

# Spreading Financial Acumen One Day at a Time

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## ABSTRACT

*Service learning is known to nurture civically-minded students while contributing to the realization of improved student learning in the discipline and enhancement of general business skills such as critical thinking and communication. Assessment outcomes and the capability to demonstrate a results-driven, continuous improvement-laden commitment trigger the alignment of this service learning exercise in order to integrate teaching, service learning, community engagement, and knowledge generation. This pedagogical innovation leads to the advancement of interdisciplinary, problem-centered global learning,*

## INTRODUCTION

In summer 2007 as the stock market began a correction in response to the deflating of the real estate market bubble, students in the online section of the required Finance major class in Financial Markets and Institutions observed that many of their associates were being hit especially hard by the crisis. They noted that several of their friends and relatives had overleveraged themselves in the pursuit of a better life by buying homes that they could barely afford.

Several people they each knew had taken out subprime loans typically offered to people with spotty credit histories and lower income levels. They regaled their professor with instances of unethical behavior by mortgage brokers and banks and anecdotal evidence that the most vulnerable and least finally savvy people were the ones caught in the downward spiral. By October 2007 approximately 16% of subprime adjustable rate mortgages in Florida were either delinquent or in the throes of foreclosure. The numbers grew exponentially in the following months.

As the crisis spiraled out of control, the course instructor recognized that her students, many of whom cared deeply about their community, could do a beneficial service by sharing the knowledge and skills they were accumulating from their Finance courses. While helping others, teaching financial literacy through a service learning project could help reinforce important financial concepts for the students themselves, develop student leaders, promote team building skills as well as improve their written and oral communication competencies. The project had an added benefit. It provided and continues to provide video documentation of online students' summative assessment in oral communication and presentation skills which is used in the college's Assurance of Learning initiative.

## **RATIONALE**

A major strategic initiative at Florida International University is to engage the South Florida Community. Senior administration, faculty and staff are committed to a vision of collaboration between higher education institutions and their larger communities (local, regional/state, national, global) for the mutually beneficial exchange of knowledge and resources in a context of partnership and reciprocity. At FIU, we have a large diverse student body, with the language and cultural skills necessary to reach out to underserved South Florida residents.

Financial Literacy is the ability to make informed decisions regarding the use and management of money. A Curriculum in this area can range from basic to advanced topics. A project in this field must begin with the identification of all stakeholders, and a discussion of their needs, goals, plans for achieving those goals, executing a project, then monitoring and assessing its impact.

Beginning in Spring 2008 assisted by a grant from the Center for Leadership & Service at Florida International University, an instructor who typically teaches a section taken by approximately one third of all Finance majors, began requiring the students in her online class to perform a service learning project which endeavors to teach financial literacy skills to new immigrants in South Florida. Over 100 students in each semester over the last two years have taken this class and have begun blanketing the area's community centers, factories, libraries, churches and high schools. The need was and still is so great that students have begun to hold seminars in areas not typically frequented by new immigrants: high schools and university campuses. The grant provided seed money for posters and marketing material required to alert the community about the service.

Around the same time, on July 27, 2008 the Associated Press (later reported in USA Today) noted that according to a study undertaken by the Corporation for National and Community Service (CNCS), Miami with a volunteerism rate of 14.5%, placed last among major metropolitan areas. In the report, Robert Grimm, director of research for the CNCS, portrayed what he called "the leaky bucket" of volunteerism - nationally, about one in three people who volunteer in a given year do not do so the following year. However, in Miami, the rate is six in 10. This observation explains why area students who are required to perform volunteer service in high school quickly forget the thrill of "making a difference" and their civic responsibility because they get caught up in their busy lives of work and school.

Both developed and developing countries are recognizing that changes in the financial system, including the increasing complexity and diversity of financial products, are creating an urgent need for financial literacy. In fact, in the United States, where personal bankruptcies have increased sharply, the Federal Government and the Federal Reserve have entered the field of financial education, an area previously left up to the private sector. During financial literacy month, in an April 7, 2010 speech FDIC Chairman Sheila C. Blair noted that financial education empowers consumers to use mainstream financial services responsibly. Her request to educators, "as much as any bank regulator you can help prevent adults and young people from falling prey to costly overdraft fees, to unaffordable mortgages that can lead to financial ruin, or even to fraudsters. It's essential that people of all ages, and of all income levels, and from all walks of life learn to make informed and prudent financial decisions. Financial literacy is very effective in changing behavior."

In South Florida, many residents are new immigrants and have limited knowledge about basic good financial practices and money management. It is therefore the vision of the project, to

develop individuals who have the capacity to plan ahead, keep track of their finances, respond to market signals in the right way, and are responsible with their money.

## **PEDAGOGY & TOPIC COVERAGE**

The project's success is defined by the improvement of student learning outcomes achieved by having the students engage in active learning through service learning. *Active Learning* is generally defined as any interactive instructional technique that engages students in higher-order thinking involving analysis, synthesis, and evaluation. Action learning involves harvesting of information other than from faculty, such as web sites, focus groups, other students, and libraries. These sources of information offer students the opportunity to demonstrate their ability to analyze, synthesize, and evaluate through this team projects.

*Service Learning* refers to a technique which synthesizes learning, personal reflection and meaningful service to develop an experience which exposes the student to civic engagement and social responsibility for enriching the community as a whole while reinforcing important academic concepts. *Corporate Social Responsibility* (CSR) is an area that more and more Corporations are relying on to improve their tattered reputations.

While Service Learning is widely recognized as an important tool in an instructor's repertoire of techniques that cater to multiple learning styles to help retain information and strengthen understanding, while improving their skills, values and understanding of social issues and multiple perspectives, it is usually very difficult to incorporate it into an Online class. In the area of Financial Markets and Institutions, a part of finance that is rapidly evolving because of market conditions, instructors need to determine how to help students develop the knowledge and skills that will serve them in the future as the field continues to evolve. Students must critically think through what is relevant for their audience and their future careers.

The core financial literacy elements that are covered by the students in their presentations to the external community are presented in Table I. They include a plethora of core Finance principles that play an important role in the efficient functioning of a market economy including the time value of money, functions of various financial intermediaries, the workings of the financial markets and their regulatory bodies as well as the tenets of risk/reward tradeoffs. The students aim to encourage seminar participants to make frugality, which is, exercising good sense in their money management decisions, an integral part of their lives. (INSERT TABLE I HERE)

In addition to helping improve the student learning outcomes in the functional area of Finance, through this project, the students also develop their core competencies in their general business skills. These skills are highlighted in Table II. (INSERT TABLE II HERE)

The students benefit by learning about some of the issues that members of the Community face and bring back this knowledge to Faculty, students and Corporations through their interactions with them. This in turn helps in curriculum reform. Table III presents a sample matrix which describes how each of the groups can benefit. (INSERT TABLE III HERE) Students are given extensive training in Project Management tools and access to publicly available resources for teaching and training others as well as a list of locations where there is an identified need for their services and contact information for supervisors. The Faculty Advisor and FIU's chapter of the student organization Students in Free Enterprise (SIFE) helped to ensure sustainability of the project by developing a handbook. With the help of the Oral Lab at FIU, she arranged for students both on and off campus to be given individualized feedback on

developing their presentation skills through the use of various technological tools. Students interact with the Faculty and other students through Adobe Connect and submit their presentations to the Oral Lab through submission of DVDs or upload them directly to the website.

Students provide a group and an individual deliverable for the course grade. In the group portion they are required to provide a Project Overview Statement (POS) which describes the mission, vision, scope and success criteria of their group's project and a Conditions of Satisfaction (COS) statement which requires them to investigate the needs and wants of their "clients" and to appropriately adjust their presentation depth based on the foundational knowledge of the seminar participants. They are required to present their sources of information and to provide a rationale for inclusion, describe the location and provide a rationale for choice as well as create flyers/marketing material, pre-post surveys and a letter from the supervisor. (INSERT TABLE 4 HERE)

The individual portion requires the student to provide a log of activities on a daily basis, a personal reflection statement which describes how the knowledge from the *student's* program of study is applied to meet the identified community need(s), how their activities helped to accomplish the student's career goal and personal gratification as well as how the *group's* service learning plan of action developed their leadership and team building skills. Leading questions to be answered are provided in the *Guidelines for Preparing a Reflective Journal/Diary* for help in writing this statement. The project not only helps to reinforce content knowledge and teaches the students how to apply the knowledge but also develops leadership skills, the ability to resolve group conflicts and project management skills.

Seminar participants are given a pre-test (which measures what the "client" knew before the presentations) and a post-test to help determine impact. Emphasis was placed on the needs of the "client"; in more affluent areas, less time was spent on the basics and more on lessons aimed at providing clarity on the various forms of financial intermediaries and reducing the future occurrence of sub-prime and Alt-A offerings that has contributed significantly to the demise of the housing market. Online resources in the electronic version included calculators, mortgage simulators, presentations, video clips, and other resources. Impact is also measured by a simple head count of people who attended the presentations. However, this may be understated since we found that people later shared the knowledge gained from the presentations with their friends and family. Activities were interactive and included simulations that helped design contingency plans.

This project incorporates many factors that contribute to improvements in student learning. It also reinforces students' research skills by forcing them to find appropriate technical knowledge, and adapt this knowledge to suit their constituents. It helps enhance interaction among Faculty and students as well as the Community in an online environment, an activity heavily espoused by the accreditation bodies. Students learn how to integrate their project management and other skills learned in other parts of the curriculum to collaboratively solve problems and ensure the success of an "event". It also gives them the opportunity to develop an understanding of different cultures and learn how to appreciate various perspectives while learning from more mature individuals in the class and the community who can relate the subject matter to their personal experiences. At the same time it helps with the college's assessment of oral communication skills. The DVDs of graduating seniors are collected by the Oral Lab for assessment by Faculty teaching in the programs outside of the course for the College's Assurance of Learning initiatives in continuous improvements of teaching efficacy.

The project is an attempt to “close the loop” and stemmed from the assessment data collection activities undergone by the CBA over the last few years which suggested that students’ oral and written communication skills needed to be improved and they needed practice and reinforcement in the use of information technology to communicate and enable decision making and problem solving in the field of Business and Accounting. Since the learning outcomes for the Finance major could be directly mapped to particular courses, having the students teach and learn important financial concepts are helping achieve improvements in student content knowledge and application based on the improvement in Assurance of Learning Exit Exam results for the Finance major similar to that evidenced by Roose et al who found that after examining fifteen variables to see which ones were associated with retention and graduation, involvement in community service most strongly correlated with graduation in a field of study. The project exemplifies a win-win situation for all stakeholders: the Professor, Students, Community and College:

***Professor & Students:***

- Ingrain the idea of Service as providing a learning opportunity: Teach a Man to fish....
- Engage the students
- Reinforce foundational Finance knowledge
- Reinforce the application of that knowledge
- Reinforce quantitative analytical, critical thinking written and oral communication & Presentation skills
- Get the students to appreciate diversity and different perspectives as well as develop sound Ethics
- FIU Students develop good citizenship skills necessary for lifelong advancement in an increasingly socially responsible global business environment.

***Community:***

- Value the concern of people who they perceive as more fortunate than themselves
- Reflect on what they have learned and consider ways to promote themselves
- Become well rounded in terms of basic financial knowledge and skills
- Visibility of the partners, business generation and client stewardship
- Recruit and retain a qualified, innovative and prepared diverse workforce
- Provide a financial literacy opportunity for under-served populations

***College:***

- College branding exposure
- Opportunity for FIU students to apply and transfer knowledge
- Promote civic engagement of students
- Demonstrate to the community that we care
- Provide fodder for program assessment (formative and summative assessment of oral communication)

**FUTURE PROJECTS**

Teach senior citizens financial planning tools as well as portfolio diversification and balancing techniques with the help of the FMA Student Organization at FIU (possibly through

the Capital Markets Lab). This co-curricular activity can help bring online students on campus to interact and take advantage of the College's state of the art trading room.

Work with Small Business owners and other entrepreneurs. Help them to develop a business plan to seek venture capital and other sources of funding. Teach basic market economic analysis like supply and demand, costing and break-even analysis, inventory control and financial ratio analysis. Help instill values for good business practices and ethics.

## CONCLUSION

The activity is one approach to facilitating learning in an online forum and discussion of this innovative project in the College's Community of Practice has helped stimulate the development of other forms of experiential learning within the College of Business Administration. A sample of students engaged in this project comprises part of the data collected for assessment of oral presentation skills in the Assurance of Learning activities. By helping others improve their knowledge, define and set short and long term goals, student service learning activities at FIU's College of Business Administration extend the walls of the classroom.

## ENDNOTES

1. <http://www.fdic.gov/news/news/speeches/chairman/spapr0710.html>, downloaded on August 3, 2010.
2. In 1979, Robert Sigmon defined service-learning as an experiential education approach that is premised on "reciprocal learning" (Sigmon, 1979). However The National Society for Experiential Education, which for years has focused on various types of experiential education programs, broadly defines service-learning as "any carefully monitored service experience in which a student has intentional learning goals and reflects actively on what he or she is learning throughout the experience."
3. Roose, D., Daphne, J., Miller, A. G., Norris, W., Peacock, R., White, C., & White, G. (1997). *Black Student Retention Study: Oberlin College*. Oberlin College.

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**Table I - Core Financial Literacy Topics Covered in the Presentations**

- The differences between various types of financial institutions
- Types of financial markets
- Types of savings vehicles
- Methods to promote thriftiness
- Time Value of Money and Risk/Reward trade-off
- Budgeting and borrowing
- Investments, insurance, credit repair, taxes and social security
- Planning ahead
- Financial fraud
- Choosing financial products most suited to one's needs and estate planning, including home purchasing and the ethical use of mortgages.

**Table II – Finance Major and General Business Curricular Outcomes**

***Learning Outcome pertinent to the Finance Major***

Students will identify the functions of financial markets and institutions and examine their impact on the level of interest rates and interest rate differentials.

***Ethics***

Students will demonstrate ethical understanding and reasoning abilities, including an understanding of the ethical responsibilities of organizations (Corporate Social Responsibility & Civic Engagement)

***Communication:***

Students will individually and collaboratively formulate, structure, support, deliver, receive, evaluate, and adapt written and oral messages. This includes:

- Writing effective business correspondence using various types of media and technology.
- Researching, organizing, supporting, and orally delivering business presentations adapted to diverse audiences.
- Using pronunciation, grammar, nonverbal communication, and articulation appropriate to the designated audience.

***Information Technology***

Students will use IT as a tool to do essential business tasks. This includes:

- Creating presentations
- Using the web to find and share information

***Critical Thinking***

Students will apply critical thinking skills to complex business problems. This includes:

- Identifying and evaluating relevant issues and information
- Generating and evaluating possible solutions to the problems
- Recommending solutions based on a well-reasoned rationale
- Communicating thought processes to others.

***Global Skills***

Students will demonstrate the knowledge, skills and attitudes to compete in a global business environment. This includes:

- Demonstrating appropriate responses to cultural diversity in a global economy

**Table III - Conditions of Satisfaction**

<b>Needs of</b>	<b>Professor</b>	<b>Immigrants</b>	<b>Community Center</b>	<b>Students</b>
<b>Professor</b>	Initiate the idea of service learning in the classroom and start a legacy. Continue to encourage students to be proactive in civic engagement activities. Help the Faculty in Curriculum reform.	Make the best of the opportunity by attending meetings for 2 hours every week. Have the motivation to learn from students and build the level knowledge.	Ensure that the location is available every session and advertise the services with flyers, posters, webpage, newsletter etc.	Leaders in civic engagement activities. Continue to building on leadership and communication skills as well as the relationships with their clients. Motivate other students to be leaders in various literacy projects.
<b>Immigrants</b>	Value the concern by professor and embrace the opportunity with no prejudicial expectations.	Reflect on what they've learnt and find their inner strengths. Use those strengths to teach others and their families and change lives and make wiser financial decisions.	Make their visit comfortable and easy to reach. Ensure that assistance is given to help make the learning experience worthwhile.	Be well rounded with knowledge in the financial field and take what was learned in the classroom and FDIC modules and apply them to practical situations. Provide real life examples.
<b>Community Center</b>	Assist students with tools and information necessary to fulfill goals. Provide a wealth of resources.	Take advantage of the tools and resources offered and learn as much as possible.	To maintain the image as a place filled with useful information and resources. Be available to the public at all times.	Students who are prepared with the knowledge and communication skills. Students who demonstrate team work, organization and confidence at every session.
<b>Students</b>	Create connections with supporting groups such as experienced graduate students and professors. Their wealth of knowledge will be an input and helps in smoothing the lifestyle process.	Share interests, needs and goals. Stimulate the desire with personal experiences shared in the sessions. Inform others clients and students about their culture, values and customs.	Have familiar programs already in place and facilitate learning to current clients. Encourage students to take advantage of the opportunity. Be involved in the learning experience with continuous advertising and update of session.	Work as a team, share the knowledge and enjoy being leaders in community. Change lives.

#### **Table IV - Project Overview Statement (POS)**

The POS is a concise statement of the project, and a summary of its justification to continue. It resembles the Vision and Mission Statement of your other classes. The POS captures key objectives of the project, including the Conditions of Satisfaction (COS). The COS should be a short document and it should convey what the project is expected to deliver and accomplish. It should be reviewed and updated throughout the project. It is negotiated with all the stakeholders, library/community center/religious organization, clients, other group members etc.

#### ***The POS has five major sections***

- 1) Problem/opportunity. This section summarizes major problems the project will address, and identifies significant new opportunities of which it will take advantage.
- 2) Goal. The goal gives direction and purpose to the project, and summarizes how the organization will address the problems.
- 3) Objectives. The objective statements elaborate on the goal, and clarify its scope or boundaries.
- 4) Success criteria. What specific measures will you perform to prove the project was worthwhile?
- 5) Executive summary. Describe the major assumptions the project is based upon, key risks that were managed, and the foreseeable obstacles that will need to be overcome, including sustainability of the project.