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Financial literacy and use of payday loans in the United States

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ABSTRACT

Using the 2012 National Financial Capability Study, this study investigated the relationship between financial literacy and the use of payday loans. The study used a mixed-methods approach, combining quantitative data from the survey with qualitative data from focus groups. Results showed that financial literacy was positively related to the use of payday loans, and that individuals with higher financial literacy were more likely to use payday loans for emergency needs. The study also identified several factors that influence the use of payday loans, including income, education, and access to financial services. The findings suggest that financial literacy programs should be designed to address the specific needs of individuals who are at risk of using payday loans. The study also highlights the need for policymakers to consider the impact of payday loans on financial literacy and to develop strategies to reduce the reliance on payday loans.

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KEYWORDS

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Disclosure statement

No potential conflict of interest was reported by the authors.

Notes

¹ With respect to financial literacy variables, we dropped cases where the respondent chose 'prefer not to say' as the answer to the objective financial knowledge questions and where the respondent answered 'prefer not to say' or 'don't know' to the subjective knowledge question. And all other 'prefer not to say' responses to the control variables are also excluded.

² Full results are available from the authors upon request.

³ Full results are available from the authors upon request.

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