



Applied Economics Letters >

Volume 25, 2018 - [Issue 11](#)

988 | 27 | 3  
Views | CrossRef citations to date | Altmetric

Article

# Financial literacy and use of payday loans in the United States

Kyoung Tae Kim & Jonghee Lee

Pages 781-784 | Published online: 13 Aug 2017

Cite this article <https://doi.org/10.1080/13504851.2017.1366635>



Full Article

Figures & data

References

Citations

Metrics

Reprints & Permissions

Read this article

Share

## ABSTRACT

Using the 2012 National Financial Capability Study, this study investigated the relationship between financial literacy and payday loan use. An instrumental variable approach was employed to address a possible endogeneity issue using a newly developed instrument of financial literacy based on the community network effect. Results from linear regressions indicated that financial literacy was associated negatively with the use of payday loans, and its effect was greater with the use of the instrument.

KEYWORDS:

Financial literacy

payday loans

national financial capability study

instrumental variable approach

JEL CLASSIFICATION:

---

## Disclosure statement

No potential conflict of interest was reported by the authors.

---

## Notes

<sup>1</sup> 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.

<sup>2</sup> Full results are available from the authors upon request.

<sup>3</sup> Full results are available from the authors upon request.

---

## Related research

People also read

Recommended articles

Cited by  
27

## Information for

[Authors](#)

[R&D professionals](#)

[Editors](#)

[Librarians](#)

[Societies](#)

## Opportunities

[Reprints and e-prints](#)

[Advertising solutions](#)

[Accelerated publication](#)

[Corporate access solutions](#)

## Open access

[Overview](#)

[Open journals](#)

[Open Select](#)

[Dove Medical Press](#)

[F1000Research](#)

## Help and information

[Help and contact](#)

[Newsroom](#)

[All journals](#)

[Books](#)

## Keep up to date

Register to receive personalised research and resources by email



Sign me up



Copyright © 2026 Informa UK Limited [Privacy policy](#) [Cookies](#) [Terms & conditions](#)

[Accessibility](#)

 Taylor and Francis Group

Registered in England & Wales No. 01072954  
5 Howick Place | London | SW1P 1WG