

Examining the Interplay of Socio- and Economic Factors on the Financial Effects of Student Loans in Europe

Bachelor Thesis for Obtaining the Degree Bachelor
of Science in International Management

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Affidavit

I hereby affirm that this Bachelor's Thesis represents my own written work and that I have used no sources and aids other than those indicated. All passages quoted from publications or paraphrased from these sources are properly cited and attributed.

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Abstract

In recent years, the role of student loans in higher education has emerged as a crucial financial instrument, allowing individuals to pursue academic goals. This paper focuses on economic conditions and how individuals perceive them. This paper will research how and to what extent these conditions affect student loan decisions. As demand for education rises globally, especially amid economic shifts, factors such as inflation and changing interest rates will also be highlighted, along with the growing need to explore the student loan decision-making process. The research also focuses on the rising cost of living, influenced by economic factors like inflation, supply shocks, and global events like the current Russian-Ukrainian war and the COVID-19 pandemic. Focusing on the relationship between financial stress, socioeconomic backgrounds, and economic factors, this study aims to understand individuals handling these challenges and how they affect their intention to take on student loans. Socioeconomic factors, including family income, cultural background, financial literacy, and their influence on student loan decision-making will also be examined.

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1. Introduction

In recent years, student loans have become an essential financial instrument in higher education, enabling individuals to pursue academic goals. The demand for higher and foreign education is constantly increasing (Bassett, 2023). Nevertheless, the consequences of student loans surpass the immediate help they provide. For example, 70 % of college seniors with student debt express that loan repayments will impact their career plans, and 80% felt burned out as undergraduates (Liu, 2023). The most significant share of people using student loans in Europe is the UK, with 83.9% of students using a loan, followed by Norway with 70% (Del Ray & Schiopu, 2015).

As demand for education keeps increasing, it is crucial to understand how student loans affect students and when and why they need a loan. This is especially important in dealing with changing and upcoming socio-economic situations such as income disparities, inflation, interest rates, etc. With this in mind, this research aims to determine whether students need new kinds of student loans/policies to support them financially during economic shifts.

Furthermore, an increase in the overall cost of living could be observed in recent years, a phenomenon that can be influenced by many economic factors (Mulrenan et al., 2023). Students encounter several challenges in financing their lives, especially during their studies. The increasing cost of living is linked to economic shifts, inflationary pressures, supply shocks, and the dynamic interplay of market forces. Additionally, exploring the economic situation, many factors are causing financial difficulties for people from different backgrounds. In particular, students face higher vulnerability (Bøe et al., 2021).

As mentioned above, inflation affects the cost of living, tuition fees, and other educational expenses. Therefore, students may borrow more to cover these rising costs. 86% of first-year students express concerns about their finances due to the pressures of the rising cost of living (Garner, 2023). One reason for the increasing cost of living is inflation caused by the Russian-Ukrainian war (Banna et al., 2023). The resulting supply shock in 2022 has led to the highest-ever measured annual inflation increase of 9.2 % compared to the previous year (Eurostat, 2023). Another reason for increasing inflation was the COVID-19 pandemic; inflation has increased in numerous nations since mid-2020 but has recently started to ease. The simultaneous surge in inflation came from a rapid rebound in demand after the reopening of various countries, ongoing disruptions in global supply chains, and considerable fluctuations in oil and food prices. Since the Russian invasion of Ukraine in February 2022, mainly oil prices have emerged as a more prominent factor of high inflation (Ha et al., 2023).

The decision for younger people to pursue higher education often comes with financial considerations. Therefore, this research will focus on the relationship between financial decisions, socio-economic backgrounds, and the influence of economic factors, offering a more detailed understanding of individuals' challenges and opportunities within diverse economic circumstances. Student loans offer financial support for students who would otherwise be unable to attend university. (Sewell & Rogers, 2023). The student loan market accounted for 3.9 trillion dollars globally (Allied Market Research, 2023). With rising tuition costs, education becomes a substantial financial burden, further compounded by the present specters of economic factors. This financial burden also intersects with various socioeconomic factors, such as family income (Van Hooijdonk et al., 2023).

Socioeconomic factors, such as family income, cultural background, and regional disparities, are crucial in shaping the student loan market. For example, the educational debt for pediatric residents upon graduation had doubled. In contrast, average starting salaries saw only small growth rates, barely matching the inflation rate (Burr et al., 2023).

Additionally, economic stability and economic growth were harmed by the Ukrainian war with Russia, leading to inflation and rising short-term interest rates in many countries (Banna et al., 2023). This, in turn, led to the impact of inflation on the real value of money (Purchasing Power) and the influence of interest rates on borrowing costs (Student loans) (Mohseni & Jouzaryan, 2016). The interest rates play a crucial role when it comes to loans in general. Due to the rising inflation, central banks were forced to increase the interest rates to lower inflation. Higher interest rates are leading to higher interest payments to pay your loan. Additionally, when the central bank raises interest rates and moves away from the zero lower bound, the loan rates experience a notable increase. In contrast, the deposit rates see a slowed rise. (Goodhart et al., 2023). There is a natural rate of interest, which is like the baseline interest rate in an economy. The real interest rate is expected when the economy is doing well, producing as much as possible, and prices are stable according to the central bank's wants. This happens after temporary economic fluctuations have settled down (Juárez, 2023). As individuals have problems with loan repayment, their financial decisions, consumption patterns, and investment choices transform, subsequently influencing local and national economies (Degryse & Huylebroek, 2023).

The costs are rising because of different causes, which were mentioned above. With this being said, this study's purpose is to identify the critical factors in using student loans during these difficult times and to what extent socioeconomic and economic factors influence these factors to provide policymakers with information regarding this matter and support students in

the best way possible. The literature review will explore theories and models like the Theory of Planned Behavior (TPB) (Ajzen, 1991), the Social Cognitive Theory (Bandura, 1999), and the Economic Theory (Rational Choice Theory) Hamilton (1919). To relate these theories, this research will gain a deeper understanding of how individuals behave under financial stress (TPB), students observing the financial behaviors of others facing similar situations (Social Cognitive Theory), and people considering rational factors (family income, cultural background, economic shifts, etc.) (Rational Choice Theory) in terms of student loan decisions, will also be discussed in the literature review. Furthermore, the following research questions will be answered:

RQ1. Consumer Sentiment: To what extent do economic factors, such as inflation and interest rates, contribute to student loan decisions?

RQ2. Financial Stress: How does financial stress affect student loan decisions?

RQ3. Family Income: To what extent does family income affect student loan decisions?

RQ4. Cultural Background: To what extent does cultural background affect student loan decisions?

RQ5. Financial Literacy: How does financial literacy affect student loan decisions?

2. Literature Review

2.1 Macroeconomic influences on student loan decisions

The decision-making process regarding student loans depends on many different aspects, among which macroeconomic elements play a pivotal role. This section of the literature review aims to illuminate the dynamics of these macroeconomic factors and their impact on student loan decisions.

2.1.2 Economic factors influencing student loan decision

Inflation, defined as the sustained increase in overall prices or the general cost of living within a country, is a fundamental economic phenomenon with profound implications for both economies and societies, as highlighted by the International Monetary Fund (IMF, 2023). This literature review section examines the causes and development of inflation and the interplay of economic factors that contribute to its emergence and progression.

The impact of inflation is a topic that has been gaining much attention in the last two years. Economic inflation is a quantifiable indicator of the speed at which the buying power of goods and services diminishes as time progresses (Musarat et al., 2021). There are many different reasons which can cause high inflation. Nevertheless, a compelling assertion can be made that their primary impact lies in highlighting the potential significance of supply shocks (Kibritçioğlu, 2001).

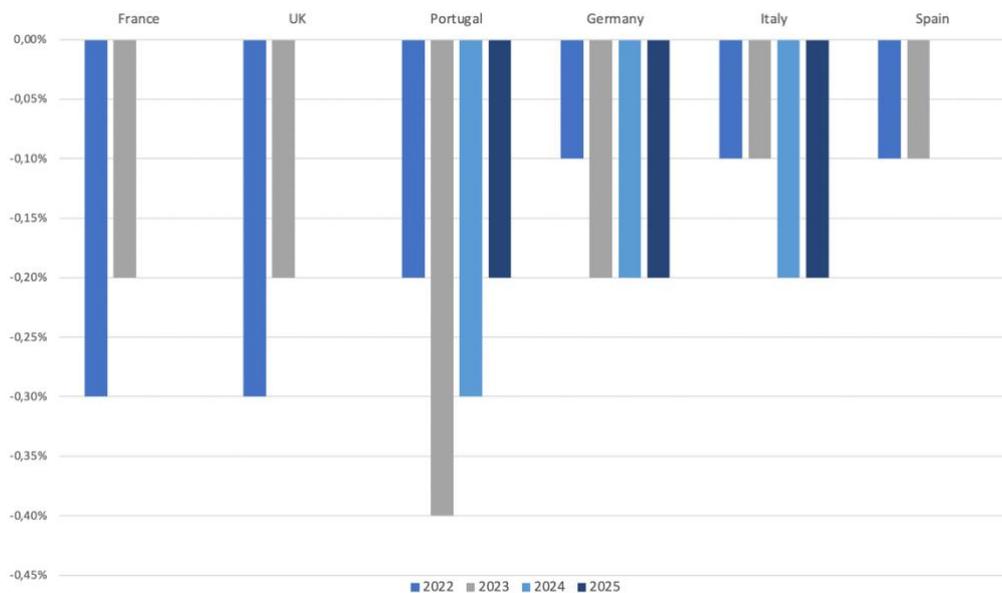


Figure 1: "The Impact of a 10% Rise in Oil Prices and 50% Rise in Gas Prices on GDP Growth" (based on: [KPMG, 2022])

Figure 2 demonstrates the impact of a 10% rise in oil prices and a 50% rise in gas prices on the GDP growth of the affected European countries. It indicates a decline in overall GDP, also known as a recession in the economies of the listed countries (KPMG, 2022). Since the start of the Russian-Ukrainian war, the oil and gas shock inflation went up, which would underline this assertion. Supply chains play a pivotal role in our modern world, and their efficient functioning is linked to the availability of oil and gas. Also, our daily lives heavily depend on these fossil fuels, influencing various aspects, including heating, transportation, and more (Raj et al., 2023). This dependence on oil and gas has far-reaching implications that impact our convenience, global economy, and environmental sustainability, especially when considering students and their limited financial resources (Considine et al., 2023).

Monetary factors, particularly the quantity of money in circulation, have been a central research focus on the causes of inflation. Monetarist theories, inspired by the work of economists like Milton Friedman, emphasize the relationship between money, supply growth, and inflation (Friedman, 1966). Empirical studies often investigate the validity of the quantity theory of

money, which posits a direct link between changes in money supply and price levels. The most significant consequence of inflation is the decreasing value of money, which has far-reaching effects on financial systems, the monetary sector, and the broader economy, leading to adverse reactions across various aspects of society. It intensifies social instability and intensifies social conflicts (Yunusovna, 2022). This can lead to a rise in the cost of living, a particularly challenging circumstance for students managing their loans (Levy, 1981). In order to understand how inflation is handled, it is crucial to understand the role the European Central Bank, also known as ECB, plays. European Central Bank. It is the central bank for the euro. It is responsible for monetary policy within the Eurozone, which comprises 19 of the 27 European Union member states that have adopted the euro as their currency. The primary objective of the ECB is to maintain price stability by keeping inflation in check, aiming for an inflation rate close to but below 2% over the medium term (European Central Bank, 2023).

It is essential to acknowledge that inflation, when maintained at an optimal rate, plays a significant role in ensuring the smooth operation of an economy. The determination of this ideal rate typically falls under the supervision of the central bank, entrusted with the responsibility of balancing inflation and interest rates at levels leading to economic stability. Maintaining this equilibrium is a difficult task, as too high an inflation rate can decrease purchasing power and create economic volatility, while inflation at a “good rate” may foster investment and economic growth (Fischer, 2004).

Inflation at the correct rate promotes economic stability. When prices rise at a moderate pace, consumers can confidently plan their expenditures, and businesses can make informed investment decisions without being overly concerned about sudden and unpredictable price changes (International Monetary Fund, 2023). Furthermore, the central bank, as a key planner of monetary policy, employs various tools to manage inflation effectively.

Interest rates, for instance, are often adjusted to influence borrowing and spending behaviors, thereby influencing inflation. By raising interest rates, the central bank can reduce borrowing and spending, which can help lower inflation when it is too high. Conversely, lowering interest rates can encourage borrowing and spending to combat deflation or stagnation (Raza et al., 2023).

As mentioned, economic factors, particularly inflation and interest rates, shape the landscape of student loan decisions. Inflation, as a measure of rising prices over time, directly affects the purchasing power of money. As the cost of living increases, so does the overall education expense, influencing students. This upward price trend triggers an increase in interest rates (European Central Bank, 2023). The interest rate determines the cost of borrowing for students, and in response to inflation, lenders (banks or government) adjust interest rates to counter the decreasing value of money. This increases the financial burden on students, impacting the affordability of loans (Nova, 2023). The choice between fixed and variable interest rates becomes pivotal, with fixed rates shielding against the unpredictable fluctuations tied to inflation (Johnson, 2023). Beyond the immediate cost implications, economic conditions like inflation significantly affect graduates' post-education financial scenarios. The real income of graduates, which is crucial for loan repayment, may not keep pace with the rising cost of living. This misalignment poses challenges, making it harder for graduates to meet their loan obligations and potentially influencing decisions on pursuing higher education (Mahlmann, 2023).

To address the research question of the matter, the following hypotheses have been established:

H1a: The perception of economic conditions positively impacts the intention to take on student loans.

H1b: The perception of Inflation positively impacts the intention to take on student loans.

2.2 Student Loans in Europe

In Europe, the landscape of loans is diverse, with a wide range of financial instruments tailored to various needs, and among them, student loans hold a unique significance. European countries have developed models for financing higher education, with student loans being a crucial component. Unlike some regions where the government predominantly funds education, European students often rely on loans to cover tuition fees, living expenses, and other educational costs. One can see significant differences, especially when comparing European universities to those in America (Lepori et al., 2019).

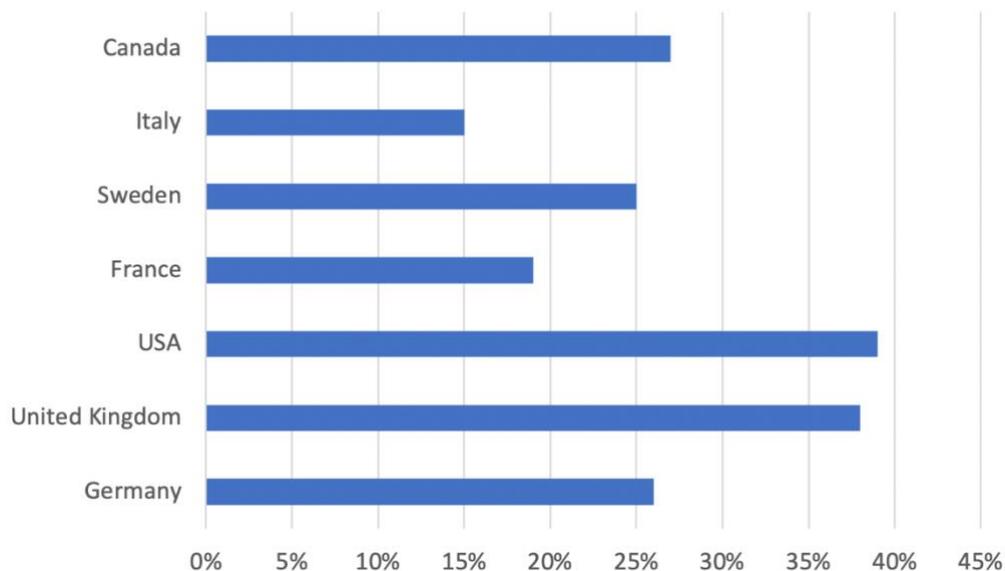


Figure 2: "The Percentage of Students with a Higher Education" (based on: [Schrager, 2022])

According to Figure 3, countries that offer free higher education have fewer graduates than those that offer chargeable education. Schrager discusses that higher costs for education lead to higher education levels. In Europe, most countries have free universities other than American universities.

Additionally, chargeable universities tend to have a higher ranking than those that are free for students (Schrager, 2022).

Ranking	University	Location
1	Massachusetts Institute of Technology	United States
2	University of Cambridge	United Kingdom
3	Harvard University	United States
4	University of Oxford	United Kingdom
5	Stanford University	United States
6	Imperial College London	United Kingdom
7	ETH Zurich	Switzerland
8	National University of Singapore	Singapore
9	UCL	United Kingdom
10	University of California, Berkeley	United States

Table 1: "The World's Top 10 Universities" (based on: [OCallaghan, 2023])

When considering Table 1, which demonstrates the ten highest-ranked universities worldwide, one can see that only one European university made it on the list, ETH Zurich in Switzerland. The United Kingdom and the United States each have four universities on the list. This underscores Schrager's argument regarding the positive correlation between high education and high education costs (OCallaghan, 2023).

However, in recent years, living expenses have been constantly increasing, and COVID-19 and the Russian-Ukrainian war have put much pressure on students (Kokkinos et al., 2022). Because of the rising cost of living, more and more students take advantage of student loans. Usually, this indicates that a student takes a loan for their studies, but in Europe, it refers to an annual loan to cover their costs and be able to focus on their studies. For instance, in Germany, one can apply for a governmental loan called "Bafög," which can be paid after the studies with zero interest. Still, this type of loan is only available in Germany, and not everyone can get it. To understand the impact

of student loans on financial stress, the literature review will further elaborate on how economic and socio-economic factors and financial literacy influence this interplay.

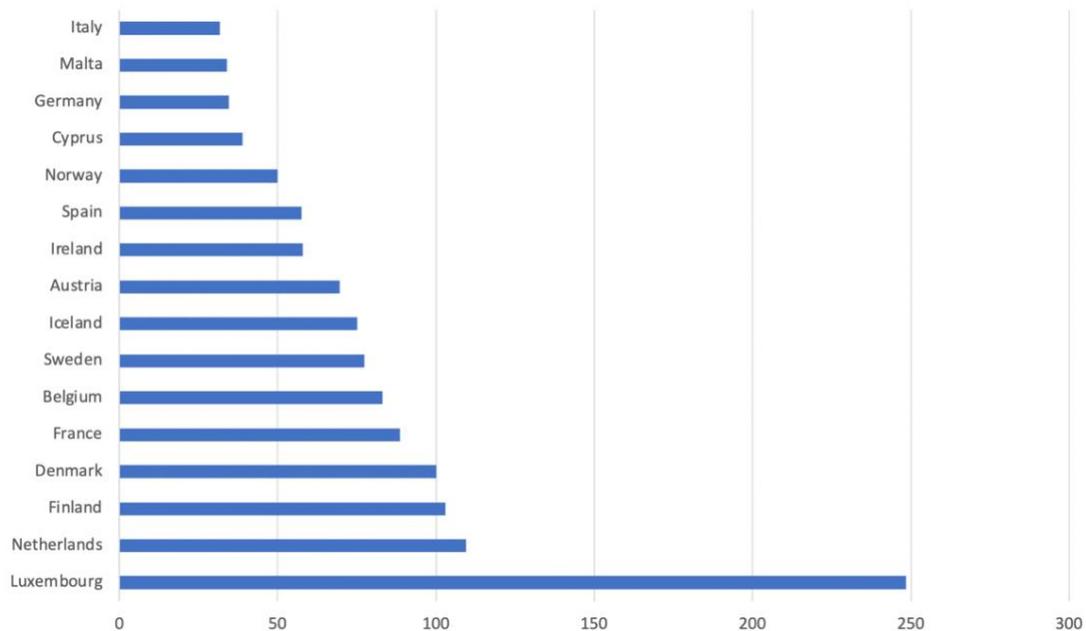


Figure 3: "Value per Capita of Loans and Advances to Households and Non-Financial Corporations granted by Banks in Europe in 2022 in 1,000 Euros" (based on: [Statista Research Department, 2023])

As seen in Figure 4, Luxembourg has had the highest value per capita of loans and advances granted to households and non-financial corporations granted by banks in Europe in 2022, with 248.400 €. In contrast, Germany has been granted a loan of 34.500 € (Statista Research Department, 2023).

2.3 Financial Stress

This part of the literature review will focus on the complexities of financial stress, examining its psychological effects and how it influences students.

Financial stress occurs when there is not enough money to cover basic needs such as food and unexpected expenses, leading to emotional and psychological stress. Financial stress appears when unexpected expenses feel like additional challenges, adding to the worry and burden of not having

enough money. This not only puts the students' financial stability at risk but also affects their mental and emotional well-being (Ryu & Fan, 2022). The rising cost of living and stricter financial conditions have led to worries about household financial stability. As families deal with increased expenses for essentials like food and energy, along with higher debt payments, there is a greater risk that they might struggle to repay loans or significantly cut back on spending. This financial strain may lead to defaults, impacting banks' financial strength. This, in turn, could limit credit availability, creating negative cycles that affect the broader economy (Valderrama et al., 2023). For example, a survey in the UK highlights that a typical student's monthly living expenses have risen by 17%, going from £924 in 2022 to £1,078, and another survey indicates that 18% of students utilized a food bank during the last academic year, compared to 10% in 2022. Additionally, 22% of surveyed students mentioned frequently skipping meals to cut costs, and 42% indicated doing so occasionally (Brown, 2023).

Financial stress is a vital aspect of understanding the impact of student loans on individuals in Europe. As students and graduates perform their studies and transition into the workforce, they often encounter financial pressures from their loan obligations and other economic factors, such as high expenses for living (Friedline et al., 2020). One of the primary factors influencing financial stress among European student loan borrowers is their socioeconomic background. Research has consistently shown that students from lower-income families may face more significant financial stress due to tuition fees, living expenses, and loan repayments (Ryu & Fan, 2022). These borrowers often have fewer financial resources to fall back on and may struggle to meet their loan repayment obligations.

On the other hand, students from more wealthy backgrounds may experience lower financial stress, as they may have access to additional financial support from their families. However, access to paid employment

does not 'protect' against higher financial stress (Wilson et al., 2022). The availability of employment opportunities can significantly impact the financial well-being of student loan borrowers. Graduates entering a job market with a high demand for their skills and qualifications are more likely to secure stable and well-paying jobs, even next to their studies, reducing the financial stress of loan repayments. (Wilson et al., 2022) In contrast, graduates in fields with limited job prospects or regions with higher unemployment rates may struggle to find suitable employment, worsening their financial stress. The link between employability and financial stress is of particular concern in the context of European student loans, where repayment often commences shortly after graduation (Kühn et al., 2023).

Terms and interest rates associated with student loans in European countries significantly affect financial stress. European countries have varying student loan structures, including income-contingent repayment schemes, fixed interest rates, and loan forgiveness programs. These factors can further influence borrowers' overall financial burden and stress levels. The availability of favorable loan terms, such as lower interest rates and extended repayment periods, can reduce the financial stress associated with student loans, making repayment more manageable. As mentioned in the literature review's introduction, Germany offers student loans with a zero-interest rate, which can tremendously support students and make repayments more manageable (BMBF, 2022). The presence and effectiveness of support services for student loan borrowers are essential in addressing financial stress. Universities, governments, and financial institutions offer various forms of assistance, such as financial counseling, debt management programs, and loan deferment options. The accessibility and quality of these services can significantly impact borrowers' ability to manage their financial obligations and alleviate stress. A lack of adequate support services can increase financial stress for borrowers struggling to repay student loans (Mikolajczyk et al., 2008).

Furthermore, financial stress associated with student loans in Europe can have broader implications for borrowers' psychological well-being. It may lead to anxiety, depression, and reduced overall life satisfaction (Botha et al., 2022). Additionally, a study outlined that Under stress, participants displayed a disadvantageous performance, making decisions that lacked consistency and were not informed by reinforcement learning or memory (Hassen et al., 2023). These emotional and mental health consequences, in turn, can affect academic performance and future career prospects, creating a cycle of financial and emotional stress (Noman et al., 2021). Life stability is a pivotal factor significantly influencing students' life satisfaction and overall quality of life. Bakhtiari and team (2018) highlight the prominence of financial stress as the second most impactful element affecting students' contentment with their current life circumstances and well-being. Similarly, the strong predictive power of financial security during adversities determines university students' happiness and life satisfaction (Zuffianò et al., 2018). Expanding on this theme, it could be observed that the financial stresses and multifaceted impact of COVID-19 on students' life satisfaction during quarantine have led to a decline in academic performance. The research from Moore et al., 2021 reveals that students experiencing financial stress tend to dedicate more time to work, leading to notably lower course grades. The qualitative insights from students underline these findings, emphasizing how work commitments can hinder academic success (Moore et al., 2021). The concern arises from students questioning their ability to complete their education successfully amidst economic disruptions (Rogowska et al., 2020).

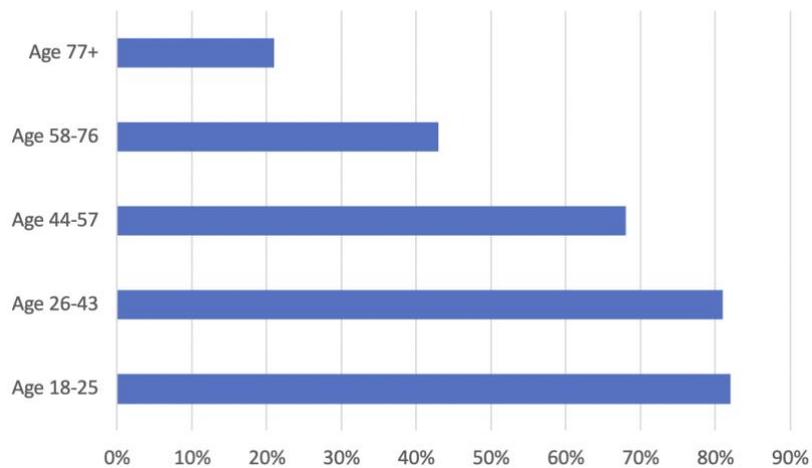


Figure 4: "Stress in America in 2022" (based on: [American Psychological Association, 2022])

Figure 5 demonstrates a study created by the American Psychological Association in 2022, which shows that people aged 18-25 feel stress regarding money. 82% of all participants in that age group noted that they feel or have felt stress lately. According to Figure 2, the older the people get, the less concerned about money and finances they are (American Psychological Association, 2022).

At its core, financial stress is a psychological experience. Borrowers often grapple with the fear of accumulating debt, uncertain economic futures, and the societal expectations tied to educational attainment. Understanding the psychological dimensions of financial stress is crucial for designing support systems that address borrowers' economic challenges and mental health. The psychological and mental impact will be further elaborated in the next section of the literature review.

2.3.2 The Psychological and Emotional Impact of Financial Stress

Financial stress associated with student loans in Europe can exert psychological and emotional stress on individuals, affecting various facets of their lives. The constant worry about meeting financial obligations, such as debt payments, bills, and daily expenses, can lead to heightened levels of

anxiety and stress. This persistent stress can have intense effects on mental well-being, potentially contributing to conditions such as depression and anxiety disorders (Roberts et al., 2000). The fear of financial instability and the associated emotional burden can create a cycle of negative thoughts, impacting decision-making, relationships, and overall quality of life. Additionally, researchers have found a link between debt and diminished perceptions of financial well-being, coupled with elevated stress levels among college students. The findings consistently indicate that the debt burden negatively influences how students perceive their financial standing, fostering a sense of insecurity. The weight of financial obligations, such as student loans, contributes to a negative strain that can impact students' overall well-being, potentially influencing their academic performance and college experience (Norvilitis et al., 2006).

To address the research question of the matter, the following hypothesis has been established:

H2: Financial stress has a positive impact on the intention to take on student loans.

2.4 Family Income

This literature review section will focus on the relationship between family income and education. It will elaborate on how financial advantages/disadvantages impact students' educational journey.

The Household income (disposable income) is the total output a household/family generates annually. In Europe, there are immense regional and national differences in family income. For instance, Germany has a much higher family income than Hungary, with more than 40.000 dollars and less than 21.000 dollars, respectively. Europe's highest net adjusted annual

disposable income is Luxembourg (as of 2019), with more than 47.000 dollars, followed by Switzerland and Germany (Statista, 2020).

Additionally, there are also differences in how many children each household has. As of 2021, Sweden has the lowest percentage for “one child” (37.2%) but leads in terms of “two children” (47%). On the other hand, Bulgaria leads in terms of “one child” (62%) but lags when it comes to three or more children” (5.1%) (Statista, 2022). Overall, only the EU has 197 million households, and approximately one quarter have children, and 73.6 million people are aged 15-29 years (student age) as of 2020 (Eurostat, 2022). 18.5 million people study (including international students, who account for 1.46 million), of which 59% study for a bachelor's degree (Eurostat, 2021).

Furthermore, families with more significant financial means are better positioned to invest in their children's education. A study from Norway focused on how educational advantages are passed down across generations by examining the impact of both parental income and wealth on children's academic performance. The study found that these two resources independently influence a child's educational outcomes. In addition, the research reveals that within the familial context, parental income plays a more significant role than parental wealth in influencing children's academic performance (Wiborg & Grätz, 2022). Additionally, another study's findings indicate that experiencing a 33% increase in parental income at 18 is associated with a 3.33% higher likelihood of graduation (Vandenberghe, 2007).

Another research sheds light on the relationship between a parent's job stability or loss and the educational outcomes experienced by their children. This study focuses on the different ways in which parental employment can impact children across various age groups. It examines the immediate consequences of a parent losing a job and the potential long-term effects on a child's academic performance and overall educational journey (Rege et al.,

2011). Research from Canada has revealed that since Canada's income gap has widened, significantly affecting educational outcomes, children from low-income families often face a disadvantage in school readiness compared to their wealthier peers. “Factors such as the incidence, depth, duration, and timing of poverty and community characteristics influence a child's educational attainment and further educational journeys” (Hb et al., 2007). Data from the European Commission underlines the previous researchers' outcomes that parents' education and, in general, their socio-economic background significantly influences students' likelihood of early school leaving, and parental education emerges as an essential factor in this regard (European Commission, 2020). An analysis from the UK estimated the impact of socioeconomic background (household income), revealing that higher household income and savings act as protective factors, preventing children from accumulating debt. Therefore, students from economically disadvantaged families were more affected by debt (Furuta, 2023).

The familial expectations tied to financial success and social mobility can also significantly impact the decision to pursue higher education and the reliance on student loans (Stivers & Berman, 2020). Families with higher incomes may prioritize prestige and quality in education, emphasizing minimizing debt. On the other hand, lower-income families might prioritize access to education even if it means accumulating student loans, viewing it as an investment in future opportunities (Kuperberg & Mazelis, 2021).

These intergenerational patterns and expectations underline the relationship between family income and decision-making regarding student loans. They emphasize the need for a comprehensive understanding of familial dynamics and socioeconomic contexts to address disparities and develop approaches to finance education (Stivers & Berman, 2020).

To address the research question of the matter, the following hypothesis has been established:

H3: Family income positively impacts the intention to take on student loans.

2.5 Cultural Background

Exploring the relationship between cultural backgrounds and decision-making regarding student loans, this literature review focuses on critical factors, highlighting the interconnectedness of cultural behaviors and their impact on student loan decisions.

There are differences when it comes to cultural backgrounds. For instance, 23% of Black borrowers, 20% of Latino borrowers, and 6% of white borrowers fall behind their payments. Additionally, a study in 2019 revealed that two decades after commencing college, the typical Black borrower still owed 95% of their loan balance, in contrast to the typical white borrower, who owed only 6% (Council, 2023).

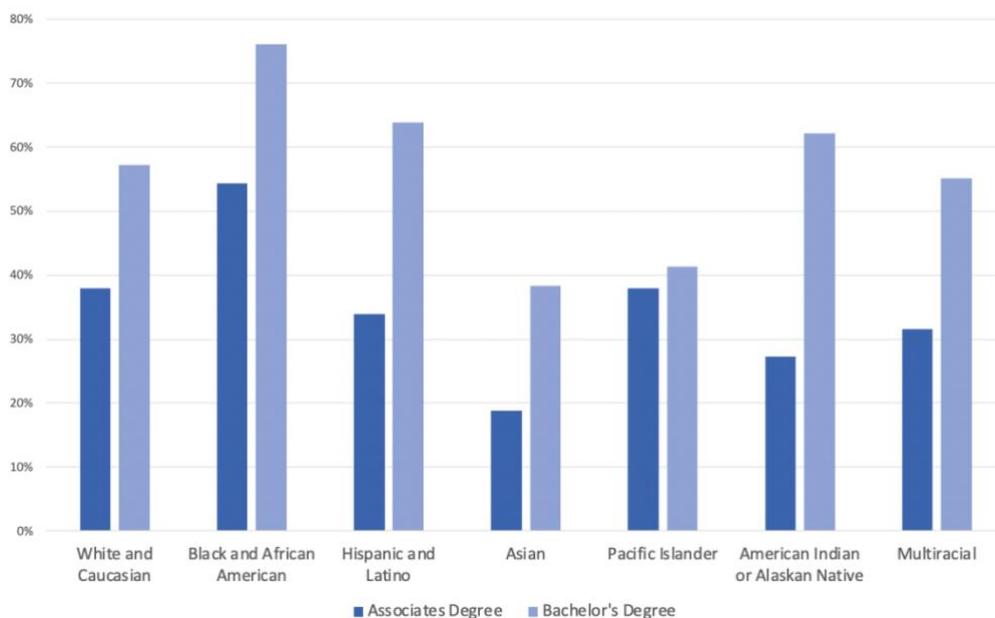


Figure 5: "Student Loan Debt by Race" (based on: [Hanson, 2023])

As can be seen in Figure 6, students identifying with Black and African American cultural backgrounds exhibit the highest likelihood of having student loan debt for their associate's degree, standing at 54.3%. Hanson's study reveals a strong disparity, indicating that, on average, Black college students carry an additional \$25,000 in student loan debt compared to white students. When considering bachelor's degrees, students with Hispanic or Latino backgrounds are most likely to have a student debt with 63.8%. Conversely, students with an Asian background appear to be the least likely to incur student loan debt, both for associate and bachelor degrees. Hanson's research highlights that among college graduates, those with Asian backgrounds demonstrate the swiftest loan repayment rates and are more prone to earning salaries that surpass the balance of their student loan debt (Hanson, 2023).

Cultural backgrounds that highly value academic achievement often enhance a sense of educational culture. That fosters a belief that pursuing higher education is a personal goal and a familial intention. With this cultural obligation, individuals consider student loans necessary to fulfill educational goals, aligning personal and cultural expectations (Kuperberg & Mazelis, 2021). Family expectations further contribute to student loan decisions. Cultural backgrounds influence familial attitudes toward education, creating a dynamic where individuals may feel a cultural duty to obtain a degree, impacting the obligation to take on student loans to meet these expectations. For instance, a study pointed out that colleges enjoy the advantages of a cultural belief in the importance of higher education, especially within more privileged social groups (Hartley, 2019).

Cultures prioritizing financial independence may discourage reliance on external financial assistance, potentially impacting the extent to which individuals consider student loans. On the other hand, cultures that are more accepting of debt may view student loans as a pragmatic investment in

education, aligning with broader cultural values (Hartley, 2019). The perception of the return on investment for education is intimately connected to cultural backgrounds. Cultures with higher degrees closely linked to career success may cultivate a greater willingness to leverage student loans to invest in future opportunities, underscoring the intertwining of cultural values and financial decisions (Stivers & Berman, 2020).

Cultural attitudes towards risk are another factor that views student loans as a calculated investment. In contrast, those with risk-averse tendencies prioritize financial stability over leveraging education debt (Hopper, 2015). Furthermore, cultural taboos or expectations surrounding financial decisions within a cultural framework influence individuals in deciding whether to take on student loans or seek alternative means of financing education. For instance, a study from China highlights that when it comes to cultural values and consumption (loans), present-day Chinese university students remain fundamentally consistent regarding traditional Chinese culture (Xu & Wang, 2009). Another study from Switzerland investigates the effect of culture on financial literacy on secondary school students on the German-French language border. The study found that students in French-speaking areas show a lower degree of financial literacy than their German-speaking peers. Lastly, in the German-speaking region, students are more likely to receive pocket money from an early age. They are also more likely to have autonomous access to a bank account compared to students in the French-speaking region (Brown et al., 2018).

Furthermore, cultural differences in decision-making are also vital to better understanding the cultural attitudes towards student loans. A study that researched investment decisions and what a decision would “cost” highlights that most East Asian groups (Japan, Hong Kong, and Taiwan) are more indecisive than Westerners of European heritage (Yates & De Oliveira, 2016).

This highlights the cultural differences in terms of investment decisions and how these differences can affect the process of student loan decisions.

Geert Hofstede's cultural dimensions theory offers insights into how cultural values shape behaviors and decisions. When considering student loan decisions, these dimensions play a role in influencing the decision-making process. One of these dimensions is "power distance," which measures the acceptance of hierarchical structures and may impact how students approach loan decisions. In cultures with high power distance, individuals might follow traditional paths set by authority figures. Conversely, those from low power distance cultures may feel empowered to assess and decide on loans independently (Hofstede et al., 2009). The dimension of Individualism vs. Collectivism affects whether personal goals or collective responsibilities drive decisions. Individualistic cultures prioritize personal aspirations, possibly leading students to take on loans for individual growth. Controversially, collectivistic cultures may involve input from family or community members, turning the decision into a collective responsibility. Uncertainty avoidance reflects a culture's preference for clear rules. In high uncertainty avoidance cultures, students may approach loan decisions cautiously, seeking comprehensive information. Low uncertainty avoidance cultures, on the other hand, maybe more open to risk, including taking on loans for educational opportunities (Hofstede et al., 2009).

Long-Term Orientation vs. Short-Term Normative Orientation influences attitudes toward future planning. Cultures with a long-term focus may view student loans as an investment in future benefits, while those with a short-term orientation might be hesitant due to immediate financial concerns. Recognizing that these cultural dimensions are generalizations and that individual experiences vary is crucial. Personal and economic factors also significantly impact decisions about student loans. While cultural dimensions provide a framework, the complexities of individual circumstances should not

be overlooked in understanding decision-making dynamics (Hofstede et al., 2009).

The mentioned cultural distinctions likely influence individuals' approach to decision-making right from the start. Cultures differ in their emphasis on opportunities or threats and their interpretations of the same information as either a threat, an opportunity, or neither. Additionally, individuals vary in their inclination to participate in decision-making (Yates & De Oliveira, 2016).

To address the research question of the matter, the following hypothesis has been established:

H4: Cultural Background positively impacts the intention to take on student loans.

2.6 Financial Literacy and Borrowing Choices

The relationship between financial literacy and borrowing choices offers valuable insights into how individuals' understanding of financial concepts influences their borrowing decisions. This literature review section examines essential findings and trends from many studies, providing a more detailed knowledge of the relationship between financial literacy and borrowing choices.

Numerous studies examine that a higher level of financial literacy is associated with more informed and better borrowing choices. Knowing about money, like how to make a budget, credit scores, and loan terms, helps people have the right tools to deal with borrowing money. Empirical evidence indicates that a good foundation in financial literacy correlates with a greater chance of selecting loans with better terms. Understanding interest rates and making informed decisions about debt management also contribute to

decision-making (Pak, 2018). Evidence from another study demonstrates that people's decisions and financial behaviors are significantly impacted by their level of financial literacy. For instance, research showed that financial literacy is crucial in influencing saving and investment behavior and practices related to managing debt and borrowing money. Therefore, people with excellent financial knowledge are more likely to accumulate wealth (Lusardi, 2019).

In terms of students, millennials lack substantial information about their student loans, and a considerable portion does not try to calculate the future payment amounts associated with their loan commitments. When the study asked about reconsidering borrowing decisions for student loans, around half of the millennials would have made different choices if given a chance (Lusardi & Oggero, 2016). Additionally, concerning debt behavior, individuals with higher financial literacy levels are less likely to carry credit card debt. They are expected to pay the entire balance on their credit card each month instead of only making the minimum payment required (Lusardi & Tufano, 2009).

Furthermore, cultural factors also influence the relationship between financial literacy and borrowing choices. Research highlights that cultural factors affect financial literacy and play a pivotal role in shaping attitudes and preferences regarding borrowing. Cultures prioritizing financial education tend to foster a population more adept at navigating borrowing decisions. In contrast, cultures with limited financial literacy may experience higher suboptimal borrowing choices (Davoli & Rodríguez-Planas, 2020).

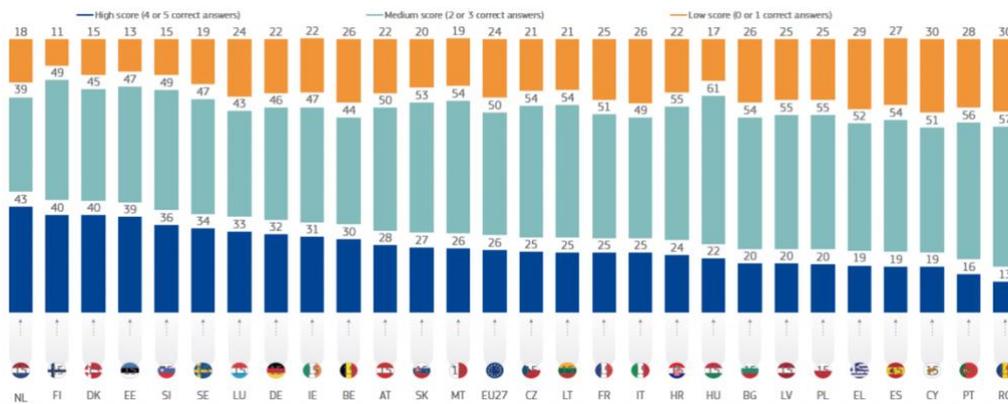


Figure 6: "Financial Knowledge Score in 2023 in the EU" (based on: European Commission, 2023)

When considering Figure 7, it can be analyzed that the data from the European Commission reveals significant differences in financial literacy. The Netherlands is the leading country in understanding economic and financial impacts. Four out of ten people (43%) displayed a high understanding of financial knowledge (European Commission, 2023). In comparison, Romania has the lowest percentage of people with an increased understanding of financial terms, with only 13%.

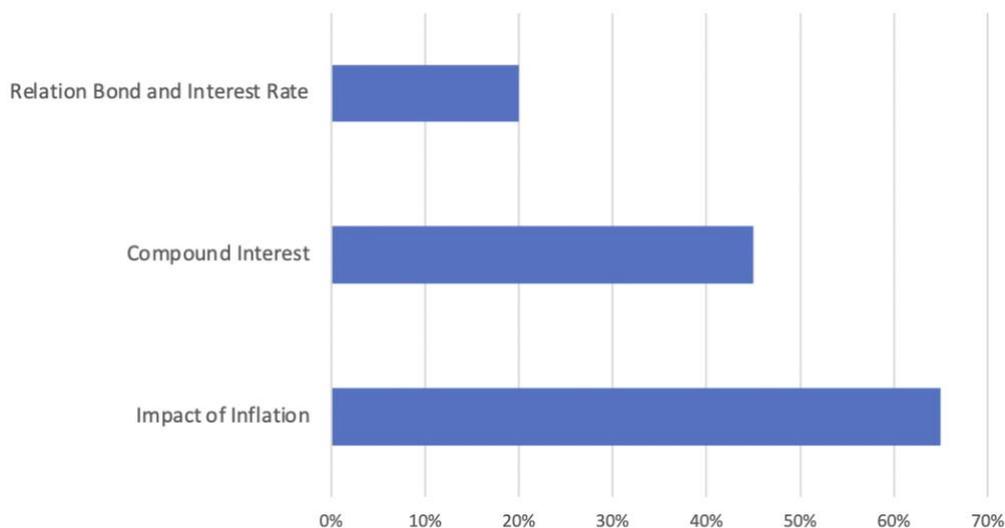


Figure 7: "Financial Knowledge Questions" (based on: European Commission, 2023)

A further study created by the European Commission, as can be seen in Figure 8, revealed that most of the study's respondents (65%) understand the impact of inflation. Nevertheless, only 45% of the participants comprehend

compound interest, which is essential to understanding the decision-making process of student loans. Lastly, only 20% understand the relation between interest rates and bond prices. (European Commission, 2023). In addition, a further question in the European Commission survey asked the participants how long they could cover their living expenses without borrowing any money or moving if they lost their main source of income today. This section of the survey questions to what extent the respondents save their money. When evaluating the results, 33% of respondents expressed confidence in their financial resilience, asserting that they could manage for six months or longer without borrowing money or drastically changing their lifestyle. With 48%, Luxembourg emerged as the country where respondents expressed the greatest confidence in their financial preparedness, with the highest certainty that they could sustain their living expenses for six months or more in the event of a loss of income (European Commission, 2023).

Additionally, 18% indicated a somewhat shorter but still substantial timeframe, estimating their ability to cover expenses for at least three months. However, only 16% of respondents admitted to lacking any emergency savings, underscoring a potential vulnerability in their financial preparedness for unforeseen challenges. With 26%, Latvia stood out as the country with the most people who do not have emergency savings. This variation in responses highlights individuals' diverse financial landscapes, emphasizing the importance of fostering greater preparedness for economic uncertainties (European Commission, 2023).

Research from the US breaks down financial literacy data within countries and reveals that certain groups in the population face more significant challenges in understanding financial matters. These groups include women, African Americans, and Hispanics in the US (Lusardi & Mitchell, 2008). In addition, individuals without a college degree, people with low-paying jobs or no employment, and people living in rural areas (Christelis et al., 2010).

Additionally, studies emphasize the influence of family background, such as parental education or whether parents had stocks or retirement accounts during the respondents' teenage years (Davoli & Rodríguez-Planas, 2020).

Several studies explore the impact of financial literacy interventions on borrowing behavior. Findings consistently suggest that targeted educational programs can lead to improvements in financial knowledge and, subsequently, more favorable borrowing choices (Birkenmaier et al., 2019). A study from the UK highlights that these interventions often focus on enhancing understanding of interest rates, fees, and the long-term implications of borrowing, empowering individuals to make choices aligned with their financial goals (Davies et al., 2019).

To address the research question of the matter, the following hypothesis has been established:

H5: Financial literacy self-efficacy positively impacts the intention to take on student loans.

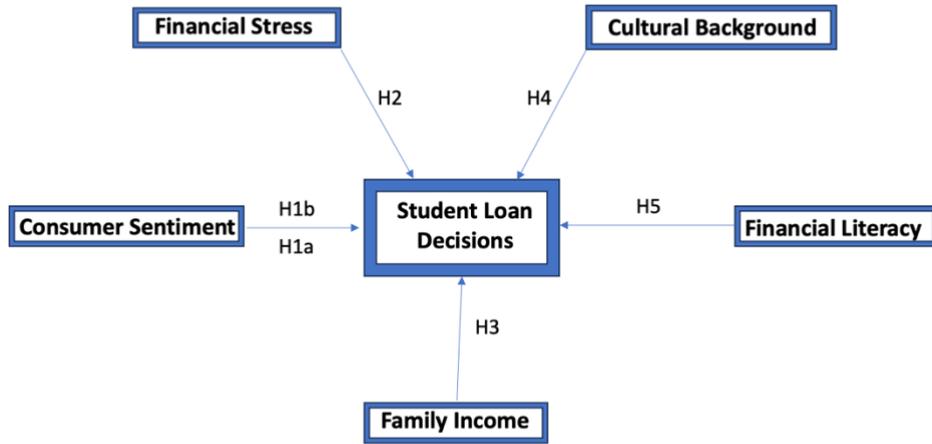


Figure 9: Research Model

3 Methodology

This section focuses on the methods and processes employed to gather and analyze data, assessing the validity of established hypotheses. To affirm the credibility of the study's results, we strive to offer transparency in the methods employed, encompassing research design, survey development, and sample selection.

3.1 Research Method and Design

We conduct explanatory research because the aim is to quantitatively investigate the Interplay of socioeconomic and economic factors on the financial effects of student loans in Europe. The primary aim of this approach is to apply a cause-and-effect correlation between the recognized factors that can affect the student loan decision-making process. This framework enables us to gather quantifiable data and identify the causal connections among independent variables (Financial stress, family income, cultural background, financial literacy, and consumer sentiment) and influence student loan decisions (dependent variable).

To gather primary data on the factors influencing the student loan decision-making process, an online questionnaire will be utilized to collect primary data directly. The survey, which addresses a sample of individuals, is structured to capture details on pivotal variables like considerations and preferences and any other factors impacting the choice of student loans. For data gathering, snowball sampling was applied over social media (WhatsApp and Instagram). The questionnaire comprises closed-ended questions to ensure uniform responses and streamline data collection. For gender, age, income, geography, and employment status, open-ended and multiple-choice questions were utilized. Subsequently, the data will undergo analysis using Jamovi, a statistical software, employing techniques like regression analysis and factor analysis. This analytical approach unveils the primary factors

influencing individuals' decision-making regarding student loans. The objective is to gain comprehensive insights into the aspects influencing student loan decisions.

3.2 Survey Development

An online questionnaire is being created to ensure precision and reliability in data collection for addressing the research questions and accepting or rejecting the hypotheses. The survey employs a closed-ended format for the construct questions, presenting respondents with a predetermined set of answer options. This intentional structure aims to minimize ambiguity, enhance consistency, and improve the accuracy of the results obtained. Comprising 29 questions, each focusing on distinct constructs, the questionnaire adopts a 5-point Likert scale for most of the questions; for consumer sentiment/Inflation 3, the Likert scale was also adopted. For other Consumer Sentiment questions, a multiple-choice format was utilized. The Likert scale should allow respondents to express their agreement or disagreement with statements. The multiple-choice questions focus on perceptions with four possible answer possibilities (better now, same, worse, do not know). For consumer sentiment/inflation 3, a Likert scale was created where respondents had to answer how high they think the chances are that their income will increase by more than the inflation rate (0-20%, 20-40%, 40-60%, 60-80%, 80-100%). All the other questions adopted the also the Likert scale ranging from “Strongly disagree” to “Strongly agree” The survey employs ordinal and interval measurements, which provide a good understanding of participant responses. The online questionnaire presented to participants is available in the appendix for a visual reference.

3.2.1 Consumer Sentiment

Consumer sentiment refers to individuals' attitudes, opinions, and feelings regarding the overall economic conditions. We used multiple-choice for most of the questions for this independent variable to assess consumer sentiment (perceptions), except for the Consumer Sentiment/Inflation 3 survey question (Likert scale). These questions are designed to get quantifiable responses, allowing for systematically measuring sentiments and perceptions. By analyzing the collected data, we can gain insights into how individuals perceive various factors, such as economic outlook and overall financial situation. Lastly, multiple-choice questions provide a structured approach to capturing and quantifying the range of sentiments that respondents may hold. The following answers are possible for most of the survey section questions ("better now," "same," "worse," or "Yes" or "No"). As already mentioned, for consumer sentiment/inflation, a Likert scale was adopted.

3.2.2 Financial Stress

The Financial stress independent variable examines the struggle individuals may experience in managing their financial situations. The study employs the Likert scale to measure financial stress, allowing respondents to rate their agreement or disagreement with specific statements. Respondents are presented with a series of statements related to financial concerns, and they rate their agreement on a scale (from "Strongly Disagree" to "Strongly Agree"). The Likert scale provides a fundamental understanding of the intensity of financial stress experienced by individuals. Through the analysis of Likert scale responses, we can quantify the degree of financial stress, identify patterns, and explore the impact of financial stress on various aspects of individuals' lives, such as decision-making and overall well-being. As already mentioned, this method enables a systematic and standardized approach to assessing and comparing levels of financial stress.

3.2.3 Family Income

Family income is a crucial independent variable in this research, reflecting the economic resources available to a household and whether a young individual gets financial support if needed. Likert scales are also employed to measure family income, allowing respondents to indicate their agreement or disagreement within predefined ranges (from “Strongly agree” to Strongly disagree). Respondents are presented with a series of statements and select the option corresponding to their situation. Furthermore, to understand the individual's income situation, two short answer questions were asked to gather data regarding income and employment status (“Are you employed?” “If you are employed, what is your income?”). This facilitates a quantifiable representation of the economic diversity within a study population, enabling us to draw meaningful conclusions about the relationship between family income and student loan decisions.

3.2.4 Cultural Background

Cultural background is a significant independent variable encompassing a range of cultural dimensions. Respondents were presented with three different categories/statements to understand attitudes, behaviors, and preferences. The respondents had to answer by using the Likert scale with the following answer options: “Strongly disagree,” “Disagree,” “Neutral,” “Agree,” or “Strongly agree.” These Categories include risk-taking, change in life, or future planning, and they selected the option that best represented themselves. One open-ended question was also established to invite respondents to write where they are from. This qualitative data provides insights into the geographical differences of the study population.

3.2.5 Financial Literacy

Financial literacy, as the fifth and last independent variable, relates to an individual's knowledge and self-efficacy in understanding financial concepts. As with the previous variables, the Likert scale is being used to provide a structured method for individuals to rate their level of agreement or disagreement with statements related to financial knowledge and challenges. By employing the Likert scale, financial literacy among individuals should indicate how this knowledge influences financial behaviors, decision-making, and overall financial well-being. Respondents were presented with three statements related to financial topics and challenges, and they were asked to indicate their level of agreement/understanding on a scale (from "Strongly Disagree" to "Strongly Agree"). This format allows for a quantifiable measurement of financial literacy, which provides the data to analyze the distribution of financial literacy and financial challenges within this sample.

3.2.6 Student Loan Decisions

In understanding individuals' decisions regarding student loans, this construct also employed a Likert scale approach to quantify attitudes and intentions associated with this significant financial undertaking (student loans). Respondents were presented with three statements to capture their decision-making process. As already mentioned in the previous constructs, participants were asked to indicate their level of agreement or disagreement with each statement on a scale ranging from "Strongly Disagree" to "Strongly Agree." The collected data allows us to explore the factors influencing individuals' choices, offering insights into the relationship between financial literacy, cultural background, financial stress, consumer sentiment, and family income in shaping attitudes toward student loans.

3.3 Data Collection (Sampling)

The research design suggests employing a probability sampling method, such as simple random sampling, to ensure an unbiased selection of participants. However, a snowball sampling approach was chosen for practical reasons, utilizing social media (Instagram & WhatsApp) to advertise the questionnaire. The sample size was limited to 57 participants out of the total population of Europeans (742,272,652), which is below the ideal level for statistical significance and study power. Of course, efforts were made to ensure diversity in age, gender, and other relevant demographic factors within the sample to enhance the generalizability and representativeness of the findings to the broader population. However, most of the respondents were male and between 21 and 25 years old.

3.4 Research Ethics

A key emphasis in this survey was prioritizing the confidentiality of respondents' information and ensuring that all participants were aware of the study's anonymity, guaranteeing that none of the survey questions could be traced back to them. Adhering to informed consent standards, participants were thoroughly informed of the study's objectives and expected duration, and only those who willingly consented were permitted to participate. Addressing potential harm, measures were taken to ensure that all survey questions had no risk or discomfort to respondents. This assurance was further justified through a comprehensive review conducted by the university before sharing the survey link on social media to initiate data collection. Lastly, all data utilized in this research's analysis is primary data directly collected by the researcher, maintaining the integrity of the study's methodology.

3.5 Measurement Item Table

Figure 10: Measurement Item Table

CONSTRUCT	MEASUREMENT ITEM	SOURCE
Consumer Sentiment/Economic Conditions	“Would you say that at the present time, economic conditions are better or worse than they were a year ago?”	(University of Michigan, 2023)
Consumer Sentiment/Economic Conditions	“During the last few months, have you heard of any favorable or unfavorable changes in economic conditions?”	(University of Michigan, 2023)
Consumer Sentiment/Economic Conditions	“Would you say that you are better off or worse off financially than you were a year ago?”	(University of Michigan, 2023)
Consumer Sentiment/Inflation	“Do you expect inflation to increase, remain about the same, or decrease?”	(University of Michigan, 2023)
Consumer Sentiment/Inflation	“What do you think the chances are that your income will increase by more than the rate of inflation during the next five years or so?”	(University of Michigan, 2023)
Consumer Sentiment/Inflation	“Compared with 5 years ago, do you think the chances that you will have a comfortable retirement have gone up, gone down, or remained about the same?”	(University of Michigan, 2023)
Financial Stress	“I am often not able to pay my bills on time?”	(Van Dijk et al., 2022)
Financial Stress	“I have a hard time thinking about things other than my financial situation.”	(Van Dijk et al., 2022)
Financial Stress	“I often worry about money”	(Van Dijk et al., 2022)
Family Income	“If you are faced with financial problems, you usually get support from your family.”	(Mamun et al., 2018)
Family Income	“Using family income is necessary to mitigate your expenses.”	(Mamun et al., 2018)
Family Income	“You intend to use family financial support.”	(Mamun et al., 2018)
Cultural Background	“It is important to me to plan for the future very carefully”	(Stull & Von Till, 1995)
Cultural Background	“I enjoy taking risks.”	(Stull & Von Till, 1995)
Cultural Background	“Change in my life is important to me?”	(Stull & Von Till, 1995)
Financial Literacy	“I have confidence that I can manage my finances.”	(Liu & Hua, 2021)
Financial Literacy	“I am fully capable of making personal financial planning.”	(Liu & Hua, 2021)
Financial Literacy	“I can easily handle financial challenges.”	(Liu & Hua, 2021)
Student Loan Decisions	“I intend to use a student loan in the next 12 months.”	(Ahmad et al., 2021)
Student Loan Decisions	“I will try to cover my expenses using student loans.”	(Ahmad et al., 2021)
Student Loan Decisions	“I find student loans useful while covering my expenses”	(Ahmad et al., 2021)

4 Data Analysis & Results

This section of the research paper focuses on analyzing the data with the help of Jamovi. The survey was created via Google Forms, and the link was shared over Instagram and WhatsApp. As students are usually young when they start their studies, social media is an excellent tool for getting responses from students or young adults pursuing an academic career. To better visualize and understand the outcome, tables and charts will support the data analyzed.

4.2 Descriptive Statistics

After we checked and fixed any errors in the data, we changed it a bit to make it easier to analyze; we wanted to see how reliable, normal, and connected the data was, so we made all the information to a continuous scale for better analysis. Furthermore, we transformed all the questions, except the first five consumer sentiment questions, into reflective latent variables where the Likert scale has been transformed to continuous values ranging from 1-5, where one stands for “Strongly agree” and 5 for “Strongly disagree.” For hypothesis 1b, the values range also from 0-5, where 0 stands for the same as for the first, 1 for “0-20%” and 5 for “80-100%”. For all “NA” responses, the data has been recorded as “missing.”

To obtain meaningful information about the demographic and socioeconomic makeup of the sample, participants were requested to respond to questions regarding their gender, age, income, and where they live. 33,3% (19) of the total respondents were female, and the majority, 66,7% (38), were male (Figure 11). The cumulative percentages indicate that the total sample size is accounted for, with 100% reflecting the combined distribution of female and male gender identifications. As we do not know if someone who is not

enrolled wants to study in the following years, we included all participants in the data analysis and did not filter anyone out.

Figure 11: Respondents Gender

Gender			
What gender do you identify as?	n	% of Total	Cumulative %
Female	19	33.3 %	33.3 %
Male	38	66.7 %	100.0 %

Source: Self-generated in Jamovi.

Furthermore, the data in Figure 12 illustrates the distribution of responses to the question, "Are you a university student?" Among the respondents, 36.8% answered "No," showing that 21 individuals in the sample are not university students. On the other hand, 63.2% responded with "Yes," signifying those 36 individuals in the sample identified as university students. The cumulative percentages demonstrate that the entire sample is accounted for, with 100% representing the collective distribution of those who are and are not university students.

Figure 12: Frequencies of "Are you a University student?"

Frequencies of Are you a university student?

Are you a university student?	n	% of Total	cumulative %
No	21	36.8 %	36.8 %
Yes	36	63.2 %	100.0 %

Source: Self-generated in Jamovi.

The following table (figure 13) reveals the age distribution of respondents, with the majority falling within the 21-25 age range, accounting for 67.3% of the sample with 35 respondents. The “Younger than 21” age group includes all respondents aged under 21, representing 26.9% of the total. Those older than 26 are represented by individuals aged 35 and 54, contributing 5.8%. This breakdown emphasizes the predominant presence of younger respondents, a more minor but also notable representation in the “Younger than 21” range, and a minority aged 26 and above in the sample.

Figure 13: Age of respondents.

Age Ranges	Counts	% of Total	Cumulative %
Younger than 21	14	26.9%	26.9%
Aged between 21 and 25	35	67.3%	94.2%
Older than 26	3	5.8%	100.0%

Source: Self-generated in Jamovi.

Furthermore, the frequencies of the “Where do you live” table (figure 14) reveal respondents' geographical distribution, showing a diverse representation of countries. The majority, 40.4% (21), live in Austria, with various locations specified, including Vienna. The various locations were combined in “Country Groups”. Germany follows closely, with 36.5% (19) of respondents in cities such as Hamburg, Berlin, and Frankfurt. Spain represents 5.8% (3) of respondents, while smaller percentages are attributed to countries like Australia, Switzerland, the USA, the UK, Bulgaria, Italy, and Slovakia. This distribution highlights the varied locations of participants, emphasizing a significant presence in Austria and Germany.

Figure 14: Geographics of respondents.

Häufigkeit von Where do you live? Skip the question if you do not want to answer it.

Where do you live? Skip the question if you do not want to answer it.	Anzahl	% von Gesamt	kumulierte %
Australia	1	1.9%	1.9%
Austria	23	44.2%	46.2%
Germany	17	32.7%	78.8%
Spain	3	5.8%	84.6%
Switzerland	1	1.9%	86.5%
USA	2	3.8%	90.4%
UK	1	1.9%	92.3%
Bulgaria	1	1.9%	94.2%
Italy	1	1.9%	96.2%
Slovakia	2	3.8%	100.0%

Source: Self-generated in Jamovi.

In the next table (figure 15), the largest group of respondents is currently employed, accounting for 70.2%. This majority of 40 individuals shows that the majority of the surveyed population is actively employed. A smaller portion, 1.8% of respondents, did not want to reveal their employment status, choosing the category "Prefer not to say." The third category represents individuals who are currently unemployed, making up 28.1% of the total respondents.

Figure 15: Employment status of respondents

Häufigkeit von What is your employment status?

What is your employment status?	Anzahl	% von Gesamt	kumulierte %
Employed	40	70.2%	70.2%
Prefer not to say	1	1.8%	71.9%
Unemployed	16	28.1%	100.0%

Source: Self-generated in Jamovi.

For those respondents who are employed, the following income ranges (figure 16) could be observed. In the first range, lower than 1500 euro, there are 14 individuals, representing 45.2% of the total population. Similarly, the "Between 1500 and 5000" category also has 14 individuals, showing the same percentage of the total, which is 45.2%. Lastly, the "More than 5000" category has three individuals, accounting for 9.7% of the total population.

Two respondents replied that their income varies from month to month which could not be included in the data set of income groups.

The distribution reveals an insight into the income of the surveyed population. The "Between 1500 and 5000" range, with its 45.2% share of the total, has a significant share of the population with a moderate income. This shows a considerable number of individuals earning incomes not exceeding 5,000 euros. The "Less than 1500" income group, also with 45.2% of the total, highlights a high number of the sample having a lower income. In contrast, the "More than 5000" segment, though smaller in proportion at 9.7%, presents an intriguing observation. While fewer in number, these individuals or households enjoy relatively higher income levels, possibly indicating greater financial stability or access to enhanced economic opportunities.

The cumulative percentages of the first two categories account for 90.3% of the total, with most individuals earning incomes below 5000 euros.

Figure 16: Income of respondents.

Frequencies of Income Groups			
Income Groups	Counts	% of Total	Cumulative %
Between 1500 and 5000	14	45.2%	45.2%
Less than 1500	14	45.2%	90.3%
More than 5000	3	9.7%	100.0%

Source: Self-generated in Jamovi.

In Table 17, the variable "Consumer Sentiment/Economic Conditions 1," with a mean of -0.421, suggests a relatively moderate/negative overall sentiment (-1=worse now, 0=about the same, 1=better now). The median of -1 indicates that the distribution is left-skewed, and the standard deviation (SD) of 0.801 implies moderate variability among responses. The skewness of 0.923 indicates a right tail in the distribution, and the kurtosis of -0.790 suggests a moderately peaked distribution. For "Consumer Sentiment/Economic

Conditions 2," the mean of 1.870 suggests a high average sentiment toward "changes in economic conditions" (Yes=2, No; have not heard= 1); the left-skewed distribution (skewness = -2.269) and high kurtosis (3.267) imply a concentration of responses towards higher sentiment values. Furthermore, for the "Consumer Sentiment/Economic Conditions 3," (-1=Worse, 0=Same, 1=Better), the mean of 0.196 indicates a better personal financial sentiment. The left-skewed distribution (skewness = -0.391) and negative kurtosis (-1.479) show a distribution with a flatter peak. "Consumer Sentiment/Inflation 1" (-1=Gone down, 0=Stay the same, 1=Go up) had a mean of -0.281, suggesting a neutral to lower sentiment. The right-skewed distribution (skewness = 0.586) and negative kurtosis (-1.405) indicate a flatter peak and a leftward tail distribution. For the "Consumer Sentiment/Inflation 2," (-1=Gone down, 0=Same, 1=Go up), the mean of -0.625 suggests a low sentiment/belief towards comfortable retirements. The right-skewed distribution (skewness = 1.608) and positive kurtosis (1.057) also indicate a concentration of responses toward lower sentiment values. Lastly, "Consumer Sentiment/Inflation 3" (5= 80-100%, 4= 60-80%, 3= 40-60%, 2= 20-40%, 1= 0-20%) has a mean of 2.660, indicating a weak sentiment that the income will increase more than the rate of inflation. The slightly right-skewed distribution (skewness = 0.448) and negative kurtosis (-0.709) suggest a distribution with a flatter peak.

For the following variables, one means strongly agree, and five means strongly disagree:

"Financial Stress 1" has a mean of 3.982, indicating a tendency towards disagreement with financial stress (Not paying bills on time). The left-skewed distribution (skewness = -0.967) and negative kurtosis (-0.383) suggest a concentration of responses towards higher disagreement values. "Financial Stress 2" has a mean of 3.291, suggesting a neutral/disagreement with financial stress (Thinking about things other than money). The slightly left-

skewed distribution (skewness = -0.295) and negative kurtosis (-0.896) imply a distribution with a flat peak. "Financial Stress 3" has a mean of 2.929, indicating a neutral tendency towards agreement with financial stress (Worrying about money). The distribution is relatively symmetric (skewness = 0.056) with negative kurtosis (-1.378), indicating and showing a distribution with a flat peak. "Family Income 1" has a mean of 1.649, indicating a higher level of agreement with the statement about family income (Family financial support). The right-skewed distribution (skewness = 1.683) and positive kurtosis (1.982) suggest a concentration of responses toward higher agreement values. "Family Income 2" has a mean of 2.509, suggesting moderate agreement with the statement about family income (Family income is necessary to mitigate the expenses). The distribution is symmetric (skewness = 0.597) with negative kurtosis (-1.147). "Family Income 3" has a mean of 2.911, indicating a neutral view of family income (You intend to use family financial support). The distribution is symmetric (skewness = 0.160) with negative kurtosis (-1.325). "Cultural Background 1" has a mean of 1.821, indicating a higher level of agreement with the statement about cultural background (Future planning is essential to me). The right-skewed distribution (skewness = 1.298) and positive kurtosis (1.289) suggest a concentration of responses towards higher agreement values. "Cultural Background 2" has a mean of 2.333, suggesting moderate agreement with the second statement about cultural background (I enjoy taking risks). The distribution is symmetric (skewness = 0.674) with negative kurtosis (-0.439). "Cultural Background 3" has a mean of 1.818, indicating a higher level of agreement with the third statement about cultural background (Change in my life is important to me). The right-skewed distribution (skewness = 1.538) and positive kurtosis (2.820) suggest a concentration of responses toward lower agreement values. "Financial Literacy 1" has a mean of 2.035, indicating a moderate level of agreement with the statement about financial literacy (I have confidence in handling my finances). The right-skewed

distribution (skewness = 0.844) and negative kurtosis (-0.515) suggest a concentration of responses towards higher agreement values. "Financial Literacy 2" has a mean of 2.074, suggesting agreement with the statement about financial literacy (I am fully capable of doing personal financial planning). The distribution is symmetric (skewness = 0.741) with negative kurtosis (-0.382). "Financial Literacy 3" has a mean of 2.364, indicating a moderate/weak level of agreement with the third statement about financial literacy (I can easily handle financial challenges). The distribution is symmetric (skewness = 0.372) with negative kurtosis (-0.666). Lastly, all Shapiro-Wilk Tests were significant at $p < 0.001$.

Figure 17: Descriptives.

Descriptives	Mean	Median	SD	Minimum	Maximum	Skewness		Kurtosis		Shapiro-Wilk	
						Skewness	SE	Kurtosis	SE	W	p
Consumer Sentiment - economic conditions 1	0.421	-1	0.801	-1	1	0.923	0.316	0.790	0.623	0.685	< .0001
Consumer Sentiment - economic conditions 2	1.870	2.000	0.339	1	2	2.269	0.325	3.267	0.639	0.396	< .0001
Consumer Sentiment - economic conditions 3	0.196	0.000	0.840	-1	1	0.391	0.319	1.479	0.628	0.761	< .0001
Consumer Sentiment - inflation 1	0.281	-1	0.861	-1	1	0.586	0.316	1.405	0.623	0.718	< .0001
Consumer Sentiment - inflation 2	0.625	-1.000	0.702	-1	1	1.608	0.319	1.057	0.628	0.567	< .0001
Consumer Sentiment - inflation 3	2.660	3	1.285	1	5	0.448	0.327	0.709	0.644	0.889	0.0001
Financial Stress 1	3.982	5	1.298	1	5	0.967	0.322	0.383	0.634	0.766	< .0001
Financial Stress 2	3.291	3	1.272	1	5	0.295	0.322	0.896	0.634	0.903	0.0003
Financial Stress 3	2.929	3.000	1.463	1	5	0.056	0.319	1.378	0.628	0.879	< .0001
Family Income 1	1.649	1	1.094	1	5	1.683	0.316	1.982	0.623	0.653	< .0001
Family Income 2	2.464	2.000	1.537	0	5	0.568	0.319	1.092	0.628	0.843	< .0001
Family Income 3	2.911	3.000	1.456	1	5	0.160	0.319	1.325	0.628	0.878	< .0001
Cultural Background 1	1.821	2.000	0.993	1	5	1.298	0.319	1.289	0.628	0.774	< .0001
Cultural Background 2	2.333	2.000	1.133	1	5	0.674	0.325	0.439	0.639	0.859	< .0001
Cultural Background 3	1.818	2	0.964	1	5	1.538	0.322	2.820	0.634	0.760	< .0001
Financial Literacy 1	2.035	2	1.164	1	5	0.844	0.316	0.515	0.623	0.802	< .0001
Financial Literacy 2	2.074	2.000	1.096	1	5	0.741	0.325	0.382	0.639	0.842	< .0001
Financial Literacy 3	2.364	2	1.060	1	5	0.372	0.322	0.666	0.634	0.891	0.0001
Student Loan Decisions 1	4.255	5	1.262	1	5	1.498	0.333	0.925	0.656	0.640	< .0001
Student Loan Decisions 2	4.039	5	1.326	1	5	1.092	0.333	0.225	0.656	0.729	< .0001
Student Loan Decisions 3	3.529	4	1.541	1	5	0.348	0.333	1.513	0.656	0.792	< .0001

Source: Self-generated in Jamovi.

4.3 Reliability coefficient Cronbach’s Alpha analysis

The Cronbach’s Alpha analysis tests the reliability of the variables, and a value above 0.6 is said to be reliable. It measures internal consistency or reliability for the questions with the respective variable within a questionnaire. It assesses the extent to which the items in a scale or instrument are correlated with each other, indicating the reliability of the variable. Most survey questions had 5-point Likert scale questions, except for “Consumer Sentiment / Economic Conditions and /Inflation” because these are formative variables; Cronbach’s Alpha had a poor value of 0.474 and 0.176, respectively. For “Cultural Background,” the Cronbach Alpha was also poor (0.562) and, therefore, must be tested with one measurement item, which also applies to “Consumer Sentiment.” “Financial Stress” had a Cronbach’s Alpha value of 0.756, and “Family Income” showed a value of 0.869. Financial Literacy had the highest value of 0.891, and the dependent variable, “Student Loan Decisions,” had a value of 0.862.

Figure 18: Reliability Analysis

Measurement Items	Cronbach’s Alpha
Consumer Sentiment / Economic Conditions	0.474
Consumer Sentiment / Inflation	0.176
Financial Stress	0.756
Family Income	0.869
Cultural Background	0.562
Financial Literacy	0.891
Student Loan Decisions	0.862

Source: Self-generated in Jamovi.

4.4 Hypotheses Testing/ Correlation Analysis

In the following section, we examine and test the effect of the independent on the dependent variable. The dependent variable is “Student Loan Decisions.” The independent variables were put into Spearman’s Correlation test to examine the correlation between the different survey questions. We do this to calculate how correlated each independent variable is with the dependent variable. The hypotheses will be subjected to determine their validity and significance within the context of the surveyed population. The p-value will help determine if the relationship observed between things is likely significant or insignificant. The second value which will be considered is the Spearman rho. These results will give us a better understanding of how different factors relate to the surveyed data.

4.4.1 Hypothesis 1 – Consumer Sentiment (Economic Factors)

H1a: The perception of economic conditions positively impacts the intention to take on student loans.

The idea behind hypothesis H1a was to understand if individuals' perceptions of economic conditions positively impact their intention to take on student loans. Specifically, it suggests that as individuals perceive economic conditions associated with student loans more favorably, their intention to pursue them increases. The hypothesis considers the perception of financial conditions as the independent variable, encompassing how individuals interpret the overall economic conditions. On the other hand, the dependent variable is the intention to take on student loans, representing the expressed willingness of individuals to undertake such financial commitments. We must remember that only one item was tested for both (H1a and H1b) hypotheses because of the unacceptable Cronbach Alpha value.

The Spearman Correlation shows a moderate negative relationship between the independent and dependent variables with a Spearman's rho value of -0.303 (Figure 18). The p-value of 0.0326 (Figure 18) indicates a moderate relationship because it falls under 0.05. Therefore, we accept H_0 and reject H_1 because economic conditions negatively impact students' intention to take on student loans.

Hypothesis 1b

H1b: The perception of Inflation positively impacts the intention to take on student loans.

The idea behind this hypothesis was to see if the perception of inflation positively affects student loan decisions. It should be a more specific "economic condition" hypothesis of the first one. The independent variable is the perception of inflation. The dependent variable is the student loan decisions. We must also remember that this hypothesis has been tested with only one measurement item.

The Spearman's correlation of 0.144 (Figure 18) indicates that there is no or negligible relationship between the independent and dependent variables. The p-value of -0.3358 (Figure 18) also underlines that there is no evidence against the null hypothesis. We therefore reject H_1 , accept the null hypothesis, and conclude that there is no relationship between perceptions of inflation and student loan decisions.

4.4.2 Hypothesis 2 – Financial Stress

H1: Financial stress has a positive impact on the intention to take on student loans.

This hypothesis has been created to see if financial stress positively impacts the decision to take on student loans. In other words, the hypothesis posits

that as financial stress increases, individuals are more likely to have the intention to take on student loans.

The Spearman correlation with a value of 0.278 (Figure 18) shows a weak to moderate relationship between financial stress and student loan decisions. Furthermore, the p-value of 0.0508 (Figure 18) justifies the weak/moderate relationship between the variables. The relationship is more weighted as weak, but we still accept H1, reject the null hypothesis, and conclude that there is a weak to moderate positive relationship between the dependent and independent variables.

4.4.3 Hypothesis 3 – Family Income

H3: Family income positively impacts the intention to take on student loans.

The hypothesis for family income as the independent and student loan decisions as the dependent variable has been established to see if family income and support positively affect the decision to take on student loans.

The value of 0.120 (Figure 18) for Spearman's correlation shows that there is no or negligible relation between the independent and dependent variables. Additionally, the p-value of 0.4054 (Figure 18) underlines the value of the Spearman correlation, which shows that there is no relation between family income and the intention to take on student loans. Thus, we reject H1, accept the null hypothesis, and conclude that no positive relation exists between the variables.

4.4.4 Hypothesis 4 – Cultural Background

H4: Cultural Background positively impacts the intention to take on student loans.

H4 has been created to test if cultural background positively affects student loan decisions. The dependent variable, cultural background, and the independent variable, student loan decisions, have been tested to see if there is a positive relation between them. For this hypothesis, we must remember that only one measurement item has been tested.

The Spearman correlation for this hypothesis has a value of -0.101, implying that there is no or poor relation between the variables. The p-value of 0.4908 also shows that there is no relationship between cultural background and student loan decisions. We, therefore, reject H1 and accept the null hypothesis.

4.4.5 Hypothesis 5 – Financial Literacy

H5: Financial literacy self-efficacy positively impacts the intention to take on student loans.

The hypothesis has been established to see if the self-efficacy of financial literacy positively affects the intention to take on student loans. In that case, financial literacy is the independent variable, whereas student loan decisions are the dependent variable.

The Spearman's correlation for this hypothesis indicates, with a value of -0.181, that there is a weak negative relation between the variables. The p-value of 0.4054 implies no positive relationship between the variables; therefore, we reject H1 and accept the null hypothesis.

Figure 19: Spearman correlation

Composit	Spearman's rho	p-value
Consumer Sentiment/Economic Conditions	-0.303	0.0326
Consumer Sentiment/Inflation	-0.144	0.3358
Financial Stress	0.278	0.0508
Family Income	0.120	0.4054
Cultural Background	-0.101	0.4908
Financial Literacy	-0.181	0.2139

Source: Self-generated in Jamovi.

4.5 Regression Analysis

This thesis section will focus on the linear regression between the dependent and independent variables. The p-value and regression weights will be utilized to calculate the indicators. Figure 22 shows the regression weights with the estimate, standard error, and the p-value.

Figure 20: Model Fit

Model Fit Measures			Overall Model Test			
Model	R	R ²	F	df1	df2	p
1	0.388	0.151	1.094	6	37	0.3842

Source: Self-generated in Jamovi.

Figure 21: Collinearity statistics

Collinearity Statistics		
	VIF	Tolerance
Consumer Sentiment (c) digit	1.573	0.636
Consumer Sentiment (f) digit	1.297	0.771
Financial Stress Comp (2)	1.433	0.698
Family Income Comp	1.279	0.782
Cultural Background (c) - Strongly disagree - Strongly agree	1.362	0.734
Financial Literacy Comp	1.529	0.654

[4]

Source: Self-generated in Jamovi.

Figure 22: Regression weights.

Model Coefficients - Student Loan Decisions Comp					
Predictor	Estimate	SE	t	p	Stand. Estimate
Intercept	2.914	1.000	2.915	0.0060	
Consumer Sentiment (c) digit	0.148	0.271	0.545	0.5887	0.104
Consumer Sentiment (f) digit	0.010	0.176	0.058	0.9543	0.010
Financial Stress Comp (2)	0.344	0.212	1.619	0.1139	0.294
Family Income Comp	0.062	0.166	0.370	0.7138	0.063
Cultural Background (c) - Strongly disagree - Strongly agree	-0.117	0.222	-0.528	0.6006	-0.093
Financial Literacy Comp	-0.055	0.233	-0.236	0.8150	-0.044

Source: Self-generated in Jamovi.

Figure 20 shows the model fit where R^2 has a value of 0.151, which means that the predictors can explain 15.1 percent of the variance of student loan decisions and how close the observed data points are to the model's predicted values.

Looking at Figure 21, we can see that the collinearity values are all under the value of 3. That means multicollinearity was not an issue with this data. Consumer Sentiment/Economic Conditions 3 has the highest variance inflation factor of 1.573.

As can be seen in Figure 22, the intercept represents the estimated "Student Loan Decisions" score when all predictor variables are zero. In this case, the intercept is 2.914 with a standard error (SE) 1.000. The t-value is 2.915, and the p-value is 0.0060. The smaller the t-value, the more similarity exists

between the two sample sets. This suggests that the intercept is statistically significant. The standardized estimate does not apply to the intercept.

The coefficient for the consumer sentiment (economic conditions) variable is 0.148, with a standard error of 0.271. The t-value is 0.545, and the p-value is 0.5887. The standardized estimate is 0.104. The positive coefficient implies that holding other variables constant, an increase in consumer sentiment is associated with a slight increase in the "Student Loan Decision" score, but the result is not statistically significant. The coefficient of the consumer sentiment variable (Inflation) is 0.010, with a standard error of 0.176. The t-value is 0.058, and the p-value is 0.9543. The standardized estimate is 0.010. The small and statistically insignificant coefficient suggests that consumer sentiment does not significantly impact Student Loan Decisions. The coefficient for financial stress is 0.344, with a standard error of 0.212. The t-value is 1.619, and the p-value is 0.1139. The standardized estimate is 0.294. Although the positive coefficient suggests a potential positive impact, the result is not statistically significant at conventional significance levels ($p > 0.05$). For family income, the coefficient is 0.062, with a standard error of 0.166. The t-value is 0.370, and the p-value is 0.7138. The standardized estimate is 0.063. The small and statistically insignificant coefficient indicates that Family Income as a predictor variable does not significantly impact Student Loan Decisions. Cultural background has a coefficient of -0.117 with a standard error of 0.222. The t-value is -0.528, and the p-value is 0.6006. The standardized estimate is -0.093. The negative coefficient suggests a potential negative impact, but the result is statistically insignificant. Lastly, the coefficient for financial literacy is -0.055, with a standard error of 0.233. The t-value is -0.236, and the p-value is 0.8150. The standardized estimate is -0.044. The negative coefficient implies a potential negative impact, but the result is not statistically significant like the other predictor variables.

Lastly, figure 23 shows that the data is not normally distributed because the p-value of 0.0140 lies under 0.05.

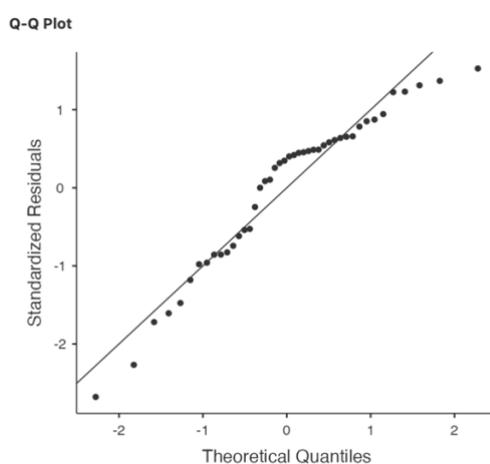
Figure 23: Shapiro Wilk test

Normality Test (Shapiro-Wilk)	
Statistic	p
0.934	0.0140

Source: Self-generated in Jamovi.

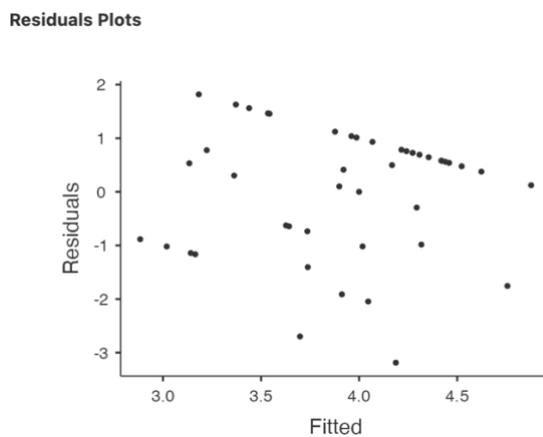
The Q-Q plot (figure 24) justifies the result of the Shapiro-Wilk test that the data is not normally distributed. We can see the outliers and the data that is not normally distributed when looking at the dots. Lastly, figure 25 also underlines the previous assumption that the data is not normally distributed.

Figure 24: Q-Q Plot



Source: Self-generated in Jamovi.

Figure 25: Residual Plots



Source: Self-generated in Jamovi.

5 Conclusion of the Findings

In this section of the thesis, we will interpret the findings of the hypotheses tests and which factors affect student loan decision-making. The motivation of the study was to examine the interplay of economic and socioeconomic factors in student loan decision-making. To conclude the findings in the hypotheses testing section, we will return to the introduction to connect the results with the research questions.

After conducting the data analysis and testing the hypotheses, only two significant variables emerged: consumer sentiment/economic conditions and financial stress. However, after performing the regression analysis, none of the variables were significant. Only financial stress was close to the cut-off point of 0.10 (weak relationship) with a value of 0.1139. Therefore, we can only partially accept the hypothesis of consumer sentiment/economic conditions and financial stress. The other variables (consumer

sentiment/inflation, family income, cultural background, and financial literacy) were statistically insignificant.

The findings regarding Hypothesis H1a reveal a positive relationship between individuals' perceptions of economic conditions and their intention to take on student loans. This implies that as individuals perceive economic conditions associated with student loans more negatively, their willingness to pursue such financial commitments increases. The moderate correlation coefficient (Spearman's rho value of -0.303) indicates a meaningful association between these variables, further supported by the statistically significant p-value of 0.0326. Interpreting this outcome suggests that individuals' perceptions of the economic conditions heavily influence their decisions regarding student loan uptake. When individuals perceive economic conditions negatively, which include employment opportunities, inflation rates, or overall economic growth, they may feel more interested in taking on student loans to finance their education. This probably comes from the belief that investing in education during worse economic conditions could be a great financial tool to cover expenses. Furthermore, the acceptance of Hypothesis H1a underlines the importance of considering economic perceptions alongside objective economic indicators when analyzing individuals' financial decision-making processes. Even though economic conditions may objectively vary, individuals' subjective interpretations of these conditions can significantly impact their behavior, such as their willingness to take on debt for educational purposes.

Hypothesis H1b indicates that no significant relationship exists between individuals' perceptions of inflation and their intention to take on student loans. The hypothesis elaborates that as individuals perceive inflation more positively, they would be willing to pursue student loans. However, Spearman's correlation coefficient of 0.144 suggests a negligible relationship between the independent variable (perception of inflation) and the

dependent variable (student loan decisions). Additionally, the p-value of 0.3358 further supports the conclusion that insufficient evidence exists to reject the null hypothesis. In other words, the data does not provide convincing support for the hypothesis that perceptions of inflation positively influence individuals' decisions regarding student loan uptake. When interpreting, this outcome suggests that while individuals may perceive inflation within the broader economic context, this perception does not significantly impact their willingness to take on student loans. Individuals may prioritize other factors, such as employment prospects, interest rates, or personal financial circumstances, over inflation when making decisions about educational financing. In conclusion, for the consumer sentiment variable, these findings highlight the complexity of factors influencing student loan decisions and show the importance of comprehensively considering various economic indicators. While inflation perceptions may not directly drive student loan decisions, understanding individuals' perceptions of economic conditions remains essential.

For the first research question, we can conclude that there is a relationship between economic conditions and the intention to take on student loans. However, only one of the two hypotheses is partially significant. Therefore, future research has to explore the other factors of the overall economy. If inflation does not influence student loans, employment rates or other factors may influence the decision.

The findings regarding Hypothesis 2 imply a weak to moderate positive relationship between financial stress and the intention to take on student loans. The hypothesis reveals that individuals would be more inclined to pursue student loans as financial stress increases. The Spearman correlation value of 0.278 indicates a meaningful relation between the independent variable (financial stress) and the dependent variable (student loan decisions). Furthermore, the p-value of 0.0508 provides support for this

relationship, justifying the rejection of the null hypothesis. By interpreting this outcome, we can conclude individuals who experience higher levels of financial stress, such as difficulty meeting expenses, thinking about money, or worrying about money, may be more likely to consider taking on student loans to cover expenses and pursue higher education. This finding underlines the role of financial stress as a significant factor in individuals' decisions regarding student loans.

For the second research question, it can be concluded that financial stress affects student loan decisions. If financial stress increases, more people choose student loans as financial support. To answer the research question (How does financial stress affect student loan decisions?), it can be said that financial stress positively affects the decision to take on student loans.

The findings for Hypothesis 3 show that there is no significant relationship between family income and the intention to take on student loans. The hypothesis was implemented to see if higher family income levels would positively influence individuals' decisions to pursue student loans. However, the Spearman correlation value of 0.120 indicates a negligible or weak relationship between the independent variable (family income) and the dependent variable (student loan decisions). Additionally, the p-value of 0.4054 further supports the conclusion that insufficient evidence exists to reject the null hypothesis. This outcome implies that family income may not significantly affect individuals' decisions regarding student loans decision making. Other socioeconomic factors may significantly influence individuals' decisions to pursue student loans. These findings show the importance of considering various factors when assessing individuals' financial decision-making processes, particularly in educational financing. While family income may be among many factors, its influence on student loan decisions seems limited in this study.

For the third research question, (To what extent does family income affect student loan decisions?), it can be concluded that more factors must be researched regarding family income. To answer the question, family income does to no extent affect student loan decisions in this study. However, further research is recommended, as it is an economic and socioeconomic factor, to explore the relationship between family income and student loans.

The fourth variable showed no significant relationship between cultural background and the intention to take on student loans. The idea behind the variables was to see if individuals from specific cultural backgrounds would be more likely to pursue student loans. However, the Spearman correlation coefficient of -0.101 indicates a negligible or weak relationship between the independent variable (cultural background) and the dependent variable (student loan decisions). The p-value of 0.4908 also supports the conclusion that no evidence exists to reject the null hypothesis. Interpreting this outcome suggests that cultural background may not play a significant role in individuals' decisions regarding the intention to take on student loans. Other factors, such as economic circumstances, educational aspirations, and personal values, may significantly influence individuals' decisions to pursue student loans.

For the fourth research question, the same can be said as for the third research question. The cultural background has many factors that could influence student loan decisions and can be tested differently as there are many possibilities to test cultural background. In this paper, however, cultural background affects student loan decisions to no extent.

The last variable, financial literacy, also had a surprising outcome. The findings of the hypothesis testing justify that there is no significant relationship between financial literacy self-efficacy and the intention to take on student loans. The idea of the hypothesis was that individuals with higher levels of financial literacy self-efficacy would be more inclined to pursue

student loans. However, the Spearman correlation coefficient of -0.181 indicates a weak negative relationship between the independent variable (financial literacy self-efficacy) and the dependent variable (student loan decisions). However, the p-value of 0.4054 supports the conclusion that insufficient evidence exists to reject the null hypothesis. association. This outcome could mean that individuals' self-perceived confidence in their financial literacy may not strongly influence their decisions regarding student loans. These findings highlight the complexity of factors influencing student loan decisions and underline the need for further research to understand the relationship between financial literacy and educational financing. While financial literacy self-efficacy may be necessary for overall financial well-being, its direct impact on student loan decisions appears limited in this paper.

For the last research question, more research is also needed, and maybe more specific factors of financial literacy have to be examined. Financial literacy is a big topic that can be tested with different survey questions, such as financial planning, retirement plans, budgeting, etc. Nevertheless, in this paper, financial literacy does not seem to significantly influence student loan decisions.

The outcome of the variables' family income, cultural background, and financial literacy was surprising other than what the paper expected after the literature review. None of them showed a correlation or statistical significance regarding the intention to use student loans. However, further research is recommended to explore this fascinating matter.

5.2 Managerial Implications

The study's findings on factors influencing student loan decisions could have considerable managerial implications for stakeholders who are involved in higher education financing, including policymakers, financial institutions, and educational institutions. It is very important to understand the following implications to apply practical strategies to support students in making the right decisions regarding borrowing money and how financial stress can be reduced.

First of all, policymakers could utilize the study's findings to develop policies aimed at reducing financial stress among students. By promoting financial education programs and providing resources to improve financial management skills, policymakers could empower students to make good decisions regarding student loans. Additionally, policymakers could consider implementing regulations to ensure transparency in student loan terms and conditions, which could then reduce the risk of borrowers taking on excessive debt. The introduction already mentioned Bafög (German state loan without interest) as a financial tool to support students during their studies. Policymakers could provide further support to minimize stress during difficult economic conditions.

Financial institutions, including banks and trading applications, could use the findings to adjust their loan products and services to meet individual needs better. This could include offering flexible repayment options, such as income-level repayment plans, to reduce financial stress and increase the affordability of loans. In addition, financial institutions could also collaborate with educational institutions to provide financial stress workshops and counseling services to students, helping them make informed financial decisions. Lastly, online brokers could use this research to adjust their

financial investing plans with monthly payments. These plans could help to minimize stress during worse economic conditions.

Furthermore, educational institutions also play an important role in supporting students. By integrating financial literacy education into their schedule and offering workshops, seminars, or online modules, institutions could help students make informed decisions about financing their education. Additionally, institutions can establish financial aid offices with trained professionals to provide personalized guidance and support to students seeking information about student loans, repayment options, and financial aid opportunities.

Additionally, student advocacy groups could use the study findings to advocate for policies and initiatives promoting student financial well-being and reducing the negative impacts of challenging economic conditions. This could include support for increased funding for need-based financial aid programs targeted at populations with high financial needs. Furthermore, student advocacy groups can also offer peer counseling and support networks to help enrolled students with student loan borrowing and high cost of living challenges. By fostering a supportive community and providing access to resources, these groups could help students make informed decisions about their financial futures and reduce financial stress.

Lastly, the study shows the importance of ongoing research and evaluation to see trends in student loans and the need for financial support while studying. Economic conditions and financial stress emerged as significant factors toward student loans and should be further researched to decrease the number of individuals having financial stress.

In conclusion, the study findings have significant implications for stakeholders involved in financing higher education. The findings highlight the importance

to support students in making helpful and useful decisions about student loans and promoting financial stability throughout their educational careers.

5.3 Limitations

The study utilized social media platforms (WhatsApp and Instagram), resulting in a sample of younger individuals, with 63.2% of respondents identifying as university students. However, the study also included individuals who are not university students, which could have led to people answering this survey who do not pursue an academic career. The small sample size of 57 was also a limiting factor. The survey itself had latent and formative variables, which were taken care of at the beginning of the hypothesis testing. However, consumer sentiment could not be tested as a computed variable because of combining formative and latent variables, which concluded in a low reliability (Cronbach's alpha) of the data.

Furthermore, most respondents were from Austria (40.4%) and Germany (36.5%), which lead to a geographical bias. Despite attempts to enhance measurement reliability by transforming Likert scale responses into continuous variables, several constructs exhibited poor internal consistency. For instance, Cronbach's Alpha for the cultural background was 0.562, falling below the commonly accepted threshold of 0.6, indicating an unreliability.

Another limitation was to choose a quantitative approach. It would have also been interesting to understand why students feel that way and why they think it is troubling to pursue an academic career. To better understand the issues a qualitative or mixed methods approach could have been helpful. Additionally, single-item measures were used for certain constructs, such as consumer sentiment and cultural background, which may have influenced the validity of the measures. For example, the single-item measure for inflation perception had a Spearman correlation of 0.144 with student loan decisions,

interpreted as a weak relationship. Still, the validity of this measure remains questionable. The correlational design of the study limits the ability to establish causal relationships between variables. For example, while financial stress exhibited a Spearman correlation of 0.278 with student loan decisions, the directionality of this relationship remains unclear. The regression analysis revealed a coefficient of 0.344 for financial stress, suggesting a potential positive impact on student loan decisions. However, the p-value of 0.1139 indicates that this result is not statistically significant, this highlights the need for caution in interpreting the findings and further research.

In conclusion, while the study provides valuable insights into economic perceptions and financial stress influencing student loan decisions, the limitations show the need for awareness in interpreting the findings and highlighting opportunities for future research to address these challenges.

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7. Appendix

Questionnaire

Dear Participants,

I am David Kilian, an international management student specializing in entrepreneurship and leadership at Modul University Vienna. For my bachelor's thesis, I want to research the decision-making process of student loans.

I would appreciate your voluntary participation in my survey, which consists of 29 questions and will take approximately 5-10 minutes.

All data collected will be highly confidential and held securely.

If you have any questions regarding your privacy or the research in general, please feel free to contact me via the following E-Mail:

62003852@modul.ac.at.

Thank you in advance for participating!

1.

I consent to participate in the research project, and my participation is entirely voluntary.

*Yes

2.

Are you an university student?

Yes

No

Prefer not to say

3.

Would you say that at the present time, economic conditions are better or worse than they were a year ago?

- Better now
- About the same
- Worse now
- Do not know

4.

During the last few months, have you heard of any favorable or unfavorable changes in economic conditions?

- Yes
- No; Have not heard
- Do not know

5.

Would you say that you are better off or worse off financially than you were a year ago?

- Better now
- Same
- Worse
- Do not know

6.

Do you expect inflation to increase, remain about the same, or decrease?

- Go up
- Stay the same
- Go down
- Do not know

7.

Compared with 5 years ago, do you think the chances that you will have a comfortable retirement have gone up, gone down, or remained about the same?

- Gone up
- Same
- Gone down
- Do not know

8.

Statement 1: What do you think the chances are that your income will increase by more than the rate of inflation during the next five years or so?

- 0-20%
- 20-40%
- 40-60%
- 60-80%
- 80-100%
- Not sure/Not applicable

9.

Statement 1: I am often not able to pay my bills on time.

Statement 2: I have a hard time thinking about things other than my financial situation.

Statement 3: I often worry about money.

- Strongly disagree
- Somewhat disagree
- Neutral
- Somewhat agree
- Strongly agree
- Not sure/Not applicable

10.

Statement 1: If you are faced with financial problems, you usually get support from your family.

Statement 2: Using family income is necessary to mitigate your expenses.

Statement 3: You intent to use family financial support.

- Strongly disagree
- Somewhat disagree
- Neutral
- Somewhat agree
- Strongly agree
- Not sure/Not applicable

11.

Statement 1: It is important to me to plan for the future very carefully.

Statement 2: I enjoy taking risk.

Statement 3: Change in my life is important to me.

- Strongly disagree
- Somewhat disagree
- Neutral
- Somewhat agree
- Strongly agree
- Not sure/Not applicable

12.

Statement 1: I have confidence that I can manage my finances.

Statement 2: I am fully capable of making personal financial planning.

Statement 3: I can easily handle financial challenges.

- Strongly disagree
- Somewhat disagree
- Neutral
- Somewhat agree
- Strongly agree
- Not sure/Not applicable

13.

Statement 1: I intend to use a student loan in the next 12 months.

Statement 2: I would like to cover my expenses using student loans.

Statement 3: Student loans would be useful for covering your expenses.

- Strongly disagree
- Somewhat disagree
- Neutral
- Somewhat agree
- Strongly agree
- Not sure/Not applicable

14.

What is your employment status?

- Employed
- Unemployed
- Prefer not to say

15.

If you are employed, what is your income per month? If not, skip this question.

16.

Where do you live? Skip the question if you do not want to answer it.

17.

What gender do you identify as?

- Male
- Female
- Diverse
- Prefer not to say
- Other

18.

What age are you? Skip the question if you do not want to answer it.

Survey End

Thank you for joining my survey!