time 'home' (i.e. not international) undergraduates on business or social science programmes.

686 students completed an online questionnaire around four months into their first year of study, comprising a collective response rate of around 20%. Of these, 496 responses were isolated from students with debt related to their studies: 199 from England, 250 from New Zealand and 57 from the US. The questionnaire comprised a 20-item bank of items relating to debt attitudes and using a five-point Likert scale; demographic data were also collected.

The debt attitude responses were subjected to an exploratory factor analysis to extract the main dimensions which explain the variation within the data – i.e. the latent variables that interact to comprise an individual's attitudes to debt. A four-factor model was found to provide the optimal fit for debt attitudes; this was found to be consistent between countries. The four factors account for 45 percent of the variance in the sample and have been named as *Anxiety*, *Utility-for-Investment* (the extent to which the individual felt that debt was useful for investment in education), *Utility-for-Lifestyle* (the extent to which the individual felt that debt was useful to support their lifestyle expectations) and *Confidence*.

The first three of these factors were found to be uncorrelated. This is important in that higher anxiety around being in debt does not, on average, decrease a belief that debt can be useful, either for educational investment (under human capital theory: Becker 1994) or to maintain a certain level of social expenditure. The data demonstrate that it is coherent for an individual to have an aversion to debt, but to overcome this aversion due to the long- or short-term rewards that it offers. This is vitally important in understanding participation patterns, especially in a period of rising costs.

Confidence in handling debt, however, was correlated with all three other factors. High levels of confidence were, on average, more likely to be found among individuals with low anxiety and a strong belief value of educational debt, but also with a low perceived utility of debt for lifestyle purposes. The nature of causality here is difficult to determine, but the data suggest that conscientious approaches to borrowing may have a role in reducing anxiety.

As such, these data suggest that debt attitudes are more complex than suggested by previous writers (e.g. Davies and Lea 1998; Callender and Jackson 2005; Haultain et al 2010). The paper will discuss the findings in more detail and will apply them to the contemporary social, cultural and policy contexts in the three countries, offering possible explanations for why students' experience of debt varies and the implications for future policy and practice. In particular, it will focus on how indebtedness impacts on the widening participation agenda.

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