

Financial Literacy for an Underserved Market: A Service-Learning Project for the Introductory Finance Course

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INTRODUCTION

Interest in service-learning as an experiential learning method has been increasing in colleges and universities, including business education. Yet, service-learning applications are relatively uncommon in the finance curriculum. Two increasingly important themes on the national level—financial literacy and ethnic diversity—may change that, however. These two themes can converge in a service-learning application for an introductory finance course—a financial literacy project for English as a Second Language (ESL) students. This group represents recent immigrants and a typically underserved market.

This project provides students in the introductory finance course an opportunity to learn financial education through varying methods, including individual research, peer interaction, and mentoring activities in the local community. This project also helps immigrants in the local community to learn about and actively participate in their financial education and to improve their English language and communication skills.

THE CHANGING NATIONAL LANDSCAPE

Concern about financial literacy in the U.S. has grown significantly in recent years as consumer debt levels have risen and the rate of change in financial services and technology has increased (Braunstein and Welch, p. 445). Lower personal savings rates (including their impact on retirement) and increased filings for personal bankruptcy have also been important factors in drawing attention to financial literacy on a national level.

These changes in personal finance are occurring simultaneously with changes in demographics. As indicated in results from the 2000 U.S. Census, the U.S. population is becoming increasingly diverse, with foreign-born households representing a growing segment of the population (Braunstein and Welch, p. 447). In addition, the Financial Literacy and Education Commission was recently created to promote financial education and improve financial literacy for all Americans. The Commission is part of Title V of the Fair and Accurate Credit Transactions Act, legislation signed by President George Bush on December 4, 2003. The Commission's first meeting, chaired by U.S. Secretary of the Treasury John Snow, was held on January 29, 2004 to begin the process that will establish and maintain, among other things, a website of financial education materials and programs.

THE ROLE OF SERVICE-LEARNING IN BUSINESS EDUCATION

Service-learning provides a student-centered, hands-on learning experience. Service-learning has been shown to provide many benefits for college students, faculty, their institutions, and the community (Eyler et al.). For the students, benefits of service-learning can include development of problem-solving and analytical skills, while also accommodating different

learning styles. Service-learning also provides opportunities to develop creativity and civic responsibility. Other “soft skills” include the development of effective teamwork skills, interpersonal communication skills, and multicultural sensitivity (Zlotkowski, pp. 8-9). Some of these skills can be tied, though indirectly, to a company’s “bottom line” as the U.S. population and, hence, the national business environment becomes more ethnically and culturally diverse. Providing an opportunity for meaningful contact with diverse populations, this financial literacy project can improve the students’ cross-cultural communication skills, while reinforcing course content. The project can also foster understanding of the valuable contributions that can be made in the local community. Further, this project can potentially generate interest among business majors to pursue careers in non-profit organizations.

For the ESL students, the contributions are also significant. This project can increase their English language and communication skills on personally meaningful topics, and assist in their understanding of American financial practices and assimilation in the American culture.

DESCRIPTION OF THE PROJECT

Beginning in Fall 2003, a service-learning component in the form of a financial literacy project has been part of Principles of Finance, the introductory undergraduate course in finance. At the beginning of the semester, each student researches a topic in financial education. Though the course focuses on the corporate financial decision-making process and its implications, this assignment is based on the individual’s financial decision-making process. Once the parallels are understood, the student “gets it.” Consequently, financial topics for the assignment include the use of debt and especially credit cards, choices for savings, investing, and planning for retirement. (See Appendix A for a description of the research assignment.)

Once the research project is completed, these financial topics become the basis for their service-learning project and the topics for the Personal Finance Information Fair for ESL students at a major, urban non-profit organization. In addition, a few specialty topics, such as small business loans, have been incorporated to meet the requests of the ESL students. These requests were gathered via a finance student from a previous semester who wanted, like a few others, to stay involved with the project. A list was generated that incorporated finance student topics and ESL student requests. In small teams, the finance students developed and organized these topics for a Personal Finance Information Fair. The finance students had previously decided that an informational fair format with a table for each topic (similar in concept to a job fair or a college fair) would be used to convey the financial education information that they would be acquiring. (See Appendix B for the listing of Personal Finance Information Fair topics for the Spring 2004 semester.)

The service-learning segment of the course involves approximately 10 hours of work over the course of the semester and includes, in addition to the preparation and participation in the Personal Finance Information Fair, a reflection paper, and some follow up work with the ESL students. They also submit any material, such as student-generated hand-outs of “Frequently Asked Questions,” that are produced for each topic at the Personal Finance Information Fair. For the Spring 2004 Information Fair, several student teams also prepared cardboard displays and/or professional-looking brochures. Further, students gathered brochures and information from other sources, including government websites and banks.

DEVELOPMENT OF THE PROJECT

This project has required extensive planning and preparation. Before the project began, the project site was investigated by the faculty member and service-learning personnel at the college. A key selection criteria was the project's potential link to the finance curriculum, even if that connection developed gradually over the course of the semester. Initial contact with the site personnel determined that there was a mutual "fit" between what the introductory finance students could provide and what the ESL students would need. Specifically, the finance students could provide value by sharing their results from a project about financial education with the ESL students. While something of a teaching vehicle for the finance students, this project would be used as a learning vehicle for the ESL students, who had numerous questions about navigating in the American financial system.

To facilitate communication between the two groups, the ESL instructor met with the finance students to talk about the ESL program, the ESL students and their interests. Later, a "meet and greet" luncheon session was arranged so that both groups of students could meet each other informally. Approximately 20 to 30 ESL students have participated each semester. In the introductory finance course, there were 16 students in the fall semester and 29 in the spring semester.

Clearly, an investment of time is required to make this work—determining a mutual "fit," developing mutual expectations, establishing the specific structure for the project, managing and evaluating it, and, then, fine tuning expectations and logistics, if need be—in short, necessary steps to build and maintain the relationship. At the end of each semester, the faculty member, service-learning personnel at the college, and the site personnel evaluate the project and make plans, using a model of continuous improvement, for the next semester. After two semesters, however, the finance faculty member, service-learning personnel, and the community partner are pleased with the investment in the project and are very interested in continuing and expanding it. To make the project even more effective, application for external funding has begun. With financial support, a part-time project manager, most likely a student, would be hired.

PREVIOUS SERVICE-LEARNING PROJECTS IN THE INTRODUCTORY FINANCE COURSE

In a few previous semesters, experiments with other types of service-learning applications in the introductory finance course have been used but discontinued. Reasons include: explicit connection with course content was not sufficient; organization issues occur either with the project or the site; too many project choices for students; and/or projects are too labor intensive to manage. Primarily, these previous service-learning applications involved tutoring high school math at a large urban public school and working on various projects, including research for funding sources, at a large, urban homeless shelter.

RESULTS OF STUDENT EVALUATIONS OF THE SERVICE-LEARNING EXPERIENCE

For the introductory finance students, this service-learning application is a direct extension of a course research assignment on financial education. Students, in effect, are tutoring in the area of a class assignment. The finance students benefit from reinforcement of course-

related material that has some personal relevance and, for the most part, enjoy the tutoring experience. Further, they see the explicit connection to course material and also develop some appreciation for what they can provide to their local community. The ESL students improve their English language and communication skills, while gaining information about financial topics that are pertinent in their own lives as well.

At the end of the Fall 2003 semester, the introductory finance students completed a survey about their service-learning experience, using an instrument based on Dahlquist (1998). The students were asked to consider attributes of the project and provide a ranking from one (lowest) to five (highest) for such features as gain an understanding of social responsibility, make a difference in one person's life, and learn more about finance or math. These results are detailed in Table 1.

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Table 1
Student Evaluation of Financial Literacy Service-Learning Project*
Fall 2003

Attribute	Mean
Gain understanding of social responsibility	4.47
Develop confidence to deal with business responsibilities	4.20
Make a difference in one person's life	4.13
Develop creative thinking skills	4.13
Develop competence to deal with business responsibilities	4.13
Fine-tune interpersonal skills	4.07
Learn more about finance or math	3.87
Fine-tune written communication skills	3.73
*Survey based on Dahlquist (1998)	
Attributes scaled from one : strongly disagree to five : strongly agree	
Sample size: 15	

Appendix A
Personal Financial Decision-Making Project for the Introductory Finance Course

Although the focus of the introductory finance course is on the company's financial decision-making process and its implications, your first research project will focus on financial education and the individual's financial decision-making process.

- 1. What is financial education and why is it important? Explain.**
- 2. What is one of the biggest financial planning issues facing women today? Explain.**
- 3. A person's overall financial plan can include decisions relating to the eight topics below. Describe fully one topic and its importance for a person's financial plan.**

You will be choosing one topic (from the eight topics listed below) related to personal financial decision-making and answering each of the three questions above.

Topics related to managing the personal financial decision-making process:

- A. The plan: budgeting:** What is included in a budget? What are advantages and disadvantages of creating a budget?
- B. The use of debt: credit cards:** What are advantages and disadvantages of using credit cards? What is a credit report? What are its advantages and disadvantages?

Topics related to spending in the short-term and the long-term:

- C. Housing:** What are advantages and disadvantages of renting an apartment or house? Buying an apartment or house?
- D. Transportation:** What are advantages and disadvantages related to public transportation? Private transportation (leasing/renting a car vs buying/owning a car)?
- E. Higher education:** What are advantages and disadvantages related to higher education—earning potential? Other benefits? Costs? Loans? Loan repayments?

Topics related to saving in the short-term and the long-term:

- F. Choices for savings:** What are the characteristics of a money market account? Savings account? Savings bond? Certificate of deposit (CD)? What are advantages and disadvantages of using each one to save?
- G. Investing in financial assets:** What are the characteristics of stocks, bonds, and mutual funds? What are advantages and disadvantages of investing in each?
- H. Planning for retirement:** What are advantages and disadvantages of building for retirement? What are suitable investment choices?

Note: Use and cite one separate article or website for each question. Each answer should be 1-2 typewritten pages (about 5 pages total).

Appendix B
Listing of Personal Finance Information Fair Topics
Spring 2004

1. Topic: General information on financial education (1 table)

Table 1. Frequently Asked Questions (FAQ) on financial education

2. Topic: The Use of Debt: Credit Cards (3 tables)

Table 1. Frequently Asked Questions (FAQ) on credit cards

Table 2: Credit history and credit reports

- What is a credit history?
- How do you build a credit history?
- How can a bad credit history be prevented? How do you recover from a bad credit history?
- What is a credit report?
- What are the companies that provide credit reports?

Table 3: Payment of credit card bills

- What are the effects of late payments?
- Why would you consolidate bills? How do you do this?
- Under what circumstances would you co-sign for someone on a credit card? What are advantages and disadvantages?

3. Topic: Housing (2 tables)

Table 1. Frequently Asked Questions (FAQ) on housing (rent vs buy)

Table 2: Mortgage applications

- How does a person apply for a mortgage?
- What is needed for a mortgage application?

4. Topic: Choices for savings (3 tables)

Table 1. Frequently Asked Questions (FAQ) on choices for savings

Table 2: Social security cards

- What is needed to obtain a social security card?
- How can a person get a social security card?
- Are there any alternatives/substitutes for a social security card?

Table 3: Financial aid for higher education

- What kind of financial aid is available from the US government?
- Who is eligible to receive financial aid from the US government?

5. Topic: Investing in financial assets (1 table)

Table 1. Frequently Asked Questions (FAQ) on financial assets (stocks, bonds, mutual funds)

6. Topic: Planning for retirement (1 table)

Table 1. Frequently Asked Questions (FAQ) on planning for retirement (including appropriate choices)

7. Specialty Topic: Small business loans (1 table)

Table 1. Small business loans

- What are small business loans?
- What are the requirements?
- Who is eligible to apply for small business loans?

8. Specialty Topic: Identity theft (1 table)

Table 1. Identity theft

- What is identity theft?
- How do you prevent identify theft?
- What do you do if identify theft happens?