8-1-2022

Financial Literacy: A Case Study on Current Practices

Briana Lee Hammontree
Grand Valley State University

Financial Literacy: A Case Study on Current Practices

Briana Lee Hammontree

A Project Submitted to

GRAND VALLEY STATE UNIVERSITY

In

Partial Fulfillment of the Requirements

For the Degree of

Master of Arts in Social Innovation

Integrative, Religious, and Intercultural Studies (IRIS) Department

August 2022

The signatures of the individuals below indicate that they have read and approved the project of Briana Hammontree in partial fulfillment of the requirements for the degree of Master of Arts in Social Innovation.

_______________________________________8-01-22______
Joel Wendland-Liu, Project Advisor Date

_______________________________________8-1-22_______
Denise Goerisch, Graduate Program Director Date

_______________________________________8-1-22______
Kimberly McKee, Unit head Date

Acknowledgement Page

I would like to acknowledge all of those who chose to participate in this study for such an important topic that needs to be addressed in today's current social and economic client for the youth America. I would also like to acknowledge my advisor, Professor Joel Wendland-Liu, who helped in getting project off the ground and inspired me to pursue this focus.

Abstract

In the last few years, the concern for financial illiteracy among teenagers has only grown as the economy has shifted. Many teenagers feel unprepared and unsecured moving forward with their finances as adults. This issue is intensified further among low-income and marginalized youths who deal with additional hardship in their lives. Accessibility is a huge issue among teenagers and the role of financial literacy of their lives in education is often predetermined by government officials and policies they can only really advocate for change for but cannot vote on. In this research I explore the concept of utilizing social innovation to bridge the gap scene in politics and collaborating with nonprofits to establish an effective financial literacy program for youth. By studying three programs that are local, state, or nationally associated, I examine the programs and tools they offer their clients to develop an understanding of their usefulness and how it could be applied into a program.

Table of Contents

Introduction

Financial literacy is a critical tool for individuals to have as they progress into their adult lives. For many, financial knowledge provides a sense of empowerment and can improve quality of life. It is a skill often learned in school or passed down by their parents and friends. Yet financial literacy remains to be a resource inaccessible to many Americans, especially those of low-income and marginalized backgrounds where equal opportunities of education and knowledge from others is lacking.

Speaking from my own personal experience, I grew up as an individual from a low-income background. I went to school in a small rural town where courses offered were limited, and so I never had a financial education course or even a home economics lesson. Both of my parents were working-class and neither went to college, so when it came my time to apply and join higher education, my understanding of the impact it would have on me financially was next to none. The intimidation I felt from this and the even further worry I felt towards finances only increased as I began to enter my own adult life. My parents were vocal about their own struggle with financial knowledge and thankfully encouraged me to try to educate myself with the resources now accessible to me in college. My own continued struggle towards educating myself on financial literacy serves as the catalyst for my thesis project on financial knowledge and establishing a practice accessible to all individuals in their youth in preparation for their adult lives.

Purpose

The purpose of this case-study is to expand on how social innovation can be used to establish two things: (1) determining how financial literacy can become more accessible to low-income and marginalized youth within high school and (2) developing a sustainable and effective model of financial literacy practices within public high school education.

Within this paper I will outline a literature review on an overview of financial literacy, the history and current events of financial literacy, what social innovation is and the impact it can have on financial literacy moving forward, current practices, and its current standing in the United States education system; the methodology I created for my case study and the organizations I worked with; and lastly, a discussion and conclusion that details my findings and future goals for financial literacy.

Literature Review

Overview of Financial Literacy

The concept of financial literacy has been tossed around for years within various sectors, yet there has been no definitive definition within academia despite its inception over 400 years ago. Many professionals have come to agree upon the Organization for Economic Cooperation and Development's (OECD) working definition. The OECD defines financial literacy as: "a combination of financial awareness, knowledge, skills, attitude, and behaviors necessary to make sound financial decisions and ultimately achieve individual financial well-being (Goyal & Kumar, 2021)" and is most synonymously used with other terms such as: financial confidence, financial awareness, financial knowledge, and financial education.

By the OECD's standards, for an individual to be deemed as completely financially literate they need to have an understanding in four key areas: money and transactions, planning and managing finances, risk and reward, and financial landscape (OECD, 2020, p. 43). For an individual to be prepared in their life, the OECD stresses the importance of developing these skill sets while an individual is still in high school so that the information can prepare them for their adult lives.

Historical and Current Significance

Historical periods in time have shown the significant impact of economic disparity within the United States. From the Great Depression in the 1930s, the Great Inflation of the 1960s and the 1970s, to 2022's increased inflation, cost of education, and housing market.

The 20th century was marked as the time when financial literacy started to become integrated within the education system. In 1914, the Smith-Lever Act was established to provide outreach programs to rural Americans in college, including financial education opportunities to learn (Gardner, 2021). As the education evolved and programs became established over the decades, generations such as the Baby-Boomers showed economic understanding, while Generation X, Millennials, and Generation Y have experienced more financial hardships due to the impact of recent economic and social environments (Moskovska, 2022).

Today financial literacy is beginning to pick up traction in being a requirement among high schools. The 14 states currently mandating personal finance courses include: Alabama, Florida, Georgia, Iowa, Michigan, Mississippi, Missouri, Nebraska, North Carolina, Ohio, Rhode Island, Tennessee, Utah, and Virginia (Scribner, 2022). That still leaves 36 states within America and many high schools without financial education within their academic lives. Some of these states provide financial education programs or equivalents, however they are not a course requirement amongst students. Despite this, the United States continues to be below average for financial literacy education (OECD, 2020, p. 94).

Unpacking Social Innovation and Its Impact on Financial Literacy

The role social innovation can provide moving forward towards financial literacy opportunities within high school education is unique compared to other institutions and practices. However, it is important to note what exactly social innovation is before moving forward. Defined by the OECD's standards, social innovation is described as: "the design and implementation of new solutions that imply conceptual, process, product, or organizational change, which ultimately aim to improve the welfare and wellbeing of individuals and communities (Organisation for Economic Co-operation and Development (OECD), 2022) with initiatives being taken on by the social economy and civil society to deal with complex economic, environmental and social problems that provide economic development. Stanford Social Innovation Review (SSIR) breaks the concept of social innovation down further, examining the role of "social" and "innovation" separately (Deiglmeier, Miller, & Phills, Jr., 2008). SSIR defines social as "as describing a class of needs and problems" within society and details how innovation is broken into two schisms: one that focuses on process and the other on product (Deiglmeier, Miller, & Phills, Jr., 2008). Process focuses on "individual creativity, organizational structure, environmental context, and social and economic factors" while product focuses on the outcome of innovation such as the sources and possible economic consequences (Deiglmeier, Miller, & Phills, Jr., 2008). Due to social innovation's cross-collaborative effort, this is important as it influences the practitioners, policymakers, and funders behind innovative ideas, all influential players in the concept of financial literacy implementation in the education system. The "innovation" of social innovation is then evaluated by standards on whether the innovation itself provides a new solution to current issues and whether it improves those issues.

How can social innovation address financial literacy issues? Financial illiteracy is both a social and economic issue within the United States. Financial illiteracy can result in increased poverty rates, income inequality, and low quality of life. Additionally, a study conducted by the OECD Program for International Student Assessment (PISA) found that by the age of 15 there is a significant gap in an individual's socioeconomic upbringing when they lack financial knowledge (Banh, 2019). Furthermore, there are systemic biases in place when it comes to an individual's race or gender that only increase the disparity seen in financial literacy education opportunities. Education for "African American, Latinx, and Native American students and students from racial and ethnic "minority" groups in the United States face persistent and profound barriers to educational opportunities (Darling-Hammond, 2001, p. 210)." When it comes to gender-inequality, a study conducted in 2016 found that there are three factors that influence financial illiteracy seen among women when compared to men: socio-demographic characteristics, the differences in how men and women handle financial matters and whether a woman is responsible for finances, and cultural factors based on country of origin (Grohmann, 2016, p. 537). The study had concluded that for women, financial illiteracy will remain an issue until more complex issues such as women's role in society is changed (Grohmann, 2016, p. 537).

Current Practices and Research

Despite the staggering numbers showing the lack of financial literacy amongst Americans, there is still a considerable number of organizations and institutions that provide financial education classes and workshops. Many universities, credit unions, and banks also provide financial literacy opportunities for individuals; however, people are not always aware of these options.

Everfi, an Impact-as-a-Service innovator focused on addressing social issues by applying education as a solution, has begun to focus their work on addressing financial literacy concerns among teens and young adults. Their current work focuses on providing digital financial education opportunities to students and adults (Everfi, 2021).

Additionally, research has been conducted regarding the impact of implementing financial education at a younger age among teens. In a 2014 study, it was found that when evaluating the effectiveness of financial literacy programs, it would prove most successful when the information was directly applied “to increasing math requirements” (Cole, Paulson, & Kartini Shastry, 2014). The study found that “that individuals who were exposed to greater math requirements in high school are more likely to accumulate assets, have more real estate equity, are less likely to be delinquent on their loans, and are less likely to undergo foreclosure” (Cole, Paulson, & Kartini Shastry, 2014).

A 2016 study found that after developing a week-long summer camp program that taught young Americans about finance management tools and counseling options, that the program would serve as being most effective if it was developed into a school-long initiative where students would be exposed to the education on a daily basis (Bhattacharya, Gill, & Stanley, 2016, p. 21). Their research found providing this form of education via a camp opportunity could prove to have issues such as not reaching all students and parents’ deciding to not sign their children up for the program if they saw no real purpose for it (Bhattacharya, Gill, & Stanley, 2016, p. 32).

A research study that worked with low-income and marginalized families in Silicon Valley found that long-impact community-based initiatives such as the two-year program provided to participants was not majorly impactful. In the 2018 study, local institutions and organizations collaborated to provide financial literacy to the Silicon Valley community, focusing on building financial-sound habits with their clients (Xu, 2018). In the study, it was determined that there was increased knowledge in budgeting, debt management, and banking amongst those who participated. This meant that when individuals partook in goal setting, reading credit reports and reviews, and actively reducing their debt they had more positive results. The program also proved to be beneficial to the children who participated with their parents, leaving it with more financial knowledge then they had previously (Xu, 2018).

Methodology

Study Design

The study design focused on collaborating with local, state, and nation-wide programs providing financial literacy services. Initially the study was set to work with five participants, but due to time constraints, staff shortage, or other obligations the case study was rescaled and downsized to collaborate with three participants.

Considerations were also made regarding information available for my use in the study. In some cases, the organizations could not provide all the information regarding certain data due to previous impact on their own collection of data from COVID-19. Understanding the impact of the pandemic on organizations was considered while pursuing this research.

No personal identifiers are given in this study, and in doing so each organization is labeled with a corresponding letter to remain anonymous. The following label for each participant is as follows: Organization A, Organization B, and Organization C.

Data

Data used in this study was both archival and public records on the organization and the workshops they offered. The data measured the following themes: success rates, retention rates, number of participants, number of clients helped, number of visits from client, and the most requested/used workshop provided. Aside from this, course assignments and outlined work to understand program more effectively was also completed.

Participants

Organization A

Organization A operates within the local area of Grand Rapids, but assistance state-wide based on their clients which ranges between young adults to adults. The organization provides a variety of resources for their clients regarding financial literacy. Their key resources focus on presentation requests, individual appointments, and student loan exit counseling. Their programs are broken down further into five areas of understanding:

1. Spending Plans
2. Exit Counseling
3. Credit Scores and Reports
4. Understanding Student Loans
5. Investing.

While several their sources are readily available those within their community, they also provide free resources for others to use that focus on their five areas of financial literacy, including what is known as CashCourse, which is a program that also assists in teaching financial awareness.

Organization B

A local organization that helps communities in the local Grand Rapids area and primarily serves adults. Its services focus on providing financial education workshops, facilitating financial empowerment programs, and partnering with local agencies to advocate for economic justice. Their message is rooted in empowerment to lead to financial success for both young and old.

They provide four programs:

1. Money Workshops
2. Credit Building
3. 500 Strong
4. Pay-it-Forward

The first focuses on money workshops. It helps in establishing money management skills and tools. It's a one-day workshop that provides foundations for finance strategies. Credit building is another area of interest, focusing on building, maintaining, and establishing a credit score/report. Another one-session workshop that deep dives on all things credit related (how it works, building goals, reading/understanding, debt/collectors, etc.). 500 Strong is an effort to help individuals establish an emergency fund. Their last program focuses on working with local churches to establish a "pay-it-forward" effort that helps individuals become involved within their community, working with church staff to establish a repayment method. The participant is also required to attend workshops provided by the organization and make payments to the church who then makes payments towards the vendor. In a benefit to the client, they can build their bank/credit union account.

Organization C

Is a national-sized nonprofit organization focused on financial literacy. It's comprised of professionals in bankruptcy, financial services, and business. They volunteer their time to educate young adults and others about the benefits of personal financial management and the consequences of credit abuse. Using their own professional experience, they recount true stories about financial distress and the impact it can have on someone's life.

They focus their presentations on credit cards, building credit scores and reports, budgeting and saving, student loans, bankruptcy, and identity theft. They last between 45-60 minutes, sometimes over 90. They primarily work with high school students but can work with others. The also offer several free resources for individuals to use including hand-outs and PowerPoints.

Findings

Success Rates

Table 1 provides a table of the accumulated success rates of the programs offered by Organization's A, B, and C.

Organization's A and C had information unavailable to view.

Organization B's accumulated score is that of their three programs (not including the Pay-it-Forward). Each program they provided lasted between January to June. Their credit building program had 26 in total register and 26 complete the program. Their managing finances program had a total of 29/69 successful participants. Lastly, their 500 strong had a 23/43 successful participants.

	Organization A	Organization B	Organization C
Accumulated Total	N/A	78	N/A

Table 1

Retention Rates

Table two provides an accumulated total of retention rates of clients, regardless of program for all organizations.

Organization's A, B, and C had information unavailable to view.

	Organization A	Organization B	Organization C

Accumulated Total	N/A	N/A	N/A

Table 2

Number of Participants

The total number of Table 3 is the number of participants, regardless of program, participated in the organization as a client.

Organization A was unable to provide information.

Organization B, between their three programs, worked with total of 138 clients between the months of January to June of the year 2021-2022.

Organization C's numbers are an allocated amount of the years between 2017 to 2022 of the state-wide individuals they served.

	Organization A	**Organization B**	**Organization C**
Accumulated Total	N/A	138	14,761

Table 3

Number of Clients Helped

Table 4 provides the total amount of participants helped in either (1) a given year or (2) between five years.

Organization A was unable to provide information.

Organization B is the total number of clients they were able to help based of the combined numbers of their three programs.

Organization C's numbers are an allocated amount of the years between 2017 to 2022 of the state-wide individuals they served and the number of clients they worked with.

	Organization A	**Organization B**	**Organization C**
Accumulated Total	N/A	86	14,761

Table 4

Number of Visits

Organization A was unable to provide information.

Organization B received a total amount of 138 based upon the three programs that they offer within a given year. This information is *not* based on whether the individual was successful or not.

Organization C's 291 visits is based off the years between 2017 to 2022 of the state-wide individuals they served. The organization outsources individuals to do site visits to provide presentations.

	Organization A	**Organization B**	**Organization C**
Accumulated Total	N/A	138	291

Table 5

Program Evaluation

After evaluating each program within each given organization, some proved to be more valued than others' by clients. For Organization A, information in unavailable.

Organization B found their program focused on maintaining finances to be the most popular, however it was also the least successful among clients based on completion after registering for the program.

Organization C overall found their presentations and workshops as the most effective way to serve their clients, regardless of the area of the focus. This primarily has to do with the fact that those they present to choose their topic for the presentation.

All organizations proved to have a similar program established regarding course material taught, as outlined by the OECD. Additionally, COVID-19 did impact all the organizations data results. Each organization also worked with diverse communities and age groups and their programs proved to be generally successful. Overall, each program seemed to be outlining their work in presentations or workshops for the clients to participate in.

Discussion

The findings from my research did pose some new questions to consider when moving forward in the research. Unlike some of the literature detailed in the review, it is hard to determine the overall success of each program without the retention rates to see if the clients maintained the information they learned. Organization B's findings also showed that adults without prior financial education knowledge in their youth will struggle in current classes on the subject. This finding raised the question on whether it is external factors influencing this such as being out of high school for given amount of time or if it is based more on intrinsic conditions such as not understanding the material. Considering this, it is important to note this when moving forward for the consideration of crafting a program for high schools to utilize.

This research also posed further questions on determining other options on how to provide teaching options to students, so they can retain the information in innovative ways. As the literature review stated above, approaching the methods in technological-based styles, integrating into already established programs such as math, or through the community prove to be approaches that could be beneficial to students as they prepare to integrate themselves into adult lives.

Further research should be considered while moving forward on also how this would look and be beneficial to private school and homeschooling environments, in which education formats are different and funding/government support is applied in a different way.

References

Banh, M. (2019, October 24). *What international data tells us about youth financial literacy.* Retrieved from Consumer Financial Protection Buraeu: https://www.consumerfinance.gov/about-us/blog/what-international-data-tells-us-about-youth-financial-literacy/

Bhattacharya, R., Gill, A., & Stanley, D. (2016). The Effectiveness of Financial Literacy Instruction: The Role of Individual Development Accounts Participation and the Intensity of Instruction. *Journal of Financial Counseling and Planning*, 20-35.

Cole, S., Paulson, A., & Kartini Shastry, G. (2014, April 8). High School Curriculum and Financial Outcomes: The Impact on Personal FInance and Mathematics Courses. *The Journal of Human Resources*, pp. 656-698.

Darling-Hammond, L. (2001). Inequality in Teaching and Schooling: How Opportunity Is Rationed to Students of Color in America. *The Right Thing to Do, The Smart Thing to Do: Enhacing Diversity in Health Professions*.

Deiglmeier, K., Miller, D. T., & Phills, Jr., J. A. (2008). *Rediscovering Social Innovation*. Retrieved from Standford Social Innovation Review: https://ssir.org/articles/entry/rediscovering_social_innovation

Everfi. (2021). *How to give students and families the keys to a better financial future*. Retrieved from Everfi from Blackbaud: https://everfi.com/how-to-give-students-and-families-the-keys-to-a-better-financial-future/

Gardner, M. (2021, December 6). *A Brief History of Financial Literacy and Its Importance Today*. Retrieved from EMoneyAdvisor : https://emoneyadvisor.com/blog/a-brief-history-of-financial-literacy-and-its-importance-today/#:~:text=The%20Origins%20of%20Financial%20Education&text=And%20more%20than%20100%20years,topics%E2%80%94among%20them%20personal%20finance.

Goyal, K., & Kumar, S. (2021). Financial literacy: A systematic review and bibliometric analysis. *International Jounral of Consumer Studies*.

Grohmann, A. (2016, November). The gender gap in financial literacy: income, education, and experience offer only partial explanations. *DIW Economic Bulletin*, pp. 531-537.

Moskovska, A. (2022). *Financial Education Through Generations*. Retrieved from MoneyFit: https://moneyfit.org/blog/financial-education-through-generations

OECD. (2020). *PISA 2018 Results (Volume IV): Are Students Smart About Money?* Retrieved from OECD iLibrary: https://www.oecd-ilibrary.org/docserver/48ebd1ba-en.pdf?expires=1647534559&id=id&accname=guest&checksum=8F820CAC46B51F64BD8A04B429B526C4

Organisation for Economic Co-operation and Development (OECD). (2022). *Social Innovation*. Retrieved from OECD Home: https://www.oecd.org/regional/leed/social-innovation.htm

Scribner, H. (2022, June 8). *These states require personal finance education before graduation*. Retrieved from Axios: These states require personal finance education before graduation

Xu, X. (2018). Assessing a Community-Based Financial Literacy Program: A Case Study in California's Silicon Valley . *Journal of Financial Counseling & Planning*.