DOES EXPERIENTIAL LEARNING ADD VALUE IN FINANCIAL LITERACY EDUCATION?
A QUALITATIVE INVESTIGATION

BY

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DEDICATION

This work is dedicated to my parents, Roger and Diane Akers. From deep in Appalachia, my father was the first to graduate from high school in his family and my mom was the second in her family. Both are also first generation college graduates who went on to get advanced degrees. I know they did not have the support in their education that they have always given me. I am forever indebted to them for believing in me, especially when I didn't believe in myself. I thank you both for overcoming challenges, being role models and loving me.

Also, I want to dedicate this to my husband, Brian, and children, Mia and Brody. They have been endlessly patient with me during this process. My love for and from you kept me going when I didn't think I could. I hope I inspire you the way my parents inspired me. You can and will do amazing things! I love you!

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ABSTRACT

According to Marketwatch.com the lack of financial literacy among U.S. citizens has cost upwards of $200 billion over the last twenty years. Besides racking up student loan debt that averaged about $37,172 per student in 2016 (Marketwatch.com) millennials and those in Generation Z are also the most likely to engage in risky financial behaviors like payday loans, pawnshops and tax refund advances (PwC, 2016; Mottolla, 2014). Being financially vulnerable as young adults compounded with today's increasingly complex financial environment (Batty et al., 2015), make fertile ground for mistakes that have lifelong impact.

Over the last 20 years, much has been done to better educate students so that they can be financially capable adults. Many states have mandated financial literacy education before high school graduation and there is no lack of programs dedicated to getting students more financially prepared for the real world. Despite all of these efforts, financial knowledge scores of young adults have remained the same (Friedline & West, 2016).

At the heart of this study was finding a high impact way to teach financial literacy. This study's purpose was to examine whether experiential education added value to a financial literacy program. Focus groups were used to explore whether fifth graders had more positive attitudes, increased interest and motivation and greater feelings of self-efficacy after the experiential portion of a financial literacy program, Junior Achievement BizTown.

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CHAPTER 1

Introduction

The purpose of this study was to explore whether experiential learning added value to a financial literacy education program for 5th grade students: Junior Achievement BizTown. For the purpose of this research, value was defined as a more positive attitude and increased interest, motivation, and feelings of self-efficacy in students.

Problem Statement

Increasingly, young adults have proven to be lacking in financial literacy and the knowledge and skills needed to successfully transfer into college, career and the future. Venturing into adulthood and independence is often an exciting time, but can also be full of important financial decisions with lifelong impact. This stage of life is already associated with a less stable financial situation as young adults move out of their parents' households, so lacking in financial knowledge is particularly dangerous. Low levels of financial literacy have been associated with negative credit behaviors, high-cost borrowing, poor mortgage choices, debt accumulation, mortgage delinquency and foreclosure (Hastings et al., 2013). And, if young adults don't have adequate knowledge to make wise decisions, research also shows that those in recent generations (labeled as millennials and Generation Z) are less likely to seek professional guidance with financial issues (GFLEC, 2012).

Another source of economic angst for young adults is the level of post-secondary education student loan debt that this generation is likely to face (Mottolla, 2014). Student loan debt statistics in 2016 showed that Americans owed nearly $1.3 trillion, and that the average college graduate was finishing with $37,172 in student loan debt. That was up 6 percent from 2015, with steady inflation predicted (Marketwatch.com). Compounding these factors are the challenges of today's increasingly complex financial environment of products and personal responsibility (Batty et al., 2015).

Millennials and those in Generation Z also engage in risky financial behaviors like using payday loans, pawnshops, tax refund advances, and having numerous credit accounts with high outstanding balances (PwC, 2016; Mottolla, 2014). These behaviors often have personal consequences like low credit scores and later, bankruptcies and foreclosures. A continued pattern of this will ultimately impact not only the individual, but the family, community, state and nation.

According to Marketwatch.com the lack of financial literacy among U.S. citizens has cost upwards of $200 billion over the last twenty years. The financial stumbles of young adults over the last two decades prove that they are not adequately prepared for real-world money issues. But, why is that? Financial literacy has been an education buzzword for the last two decades. In the last 20 years, the number of states including personal finance in their educational standards has more than doubled and states with high schools either offering or requiring a personal finance course for graduation have also grown (CEE, 2018). Despite these efforts, the financial knowledge scores of young adults have remained the same over the last 10 years (Friedline & West, 2016). If financial education has increased in our schools, why is financial literacy and capability not improving? Are we using the most impactful teaching techniques to impart financial knowledge, gain interest and garner self-efficacy in our students before they reach adulthood?

Purpose Statement

The purpose of this research was to examine whether experiential learning added value to a financial literacy program by impacting students' attitudes, interests, motivation and feelings of self-efficacy. The research focused on students participating in the Junior Achievement (JA) program, JA BizTown. JA BizTown is for fifth graders and begins with 13 lessons in the classroom, followed by a day-long visit to an experiential learning center that is made to look like a city. At the experiential learning center, students role-play the life of an adult in a day of active learning. Each student works at a business where they sell goods or services. They receive a paycheck and spend their money at some of the businesses in order to make the city-wide economy function. Fifth graders are good candidates for research because most are ten years old, past what is commonly referred to as the "5-to-7 shift" which labels the ages when children show marked gains in planning, self-control, and formal decision-making abilities (Morrison et al., 1995). Fifth graders also have the cognitive ability to respond accurately to survey questions, thus producing more credible research results (Borgers et al., 2000). This study may present insight to the value of experiential learning in financial literacy programs.

Definitions

Financial Capability is the combination of attitude, knowledge, skills, and self-efficacy needed to make and exercise money management decisions that best fit the circumstances of one's life, within an enabling environment that includes, but is not limited to, access to appropriate financial services (CFI, n.d.). It encompasses both behaviors and decisions about spending and saving in the present and intentions for the future (Collins & Odders-White, 2015)

Financial Literacy is defined by The National Financial Educators Council as “possessing the skills and knowledge on financial matters to confidently take effective action that best fulfills an individual’s personal, family and global community goals.”

Financial Self-Efficacy refers to individuals' perceived ability to manage their finances (Lapp 2010) and is related to an individual’s self-confidence to carry out a financial management tasks with their financial skills (Lown, 2011) and could reflect their financial skills.

Financial Socialization is the process in which children acquire and develop their value system regarding finances. This can include things like values, attitudes, standards, norms, knowledge and behaviors that will contribute to their financial lives. Among the many things that impact the financial socialization of children are family, peers, teachers, media and culture - with family being the most influential (Sherraden et. al., 2011)

Financial Well-Being , according to the Consumer Financial Protection Bureau, entails having control over finances and having the capacity to absorb financial shock, being on track to meet financial goals, and having the financial freedom to make choices that allows one to enjoy life (Consumer Financial Protection Bureau, 2015).

Generation Z: People born in the mid 1990's to the mid 2000's.

Junior Achievement (JA) is a nonprofit economic education organization with a purpose to inspire and prepare young people to succeed in a global economy. Junior Achievement was founded in 1919 by Theodore Vail, president of American Telephone & Telegraph; Horace Moses, president of Strathmore Paper Co.; and Senator Murray Crane of Massachusetts. Its first program, JA Company Program®, was offered to high school students on an after-school basis. In 1975, the organization entered the classroom with the introduction of Project Business for the middle grades. Over the last 39 years, JA has expanded its activities and broadened its scope to include in-school and after-school students (ja.org, 2018).

JA BizTown is a JA experiential learning program for 5th grade students. Students complete 13 in-class lessons before a day long visit to the experiential learning center (BizTown- a kid-sized city). At JA BizTown, each student has a job, earns a paycheck and becomes a consumer to make the economy of the city function.

JA of the Bluegrass is the JA chapter in Lexington, Kentucky that serves Lexington (Fayette County) and the 17 surrounding counties making up Central Kentucky. Outside of Lexington proper, the majority of this coverage area is rural. During the 2015-2016 school year, Junior Achievement of the Bluegrass served 20,359 students. This chapter of JA has a BizTown experiential learning facility.

JA USA reaches more than 4.8 million students per year in 209,651 classrooms and after-school locations (ja.org, 2018). In the 2016-2017 school year, JA programs were taught by 237,680 business and community volunteers in inner cities, suburbs, and rural areas throughout the United States. They have 109 area offices that span all 50 states.

JA Worldwide is one of the world's largest youth-serving NGOs. According to ja.org, their programs deliver "cutting-edge, experiential learning in financial literacy, work readiness, and entrepreneurship in order to create pathways for employability and job creation." Each year over 470,000 volunteers serve more than 10 million students in over 100 countries. JA Worldwide's reach was 4,845,904 students during the 2016-2017 school year (ja.org, 2018).

Millennials are people born between 1982 and 2002.

Significance of Study

Around 20 years ago, financial problems among young adults were becoming apparent. Surveys proved that young adults were lacking in financial knowledge and rates of bankruptcies and foreclosures backed it up. In 2004, those in the 20-24 age range had the highest rate of bankruptcy filings in the United States (Draut & Silva, 2004). An increasingly complex environment of financial products and a housing market crash in 2008 compounded the situation for many of the already financially vulnerable (Gerardi et al., 2010; Van Dam et al., 2014). Literature around that time was also showing evidence that it took youth longer than in the past to emerge as full functioning adults (Aquilino, 2006; Arnett, 2006; Furstenberg et al., 2004).

Recognizing the problems at hand, many began to take an interest in financial literacy (Braunstein & Welch, 2002; Greenspan, 2005; U.S. Consumer Financial Protection Bureau 2013, Miller et al., 2014). Educators, lawmakers, businesspeople and community leaders came together for conversations about how to better prepare youth for the financial real world and adulthood. The issue became so critical that in 2004, Congress passed a law citing April as "Financial Literacy Month." The U.S. Senate said the initiative was needed to "raise public awareness about the importance of financial education in the United States and the serious consequences that may be associated with a lack of understanding about personal finances" (O'Connell, 2019). In 2010, the Consumer Financial Protection Bureau was created as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and was signed into law by President Obama. This action was also taken to try to protect vulnerable consumers and reduce the results of poor financial decisions (Hastings et al., 2013).

While this was helpful for the country overall, the problem seemed to originate with students who were rarely getting financial education at home, and getting very little at school. Jayne Pearl, author of "Kids, Wealth and Consequences: Ensuring a Responsible Financial Future for the Next Generation" said that there are two main reasons why parents don't talk to their kids about money. First, parents feel that they are not good role models when it comes to money and second, they don't have enough confidence in their own knowledge about finances. Research showed that educators shared parents' sentiment. Research produced by PwC US in 2016 showed that, in fact, 65 percent of educators worried that parents and guardians weren't doing their part to teach financial concepts at home (PwC, 2016) and most of those same teachers said they also didn't feel comfortable teaching financial concepts in the classroom (PwC, 2016; Way & Holden, 2009). Only 12 percent of teachers in the study said they actually addressed financial concepts in their lessons (PwC, 2016).

To better prepare young adults for their financial futures, many states began educational interventions. A 2006 recommendation by the National Association of State Boards of Education's (NASBE) Commission on Financial and Investor Literacy said that beginning in kindergarten, financial education should be integrated into school curriculum at all levels. Because of that, between 2010 and 2012, at least four state legislatures introduced proposals aimed at adding financial education to elementary curriculum in kindergarten through sixth grade (Collins & Odders-White, 2015). As a part of those efforts, financial education has been mandated in most states to some degree over the last 10 years (CEE, 2018). However, research has continued to prove that the nation's youth are not making progress when it comes to finances (PwC, 2016; GFLEC, 2012). Lusardi and Mitchell (2014) found that the age group where financial literacy is lowest in the United States is those under the age of 36. They said "low levels of financial knowledge are pervasive (Lusardi & Mitchell, 2014)."

In the 2012 and 2015 National Financial Capability Study (FINRA), millennials were the age group with the lowest level of financial knowledge. The study of 5,500 respondents showed that millennials fell into eight specific negative financial trends including: having inadequate financial knowledge, not being happy with their current situation, worrying about student loans, having debt that crosses economic and educational lines, being financially unprepared for an emergency or loss of a job, heavily using alternative financial services (AFS) like pawnshops and payday loans, sacrificing retirement accounts for current needs and refraining from seeking professional help with their finances (FINRA, 2015). Lack of financial knowledge is also associated with negative credit behaviors such as debt accumulation (Lusardi & Tufano, 2009, Stango & Zinman, 2009, Mottola, 2014), high-cost borrowing (Lusardi & Tufano, 2009), poor mortgage choice, mortgage delinquency, and home foreclosure (Gerardi et al. 2010). In a 2014 study of 1,600 millennials by Wells Fargo, 40 percent of respondents said that they were overwhelmed by debt and more than half said they were living paycheck to paycheck (Wells Fargo, 2014).

In 2012, almost 30,000 teenagers from 18 countries participated in the first of its kind large scale international assessment of the financial literacy of young people. U.S. students did not fare well, with more than one in six failing to reach the baseline level of proficiency in financial literacy (OCED, 2014). Annamaria Lusardi, Ph.D., Denit Trust Chair of Economics and Accountancy at the George Washington University School of Business and Academic Director of the Global Financial Literacy Excellence Center said, "This data is a call to action. We know now that most students are not financially literate; they lack these basic but fundamental skills to live in the 21st century (CEE, 2016)."

Overall, the country has seen a sharp increase in financial literacy education in schools for the last 15 years but there has been no significant change in the financial health of young adults. Perhaps knowledge gains are not enough to impact financial behavior. We certainly see this in other parts of life. Consider what we know about health. Healthy eating and exercise, along with avoiding alcohol, tobacco and drugs are all techniques widely known to positively impact health and increase life span. Yet, the Centers for Disease Control and Prevention reported that three of the biggest killers of United State's citizens in 2017 were heart disease, cancer, and diabetes - all 3 often preventable and curable with a healthy lifestyle (CDC, 2017). Although most people learn this information at school and through our 24/7 news cycle, knowledge has not been enough to thwart the three biggest killers in the U.S. Some don't think they can do it, some aren't interested, and some simply don't have the desire.

Is financial literacy the same? Research shows that having adequate knowledge is not enough to impact behavior in everyone (Braunstein & Welch, 2002; Friedline & West, 2015). While most financial literacy programs exist with the overarching goal to increase knowledge, believing that knowledge improves financial behavior is a faulty relationship (Braunstein & Welsch, 2002). Knowledge is necessary to improve individual financial behaviors, but is there something beyond knowledge students need, and how can educators deliver? What will give students the feeling that they can make good financial decisions, and the desire to do so? Does adding experiential learning to a financial literacy program add value for students? This qualitative study sought to answer these questions.

Junior Achievement (JA) is an international nonprofit that focuses on financial literacy, workforce readiness and entrepreneurship for students in kindergarten through twelfth grade (ja.org). Founded in 1919 by a group of business leaders, JA's purpose is to inspire and prepare young people to succeed in a global economy. Annually, their programs reach 4.9 million students worldwide (ja.org). Specifically, this study focused on the JA BizTown program. JA BizTown is for fifth grade students and it is set up in two distinct sections: one part taught by the teacher in the classroom and one part experiential, hands-on learning in a facility made to look like a kid-sized city. The researcher conducted small focus group interviews with students after they completed both segments of the program to explore if experiential learning added value to the program.

CHAPTER 2 - REVIEW OF LITERATURE

Several themes surfaced during attempts to restore the economy from the housing market crash and economic downturn in 2008. Troubles of an already present financial literacy epidemic came into focus. The first point of clarity was that people needed an understanding of the ever-increasing complexity of financial decisions. The quickly expanding array of financial products and technologies made it confusing for many, but especially those lacking financial knowledge (Hastings et al., 2013). The second trend was that young people were facing huge financial consequences much earlier in life than past generations, with credit cards and student loan debt. Finally, many more families with children were struggling financially. In fact, one in five children in the U.S. was living in poverty in 2014 (Sherraden & Grinstein-Weiss, 2015). This was especially problematic when inspecting the financial illiteracy epidemic, because children in poverty experience financial vulnerability when they are most impressionable (Sherraden & Grinstein-Weiss, 2015).

A 2015 study exposed the weaknesses compounding financial problems, nationally and locally. Participants were asked five questions about economics and finance in everyday life and 63 percent answered three or fewer questions correctly. In Kentucky, 65 percent of respondents scored 60 percent or less, answering three or fewer questions correctly. Financially, Kentucky had the eighth highest rate of bankruptcy in the United States in 2015, with a rate of 345 bankruptcy filings per 100,000 residents (McMullen & Miller, 2016).

Besides bankruptcy, there has never been a lack of evidence of the perils of limited financial knowledge (Brown et al., 2016). Those with low levels of financial literacy are more likely to fail to plan for retirement (Banks & Oldfield, 2007; Banks et al, 2010; Lusardi & Mitchell, 2014), default on a mortgage (Gerardi et al., 2013), borrow at higher interest rates (Lusardi & Tufano, 2015, Stango & Zinman, 2009), withdraw housing equity (Duca & Kumar, 2014) and are less likely to have a savings account (Banks & Oldfield, 2007; Smith et al., 2010). When it comes to young adults, the 2017 Consumer Financial Literacy Survey conducted by Harris Poll (NFCC, 2017) found that they were more likely than older adults to have committed a variety of credit blunders in the last twelve months including being rejected for a new credit card (11% vs. 6%), being late making a credit card payment (11% vs. 5%), missing a credit card payment (12% vs. 4%), or making a payment that was less than the minimum payment required (13% vs 3%).

As concern about financial literacy increased, the number of educational programs implemented to solve the problem have, as well. Although many believe that students need financial literacy education in school, research shows that it hasn't always been available. In 1999, only one out of the 50 states required a financial literacy course for graduation from high school (Brown et. al, 2016). In 2009, the Council for Economic Education reported that only 15 states required a financial literacy course, up from only nine in 2007. In 13 of those states the class was required. By 2012, the number of states that required the class for graduation was up to 17 (Brown et. al, 2016).