

A COLLEGE FINANCIAL MANAGEMENT CENTER: WHAT DO STUDENTS THINK?*

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Abstract

With the increasing cost of a college education on the rise, college administrators need to address the long term financial, psychological, and academic risks associated with the increased responsibility of personal debt. In this qualitative study, college students' perspectives regarding the need for a personal financial management center at a regional public institution of higher education in the Southwest were obtained. Themes that emerged from participants' responses were: (a) the need and desire to understand personal budgeting, (b) learning about personal financial management to obtain a sense of independence, and (c) developing personal responsibility as it relates to controlling need versus want purchasing habits. Implications of our findings are discussed.



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1 Introduction

In today's society, the cost of a college/university education becomes more expensive each semester for incoming first-year students, as well as for continuing students. According to *Business First Magazine* (2006), the average cost of a public four year institution has risen 49% in the last 14 years (Retrieved from bizjournal.com, February 17, 2007). Documented in a report released in 2003, by the National Center for

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Public Policy and Higher Education, was that the cost of tuition and fees had increased by 20%, in one year alone, in the State of Texas (Trombley, 2003). With the cost of a college education on the rise, college administrators need to address the long term financial, psychological, and academic risks associated with the increased responsibility of personal debt. A question that needs to be addressed is the extent to which the costs of a higher education degree comprise the reason for excessive debt among the college age population or is part of a larger debt-related issue.

Since the late 1990s the amount of debt the average college student owes after graduation has risen at an alarming rate. Cited in the Higher Education Project report released in 2006 was that the majority of college students graduated with student loan debt, and the average debt had nearly doubled during the last eight years to \$16,928. According to a 2005 survey conducted by Nellie Mae, 76% of undergraduates began the 2004 academic year with at least one credit card, with an average balance of \$2,327.

We believe that understanding debt among college students is important to universities. That is, university/college administrators, in our assessment, need to be concerned with the amount of money that college/university students owe on their credit cards. Researchers have documented that credit card debt can have a negative psychological impact on students, including a decreased sense of ability to continue to manage their personal finances and a decrease in self-esteem (Lange & Byrd, 1998). In addition, researchers have reported that debt causes students to demonstrate higher levels of stress (Norvilitis, Szablicki, & Wilson, 2003) than they might otherwise. Furthermore, students who consider dropping out of college/university and those students who actually resign from school are more likely to report a decline in mental health and social functioning (Roberts, Golding, Towell, & Weinreb, 1999) than students who stay enrolled in college/university.

As this financial cycle continues and the demographics of college/university students continue to change, responsible, proactive higher education administrators need to consider developing programs in which students are provided with education in personal financial counseling. Such programs could involve interventions designed to improve student behavior as it relates to personal money management. If such programs are not made available, administrators may be faced with increased dropouts, psychological issues, and the inability of students to seek further education because of their inability to handle unmanageable debt loads.

1.1 Impact of Financial Education & Debt Counseling

Nellie Mae has conducted research on college/university students and credit card usage since 1998. In the fourth research study in the series, conducted in 2004, findings were that the average credit card use among college/university students was on the decline since 2001. The Nellie Mae researchers commented that this decline was a result of increased financial awareness and financial literacy programs, on college/university campuses, reaching and impacting their intended audiences. Though these data were interpreted as showing signs of success, the higher education community still has a long way to go in improving college/university students' financial literacy and financial awareness.

Hayhoe, Leach, Allen, and Edwards (2005) agreed with Norvilitis and Santa Maria (2002) that working with first-year students was a key place to start campus education. According to Hayhoe et al. (2005), 49% of the college/university students they surveyed had at least one credit card, even though most students were first-semester first-year. As a result of these findings, the researchers concluded that first-year students were a heavily targeted market for credit card companies. The authors also noted, "this largely freshman sample were less likely to have had four or more cards if they had received instruction in personal finance" (p. 8). Furthermore, Jones (2005) suggested financial literacy and credit education may be needed earlier, even before students actually start college/university. He also agreed that entering first-year students should be the target market for financial literacy programs on a campus. Jones stated, "this may help students make informed decisions about credit use and avoid having excessive debt significantly affect their current and future financial security" (p. 15).

1.2 Significance of the Study

The purpose of this qualitative study was to investigate college/university students' perspectives of the need for the development of a university-sponsored personal financial management center at a regional public institution of higher education in the Southwest. Very little research has been conducted to substantiate the success of this type of program, its impact on student behavior, or student perspectives by gender, on the need for a center on a college/university campus. Though this study, the researchers anticipate being able to provide findings that higher education administrators may find informative as they consider developing financial management centers at their campuses. Therefore this phenomenological study was designed to contribute to the knowledge base regarding students' experiences regarding personal financial management and describe their personal perceptions of the need for a financial management center on a university/college campus.

1.3 Research Question

We addressed the following research question in this study: What are the perceptions of college students regarding the development of a money management center on campus?

2 Method

2.1 Participants

Participants for this study were volunteers selected from a first-year level survey class held at a regional public institution of higher education in the Southwest. Five males and five female students were selected, among those students who volunteered, by purposeful sampling. Criteria utilized to select participants included: (a) gender, (b) ethnicity, and (c) classification (e.g., first-year, sophomore). By selecting participants from different backgrounds, culture, and gender, these researchers anticipated that these data would be more informative than if participants who were more homogenous were selected. Table 1 reflects the participants by criteria.

Diversity of Study Sample, 2007

Student	Gender	Ethnicity	Academic Major
	Males		
Albert	Male	Native American	Undecided
Bert	Male	Black	Animation
Charles	Male	White	Pre-Vet
David	Male	Black	Art
Ethan	Male	White	Criminal Justice
	Females		
Faith	Female	White	Public Relations
Gale	Female	White	Business
Harriet	Female	Black	Biology
Isabel	Female	Black	Theatre
Julie	Female	Vietnamese	Biology/Pre-Med

Table 1

2.2 Procedure

Face-to-face interviews were utilized for the purpose of exploring the perspectives of students on the need for a financial management center. Interview questions were researcher-designed questions by the senior researcher to encourage participants to explain, in detail, their responses to the questions while drawing upon their own perspectives and experiences. Demographic questions regarding ethnicity, gender, academic major, and current classification levels were also asked of each participant. Interview questions were derived from the review of literature on the topic of financial management.

All questions utilized in the interviewing instrument were piloted among students who were not participants in the sample. In addition, two doctoral students who had expertise in qualitative research provided feedback about the interview questions. Based on the feedback from the pilot sample, the final interview instrument was developed and utilized for the qualitative interviews.

Interview questions posed to participants in this study were:

1. Should we have a money management center on campus? Explain your response.
2. What are the perceived benefits of having a money management center on campus?
3. How would you benefit from access to a money management center on campus?
4. What services would you want to see available at a money management center on campus?
5. What are the perceived benefits of having peer counseling available at the money management center on campus?
6. What are the perceived benefits of having full time professional staff member counseling available at the money management center on campus? Have you participated in formal money management training before? If so where? How did you participate in the training? What encouraged you to decide to participate?
7. How will exposure to financial counseling or money management training on campus affect your professional future?
8. How will exposure to financial counseling or money management training affect your personal future?
9. On a scale from 1 to 5, with 1 indicating the least importance and 5 indicating the greatest importance, how important do you feel such a center would be to the students on your campus? Please explain why you assigned this number.
10. If the implementation of a dedicated fee were necessary to fund such a center on campus, how would this affect your support?

To encourage participation among the undergraduate students who were interviewed, they were told that every attempt would be made to keep their information confidential. No identifying information for research participants was collected, except for basic demographic information including gender, ethnicity, and classification level.

2.3 Data Collection and Analysis

Interviews were conducted, following written consent, with the participants at times indicated as convenient for the students, by the students, and were conducted on the university campus. All interviews, lasting between 20 to 30 minutes, were digitally recorded and the tapes coded so that the identities of the participants were kept confidential. After the completion of each interview, digital records and researcher notes were transcribed. Upon completion of all of the interviews, transcriptions of the interviews were completed. Once all 10 interviews were transcribed they were reviewed for common themes. All data were then coded (Patton, 2002), memoed, and categorized by trends or themes.

For a participant response to be coded into one of the themes identified in this study, both of the authors had to concur that the response fit into the category. That is, every theme and participant response included within the theme was agreed-upon by both investigators. In cases where the authors did not agree, the participant's response was not coded.

3 Results

Themes that emerged from the individual analysis of the transcripts included: (a) the need and desire to understand personal budgeting; (b) learning about personal financial management to obtain a sense of independence; and (c) developing personal responsibility as it relates to controlling need versus want purchasing habits. Though multiple questions were asked, these three themes consistently appeared independently throughout the questions. Though demographic data were gathered, no patterns or themes emerged that led us to believe a difference existed between the perspectives of female and male students.

3.1 Personal Budgeting

The first theme that emerged was the concept that students needed help developing a personal budget. This theme also emerged as the most common theme expressed by students throughout the interview process. The National JumpStart Coalition for Personal Literacy (2007) defined a budget as, “a financial plan that summarizes future income and expenditures over a period of time” (p. 2). Interesting was the finding that every student who was interviewed during this process discussed how important having a budget in college/university can be. In addition, many students discussed how not having a budget can often leave students in a financial bind before the semester was over.

When queried why a university/college campus should have a money management center, Albert (a pseudonym) responded immediately with “you get to college and you don’t budget and you end up with no money at the end of the month.” Similar sentiments were shared by respondents who indicated that once in college/university they too learned the hard way how important budgeting can be. Several participants indicated that they had personally experienced a time when halfway through the month they realized that they had zeroed out their bank accounts and struggled to make it to the end of the month. David (a pseudonym) stated that, “we spend money and we do not think about it.”

Based on the interviews it was apparent that some students rely on their parents for money. Conversely, other students were independent of parental financial support and had no one to whom they can turn and, therefore, had to seek alternative solutions. Based on participant responses, these alternative solutions included requesting additional financial aid, working more hours or adding a second job, borrowing money from friends, and even applying for credit cards. Bert (a pseudonym) responded quickly to this question of why a campus should have a money management center with, “a lot of people are like me. I have to work to help pay for school. People who do not have their parents helping them need some guidance on where to spend money and when not to spend money.”

Respondents also indicated that sometimes lack of budgeting leads to use of credit cards. Charles indicated, in response to why he thought a campus should have a money management center, “college is expensive (pause)....your money runs short and credit cards appear and all kinds of things can get you in debt.” This statement is congruent with findings present in the research literature concerning student spending and student credit card debit. Individuals in today’s society utilize credit cards to purchase items they currently do not have the funds to cover. This practice has become an accepted way of life in today’s society.

Based on requests from readers in previous studies, the 2004 National Study on Study Debt, queried students whether they had to utilize credit cards to pay for direct educational expenses. For the purpose of their study, they defined direct education expenses as tuition, room and board, fees, textbooks, general school supplies, commuter transportation costs, and technology costs, including computers. The authors of the 2004 National Study on Study Debt reported 85% of self respondents had used their credit cards for direct education expenses at some point during their college career. Of the 85% of respondents, the average student charged approximately \$942 of direct education expenses in 12 months preceding the 2004 survey (Nellie Mae, 2005). The 2004 National Study on Student Debt researchers also looked at the usage of credit cards for items not related to education. They stated that 71% of students utilized credit cards for food; the second highest usage was clothing, charged by 68% of respondents, and the third item was for personal toiletry items, charged by 49% of respondents (Nellie Mae, 2005).

3.2 Sense of Independence

A sense of independence was another theme that emerged from the student interviews. Chickering's (1969) definition of instrumental independence is helpful here in placing student comments in perspective. "Instrumental independence has two major components: the ability to carry on activities and to cope with problems without seeking help, and the ability to be mobile in relation to one's own needs and desires" (Chickering, 1969, p. 58). It was a common theme among the student interviews for students to recognize and to discuss openly their dependence level on their parents, not just for finances and money, but for financial information as well. Faith (a pseudonym) stated, "my mom has always done the money for me so having a center on campus to help me would be the best way possible for people to manage their money." Then when asked "how she would benefit from access to a money management center on campus," Faith reiterated a need for independence when responding with, "I would benefit by not being reliant upon my mother. . .for there to be someone to help me and teach me to do it myself."

Bert stated:

I would benefit because right now my parents take care of all my financial problems but when I get out into the world I will not have my parents to take care of me. I will not have them to hold my hand every step of the way. A lot of people would get a sense of freedom or independence from learning that because you should be able to do that on your own.

Similar to the responses from Faith and Bert, Gale responded with:

I do not feel like I want my parents to help me with money. I want them to look at me independently and I do not want them budgeting my money. I would prefer not to have them helping me budget my money. I would have somebody to go to in order to help me do a budget. It would make me feel more independent instead of relying on my parents.

Gale was then asked a follow-up question of, "so you feel like this financial education would give you a sense of independence?" She responded with, "yes because I would have been the one to have gone and made the effort to seek help before I started depending on credit cards and getting into credit card debt." To place Gale's comments in context, Chickering's (1969) comment that "The road to emotional independence begins with disengagement from the parents, proceeds through reliance on peers, and ends with personal autonomy" (p. 59) is helpful.

3.3 Personal Responsibility

The third theme that emerged from the student interviews was the need for students to develop a level of personal responsibility and maintain a better grasp on their impulse spending habits and non-essential purchases. This theme was consistent with the literature that lack of financial knowledge can impact student spending habits. In addition to lack of knowledge, students' lifestyles, while living at home with their parents, can make them accustomed to a lifestyle they cannot afford on their own. Boyce and Danes (1998) found teenagers, especially those teenagers who have a part-time job, are accustomed to having high levels of discretionary income. Once in college/university, students suddenly have more obligations than when in high school but are unwilling to reduce their standard of living to reduce debt (Norvilitis & Santa Maria, 2002).

David commented in regard to how a money management center on campus would affect his personal future, "It will help me understand my spending. If I know how to manage my money then I wouldn't have to worry about where my next paycheck is coming from." Similarly, concerning the same question, Ethan commented, "it would help my spending and prevent impulse buying. . .you know. . .help me understand save versus buying and need versus want."

Concerning the same question, Gale stated:

Right now I am trying to understand how to handle my money myself and that is like the biggest topic right now. I have actually just started doing that with my dad and trying to get him to help me by giving my checks to him to get him to help me budget. I tend to spend too much on stupid stuff (pause) you know like a dollar here and a dollar there. It all adds up and that is what really breaks me. I think that if I had someone to help with a budget I would probably save more.

4 Discussion

The results of this study helped to provide us with clear insights into what college/university students were seeking in terms of financial education. As a result of this study, we contend that further investigation should be conducted into the development of a financial money management center by colleges/universities throughout the state and across the country. Though this study represents a very small sample and student perspectives are isolated to one campus, it is clear to us that financial management is a concern among college/university students. Most universities/colleges are expected to impact student's behavior and increase their knowledge base. The area of financial management should be no exception to this policy. Universities/colleges should provide students with the access to facilities, education, and assessment on financial money management training.

Jones (2005) stated "credit education programs may facilitate better financial practices and counter the economic impact of credit mistakes on the individual, their families, businesses, and the economy" (p. 15). Norvilitis and Santa Maria (2002) added:

Colleges should be encouraged to develop their own programs to increase awareness and financial skills. A logical place for such a program would be in conjunction with new student orientation, although programming should be offered throughout the year and for all students (p. 5).

Hayhoe et al. (2005) agreed with Norvilitis and Santa Maria that working with students at the first-year level is a key place to start financial education on campus. Furthermore, Jones (2005) suggested financial literacy and credit education may be needed earlier; before students actually started college/university. He did agree, however, that entering first-year students should be the target market for financial literacy programs on a campus. Jones stated, "this may help students make informed decisions about credit use and avoid having excessive debt significantly affect their current and future financial security" (p. 15).

Students should be responsible for utilizing those programs and services to increase their own knowledge in the area of personal finance and reduce the risk of being overburdened by debt. Financial debt and credit related problems can impact a student long after college/university. The accumulation of unrealistic amounts of debt from student loans and credit cards, combined with unrealistic expectations of earnings and the ability to repay debt can greatly hinder a student's ability to be successful.

Lest readers infer too much from the findings of this study, we would like to make the following points about the main limitations. First, as with most qualitative research studies, findings may not be generalizable beyond these students. Second, the senior author has been actively involved in the development of a financial management center on the campus of a regional public institution of higher education in the Southwest. It is possible that, despite self-awareness of this potential bias, students received non-verbal cues that could have influenced their responses. Thus, readers are encouraged to be cautious in the extent to which they make generalizations from these findings.

We believe that findings from this study may be utilized to inform administrators of students' perspectives regarding the need for a personal financial management center. Student input and student support for a center are essential for the success of such programs, as well as being helpful as universities/colleges attempt to find funding for such centers. Student perspectives provide insights that may aid the design of a financial money management center on the campus of a regional state institution of higher education. Furthermore, this study may serve as a template for the development of financial training or financial money management centers, at other regional institutions of higher education, in the future.

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