



Research Working Papers

The Complementary Effects of Financial Education and Payday Lending Regulations on Financial Inclusion

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October 16, 2025

Financial education reduces adults' likelihood of being unbanked, particularly in states where payday lending is also restricted.

RWP 25-14, October 2025; updated November 2025

Approximately 5.6 million U.S. households remained unbanked in 2023. We examine the effects of state-mandated high school personal finance coursework on banking outcomes. Because the unbanked population resorts to alternative financial services, such as payday loans, for their financial needs, we also examine the interplay between payday loan regulation and financial education. We find that exposure to personal finance coursework is associated with a lower likelihood of being unbanked and of unbanked adults being uninterested in opening a bank account. This finding holds regardless of whether the state has allowed or restricted payday lending, with modestly larger effects in states with stronger restrictions. These results suggest that, for financial inclusion, regulatory measures and financial education are more likely complements than substitutes.

JEL Classifications: D12, D14, G21, G28

Article Citations

- Routh, Aditi, and Carly Urban. 2025. "The Complementary Effects of Financial Inclusion and Payday Lending Regulations on Financial Inclusion." Federal Reserve Bank of Kansas City, Research Working Paper no. 25-14, October. Available at <https://doi.org/10.18651/RWP2025-14>

Related Research

- Hayashi, Fumiko, Aditi Routh, Ying Lei Toh. 2024. "Heterogeneous Unbanked Households: Which Types of Households Are More (or Less) Likely to Open a Bank Account?" *Journal of Economics and Business*, vol. 129, no. 106156. Available at <https://doi.org/10.1016/j.jeconbus.2023.106156>

- Toh, Ying Lei. 2025. “[Has Access to Bank On-Certified Accounts Helped Ease Financial Barriers to Bank Account Ownership?](#)” Federal Reserve Bank of Kansas City, *Payments System Research Briefing*, May 14.
 - Kaiser, Tim, Annamaria Lusardi, Lukas Menkhoff, and Carly Urban. 2022. “Financial Education Affects Financial Knowledge and Downstream Behaviors.” *Journal of Financial Economics*, vol. 145, no. 2, pp. 255-272. Available at <https://doi.org/10.1016/j.jfineco.2021.09.022>
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