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Financial Capability in Children: Effects of Participation in a School-Based Financial Education and Savings Program

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Abstract

A groundswell of interest in young people's ability to understand and handle financial decisions has generated keen interest in financial knowledge and effectiveness of financial education. This study examines an innovative four-year school-based financial education and savings program, called "I Can Save" (ICS). Using a quasi-experimental design, the study examines quantitative and qualitative data to analyze program effects on financial knowledge. Elementary school children who participated in ICS scored significantly higher on a financial literacy test taken in fourth grade than comparison group students in the same school, regardless of parent education and income. Results suggest that young

children increase financial capability when they have access to financial education and it is accompanied by participation in meaningful financial services.

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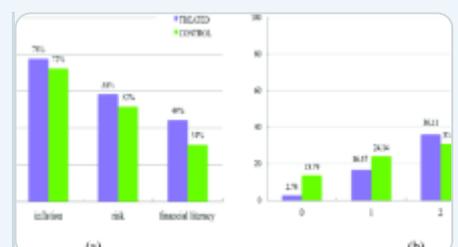
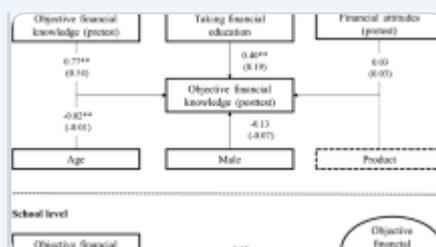
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Notes

1. There is also international interest (OECD [2005](#); WSBI [2009](#)), but the focus of this paper is on the US.
2. Because there is relatively little evidence about the effectiveness of financial education curricula with young children, we also include some studies that address economics curricula in this section.
3. Students in the control group received other financial education in the general curriculum.
4. This is different than other uses of the term “financial capability”. For example, de Clercq defines teaching financial capability as “primarily about developing appropriate attitudes towards money, as well as skills and confidence to use them, instead of learning about financial products and services” ([2009](#), p. 4).

5. Percentages are based on total number of lessons in the K-2 and 3-5 curricula because ICS used both.
6. In addition, we used two variables from a survey conducted with parents: parent education and family income. These variables are used in the analysis of the financial test.
7. Given the small sample size, it is possible that one or more of the assumptions for ANOVA cannot be satisfied. Therefore, we use the Kruskal-Wallis test, a nonparametric method for group comparisons.
8. This includes a total of 12 teachers, one of whom participated all 4 years. Average participation was four teachers per focus group.
9. Stanford nine academic achievement tests were given in the school 2 months prior to administration of the financial fitness test.
10. In second grade, 13 children had moved, five were unavailable, and three refused to participate in the research. By fourth grade, 32 had moved.
11. Adds up to more than 100% because some students mentioned more than one “favorite activity”.
12. All names are pseudonyms.
13. Qualitative and quantitative studies of IDAs have found generally positive attitudes toward matched savings programs among adults (Adams and Scanlon [2009](#); Han and Sherraden [2009](#); Sherraden et al. [2010](#)).

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Author information

Authors and Affiliations

University of Missouri-St. Louis, One University Boulevard, St. Louis, MO, 63121, USA

Margaret Sherrard Sherraden & Baorong Guo

Center for Social Development, Washington University, One Brookings Drive, Campus Box 1196, St. Louis, MO, 63130, USA

Margaret Sherrard Sherraden & Lissa Johnson

School of Social Work, University of Pittsburgh, 4200 Fifth Avenue, 2226 Cathedral of Learning, Pittsburgh, PA, 15260, USA

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