

State of Financial Capability

What is being done to develop students' financial capability in the UK's higher education sector



Welcome note

At Blackbullion, we're on a mission to help young people become more financially capable. We believe that by empowering them with financial confidence, awareness and money management skills they will be better equipped to navigate their way through university and in life beyond.

Over the last five years we have partnered with universities, colleges and thought leaders across the higher education sector to ensure the right support is in place when it comes to developing core financial skills. We are proud to partner with some of the most passionate, dedicated and caring student support teams — all working hard to shape the next generation.

This report was written to shed light on what's being done, what's working and where challenges lie, to answer the question: what is the future of financial capability?

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Summary

This qualitative research piece brings together responses from 20 universities across the UK. It's a diverse mix, capturing a variety of university profiles; some Russell Group, some with a large widening participation (WP) student population, some city-based and some with large campuses further removed from city life. Our respondents represent student support service departments across finance, wellbeing, and in a management level.

Blackbullion's approach is to understand:

- The perceived importance of financial capability
- How UK campuses currently address it
- How it's done successfully
- The future of financial learning

Key findings



Financial education currently focuses on vulnerable student groups, primarily younger populations (prospective and first year students) or those without strong family support (care leavers, first in families)



The majority of respondents would like to see financial capability become part of the core curriculum



Two thirds of our respondents believe that financial capability has a high impact on student retention



Currently only one out of four universities measure the impact of financial capability on student retention



Introduction

More and more students question the value of higher education. YouGov research shows that 35% of students who graduated between 2010 and 2017 believe that the costs of going to university “aren’t worth it” (Gov.uk 2019). In light of this, effective retention should include the financial case for attending university, followed by a strong degree curriculum and accessible student support. But at the same time, moving into today’s workplace requires a variety of skills that sit outside of the traditional academic realm.

Here in the UK, where graduates tend to be much younger than elsewhere in Europe (Little 2008), students go to university expecting to come out a fully-fledged adult. But many of the essential life

skills needed to navigate today’s complex new digital world aren’t taught at university and are pushed to the periphery. Digital skills, employability skills and the financial capability of students are often provided as part of student experience enhancing initiatives, rather than being part of the core curriculum.

But many of the essential life skills needed to navigate today’s complex new digital world aren’t taught at university and are pushed to the periphery.

England has one of the lowest financial literacy scores. According to new research from UCL Institute of Education (IOE) and University of Cambridge, one-in-three adults in England and Northern Ireland are unable to work out the correct change from a shopping trip. It’s clear that educating students at this key transition point in their lives will result in them becoming better informed decision makers as future consumers.

Save the Student (2018) data shows that students feel they need better financial education with 70% retrospectively wishing they'd had access to financial education. In our opinion — as well as that of the majority of our respondents — it's time that these core skills were put into the spotlight.

Research also shows the importance of timely financial interventions in the student life-cycle (Higher Education Academy study).

Using data from 12,648 students, concludes that targeted and timely financial support packages, including financial education, can prevent drop-out and can impact on graduation rates. However, it is important to acknowledge that non-continuation is a complex matter and cannot be solely linked to lack of financial capability, or financial troubles, though clearly these can be contributing factors.

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Results

The perceived importance of financial capability

To gauge respondents' perception of the importance of financial capability skills for students, we asked how it correlates with student retention. This metric is at the core of universities, both in terms of the student journey as well as in terms of ROI. The national average for non-continuation i.e. students dropping out of university after the first year in 2017/18, is 6.3% (HESA 2019). The top university had only 1% non-continuation and the lowest ranking saw 18.5% of its students stop their studies. Our respondents are fairly representative of this national spread and have an average of 7.3%, with the lowest at 3.6% and highest at 15.2%.

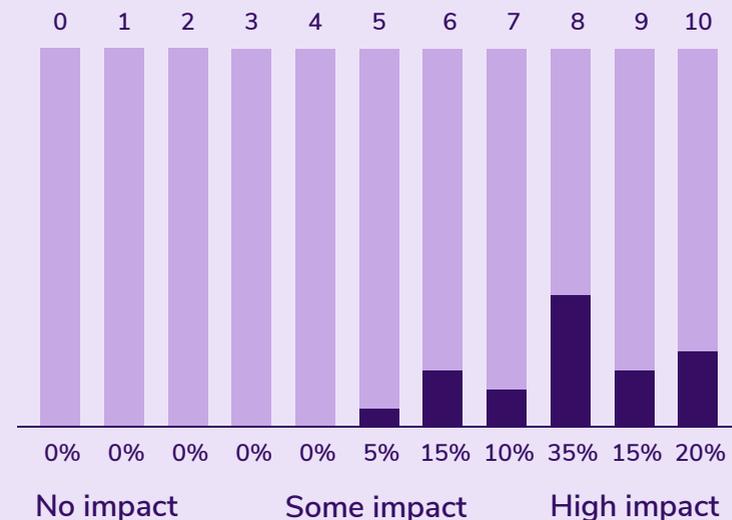
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So, how much does financial education impact student retention?

The other third believe that financial capability has some impact/has an impact on student retention (5, 6, 7 on Likert scale).

Chart 1. In your opinion, does developing financial capability have an impact on student retention?

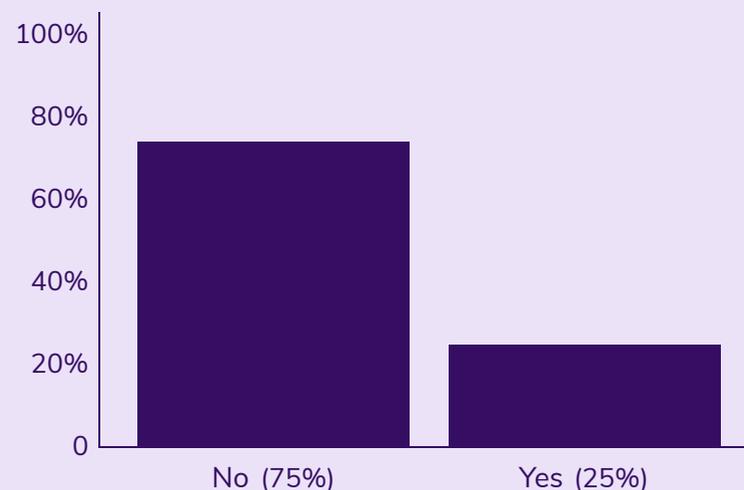


This shows that all respondents, whose work is very closely linked to supporting students, believe that there is an inextricable link between financial capabilities and student retention.

Students drop out of university for many reasons and although institutions conduct a form of exit interview to monitor attrition and retention, financial capability is often overlooked.

Just one out of four universities we surveyed have a defined way of measuring the link between financial capability and student retention.

Chart 2. Do you have a way of measuring the impact of financial capability on student retention?



Looking at existing research, multiple sources show the link between disadvantaged backgrounds and non-continuation of students (Higher Education Academy 2018). The debate leans towards the need for all-round support for students, including the development of financial skills and providing financial support to WP cohorts. If we factor in those from disadvantaged backgrounds who discontinue due to financial difficulties, as well as students who get into serious financial trouble due to a lack of budgeting skills and money mismanagement, financial education becomes an important objective for universities.

Those universities measuring the correlation between financial capability and non-continuation are doing so in the following ways:

- Student surveys
- Discussions with students
- Case management
- The analysis of student reasons of withdrawals against the introduction of financial capability services

Many universities lean on self-reported qualitative feedback from students. Getting an accurate picture can often be problematic as withdrawal reasons are not always detailed enough — so this data is unreliable. As a sector, there's room to come together and establish a more robust mechanism for gathering metrics and measurements.

Financial support aside, student support teams report increased mental health challenges due to the financial pressures of university.

Respondents who don't measure the impact of financial capability on student retention were asked whether they believed that it was important to measure a correlation between the two. While an overwhelming majority of 85% responded yes, the remaining 15% pointed to the complex, time consuming nature of the task. Our respondents cited the main benefit of proving the correlation would be to secure further funding for financial capability training so they can better support current and future students.

““ Yes, any way to better understand barriers that not only impact on completion, but also achievement, is important to ensure we can best support our students to achieve their goals and reach their potential.

— University of Leicester

Another consideration is how we reach those students in crisis who don't contact the student funding team. When asked where they turn for cash when in need, 11% of students said they turn to gambling, adult work or drug trials. A mere 15% say they turn to their university, indicating that university support services are not the 'default' for students in financial trouble (Save the Student 2018).

Financial support aside, student support teams report increased mental health challenges due to the financial pressures of university.

According to the MAS research:

- Almost two-thirds (65%) of students have had a negative experience including mental health difficulties, due to their financial situation.
- Students are most likely to experience stress or anxiety (51%) and a significant proportion will have difficulty sleeping (27%), experience panic attacks (9%) or turn to alcohol to cope (7%) all linked to their financial situation.

For student services to evolve from a reactive to a more proactive modus operandi, we need to also engage those students who aren't reaching out in a crisis. Ideally this would mean intercepting before a crisis hits.

How we tackle financial capability

For the majority of the institutions we surveyed (80%), financial education is built around one-to-one support and occasional workshops which can be expensive, poorly attended and not easily scalable. However, the overwhelming majority of respondents said they offer one-to-one support to students who come to them for help to develop financial capabilities — again a reactive rather than

proactive way of dealing with students who are already in trouble.

Currently, student services departments use awareness campaigns, stands, flyers and other printed materials to raise awareness of the support offered around financial education. Unsurprisingly, Blackbullion also features high on the list of support to develop financial capabilities. Please note this is weighted, as 75% of universities who responded to this survey are also our clients.

Student Services departments often focus on vulnerable student groups, as those from disadvantaged or underrepresented backgrounds have a higher risk of dropping out.

We identified a lack of priority placed on second year students in particular, which tend to be the 'abandoned middle child' with only 25% of universities focussed on providing any support to this group.

“ If we can prove a link between retention and financial capability, as well as a link between money issues and mental health, we would be in a better position to promote our services to students. Most only come to our Student Funding Team when they are in crisis. We’d like to help students develop these essential life skills to help them during their student journey and beyond graduation. It’s not something to be ignored or pushed to the bottom of the ‘to do’ list. We need to get student buy-in early so we can empower them and ultimately equip them to deal with any fluctuations in income.

— Sheffield Hallam University

Our survey found that the student groups who are in most need of developing financial capability are young (prospective and first year students) and/or without strong family support (care leavers, first in family).

Chart 3. Which student groups do you think are most in need of developing financial capability? (choose as many as you like)



Almost three-quarters of students (73%) feel confident managing their money, one in five students (320,000) find themselves frequently overdrawn on a bank account.

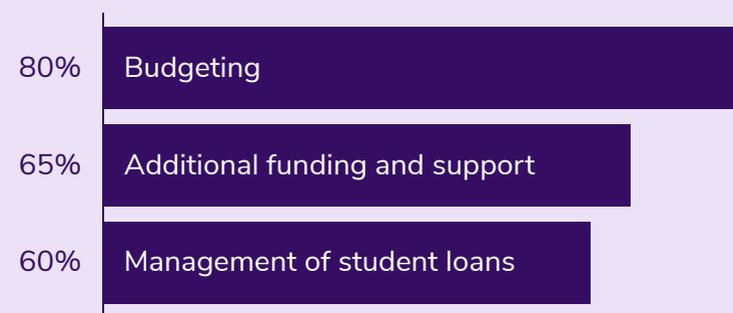
Interestingly, we identified a lack of priority placed on second year students in particular, which tend to be the 'abandoned middle child' with only 25% of universities focussed on providing any support to this group.

Respondent universities identified the following as the most important elements in helping students improve financial capabilities:

- Increase visibility about additional sources of funding by knowing about funding and support
- Become better at managing money through budgeting
- Address the many myths and mis-comprehensions around student loans

These findings resonate with research conducted by MAS and NASMA, showing that while almost three-quarters of students (73%) feel confident managing their money, one in five students (320,000) find themselves frequently overdrawn on a bank account. Of those who have been overdrawn, 40% have gone over their overdraft limit or used an unauthorised overdraft, demonstrating that confidence (albeit very important) can also be misplaced.

Chart 4. What are the skills or knowledge within the financial capability you have identified as important and are actively working to improve for your students?



Budgeting does not seem to be a skill that students have honed, in fact we know that one in five students have never budgeted at all (Save the Student 2018). As such, budgeting skills should be high on the university's agenda to introduce this key skill set. Simply learning about budgeting can already have a lasting impact.

65%

were more likely to budget each month

75%

feel more likely to make positive changes to their money management

In a recent Blackbullion whitepaper, we found that after engaging with the platform (most students having completed Budgeting content), 65% were more likely to budget each month and 75% feel more likely to make positive changes to their money management (Blackbullion 2017).



The cost of university and student loans is a topic that is often politicised in the media and therefore hard to unravel. As such it's not surprising that half of the student population don't understand their loan agreement and 70% don't know the interest rate on their loan. Media portrayal can further build unnecessary anxiety for students. Three in five worry about loan repayments (Save the Student 2018), but the reality is that a staggering 70% of students who left university (in 2015) never expect to finish repaying their loans, according to modelling carried out by the Institute for Fiscal Studies. (Financial Times 2016).

As such, while funding and support are available they are often hard to access or understand.

70%

don't know the interest rate on their loan

3/5

students are worry about loan repayments

70%

students who left university (in 2015) never expect to finish repaying their loans

What is done successfully to promote financial capability?

Putting all challenges aside, it is far from doom and gloom. We identified many successful initiatives raising student financial capability in the sector, especially at those universities where student support teams have proactively developed this area of student support.

The sector is supported by several organisations focused on helping to develop financial capability of students, with NASMA (National Association of Student Money Advisers), Money and Pensions Service, Citizen Advice, Save the Student, StudentMinds, and Blackbullion being involved, amongst others.

Looking at the responses from the 20 surveyed institutions many felt that it was important to reach a broader cross-section of the student population and vitally to pre-empt financial challenges.

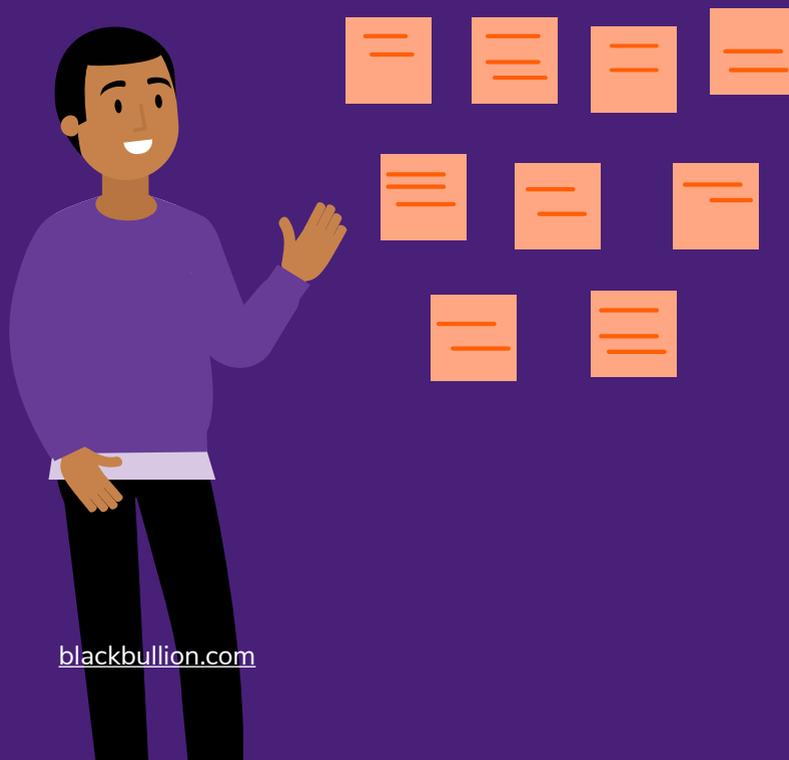
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The main priorities

- Scaling financial capability outreach
- Focusing on trialing different projects
- Finding what works
- Understanding how best to measure the success of implemented initiatives

Since most universities have developed bespoke approaches to developing financial capability initiatives, we asked providers to tell us success stories from campaigns implemented in 2018.



The most successful 2018 initiatives reported

-  One-on-one support
-  Budgeting workshops
-  Financial capability workshops
-  Parents workshops
-  Blackbullion
-  Awareness campaigns
-  National Student Money Week (organised by NASMA)
-  Welcome Week stands
-  Pop-up sessions
-  Working with student money mentors
-  Workshops with third parties (Citizens Advice, Retail Banks)

Digital tools like Blackbullion's e-learning platform support institutions scale their efforts to be more proactive and reach students who would traditionally not have benefitted from one-to-one support. **These initiatives are sometimes tied into the overarching goal of student retention and, in some cases, success was measured by looking at students gaining knowledge or skills.** Improving budgeting skills and ultimately reducing withdrawals attributed to financial difficulties was the overarching aim for most universities. Institutions also had ambitions to reduce hardship and emergency loan payments. Some institutions focused on hyper-specific goals like maximising sign-ups to Blackbullion and making students aware of additional funding, or improving their one-on-one support service by reducing the wait-time for a student to get an appointment or increasing the number of interactions.

The flagship awareness campaign, National Student Money Week, developed by NASMA in 2011, has been adopted by 65% of surveyed institutions to bring a focused approach to promoting financial capability during one week a year (usually February).

In addition, 70% of surveyed universities are trying to make at least some of the financial capability learning mandatory, asking students to complete a learning module, or a budget calculation, as part of the hardship award application process. A couple of institutions also looked into including financial modules into their welcome week orientation, while one started internal discussions on how to make the financial skills module part of the official curriculum.

70% of surveyed universities are trying to make at least some of the financial capability learning mandatory.

All in all, measures of success and supporting initiatives were very mixed, often based on budget and resources available. This shows that there is no single recipe to provide additional support but that the sector is very passionate about developing student financial skills, with many institutions taking a multi-touch approach to increase their reach within the student population.

Opportunity for innovation

Students and Student Services understand the importance of developing financial capability. Referencing Save the Student data again, it is clear that students are ready for financial education, with 70% of them wishing they'd had a better financial education.

Our research respondents also believe financial capabilities have an important role to play in their students' success. They are already supporting students with one-on-one sessions, workshops and, increasingly, with digital tools. However, they often don't have the means to measure success, and face challenges to get support from across the institution, both financially and reputationally.

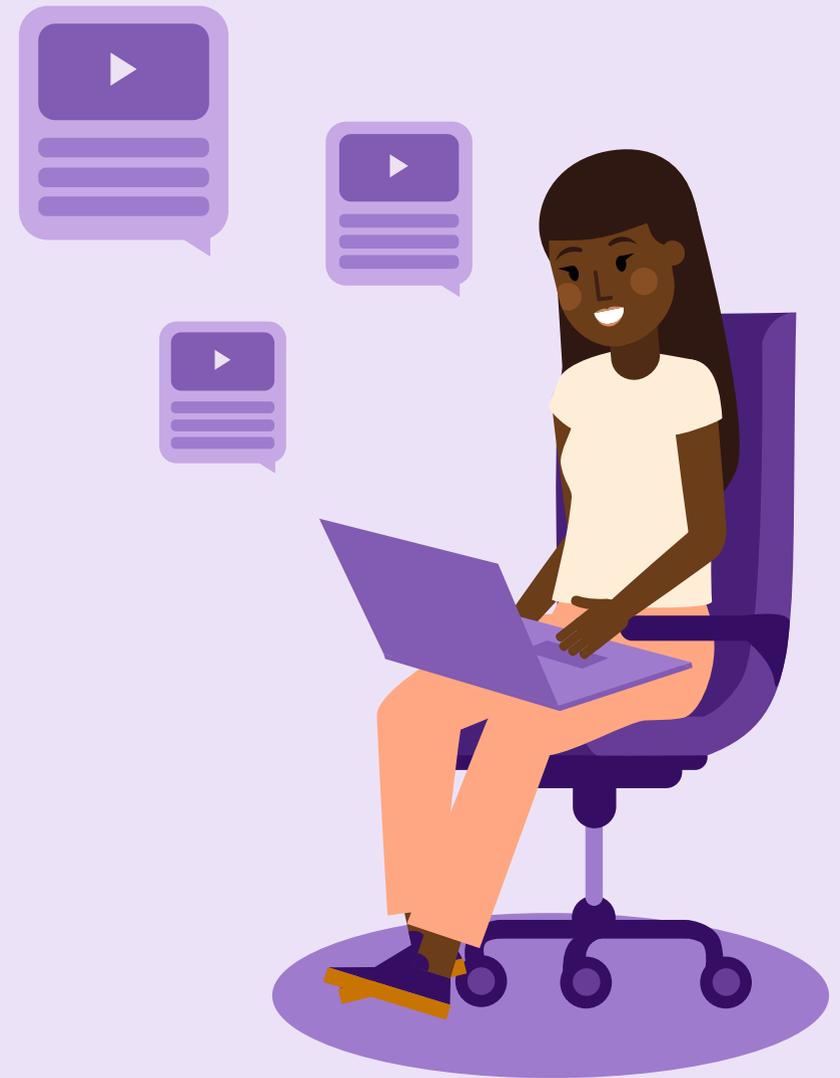
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We wanted to understand opportunities for innovation — the initiatives they would implement to support students' financial capability without the barriers of budget and resources:

- Some would double down on what's already working — they would invest in more outreach, higher accessibility for students to advisers, more targeted workshops, spending more time with students, meeting every new student to gauge their need for support.
- Many hope for a more interdisciplinary approach, working with other departments and faculties e.g. to have a joint program with careers to develop the knowledge, skills and experience required to help students transition into the real world.

- Others hope to be able to scale their efforts by offering technology that encourages budgeting, making payments and monitoring spending. They also hope for a more gamified way of teaching these particular skills.

Starting financial education earlier is seen as highly desirable — primarily at school or as pre-arrival education. Although this is viewed positively, US studies have found that “college level personal finance courses resulted in higher investment knowledge scores than high school courses” (Crain 2013). **Receiving education that is relevant to that particular life stage is an important factor to consider.**



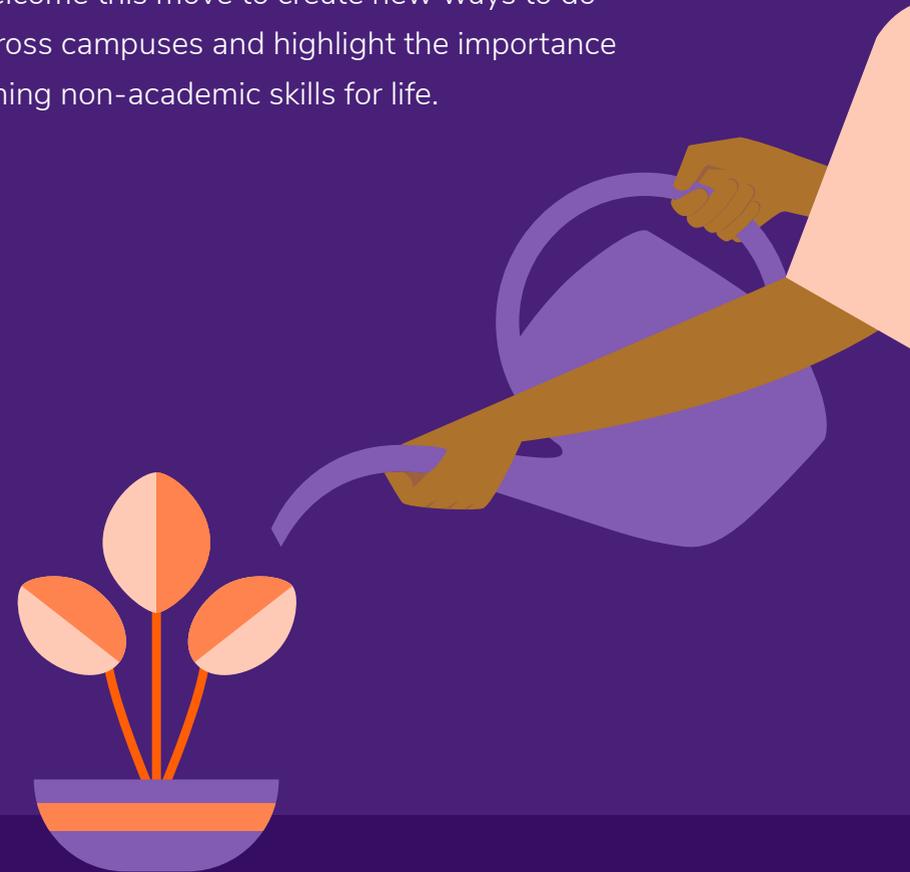
Conclusion

The main theme we can take from this report is that the majority of respondents would like financial capability to become part of the higher education curriculum and viewed holistically by the institution. Some envisage it becoming a financial capability module or personal development bolt-on to degree courses, while others hope to make it part of a life skills programme that includes financial learning.

What it also shows is that many institutions are getting great results by building a multi-layered approach to developing student financial literacy skills and providing financial support. The universities in this study will continue on this successful trajectory to enhance the university experience, with the core objective of equipping young people with essential skills for life.

The Secretary of State for Education recently launched a task force to find “ways of helping students manage challenges in four key areas, which includes aspects of student life including managing finances, getting used to independent study, and finding your feet among a large new group of peers.” (Gov.uk 2019).

We welcome this move to create new ways to do this across campuses and highlight the importance of learning non-academic skills for life.



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