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Financial Literacy among African American College Students: Evidence from an HBCU and Comparisons to U.S. Benchmarks

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ABSTRACT

We study financial literacy among African American college students (AACS) at a Southern HBCU (N=241; 2021–2022) and validate with an additional cohort in Spring-2023. Using the widely adopted "Big Three" items, AACS answer correctly on interest (56%), inflation (39%), and risk diversification (51%); only 18% answer all three correctly versus 30% in a U.S.-representative benchmark ($\Delta = -12$pp). Guided by a Human Capital Theory lens, we conceptualize financial literacy as a specialized form of human capital with implications for wealth accumulation. We estimate probit models for each item with standard errors clustered at the cohort level. Higher literacy is associated with age and educational attainment; international-student status is positively related to risk-diversification knowledge. Asset ownership correlates with literacy in some specifications but should be interpreted as associative rather than causal. Results are robust to alternative coding of "Don't know" responses and to the Spring-2023 validation sample. We discuss targeted intervention design for HBCUs.

Keywords: Financial literacy, HBCU, African American college students, Big Three, Probit.

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