Asian Economic and Financial Review

journal homepage: http://aessweb.com/journal-detail.php?id=5002

AN ANALYSIS OF PERCEPTIONS ON FINANCIAL EDUCATION AND ASSET BUILDING IN THE ALABAMA BLACK BELT

Nii O. Tackie[1]
Syreeta Sarpong[2]
Ntam Baharanyi[3]
Henry J. Findlay[4]

ABSTRACT

The study focused on analyzing perceptions on financial education and asset building in the Alabama Black Belt. Data were obtained from a convenience sample of 204 participants from several Alabama Black Belt counties. The data were analyzed using descriptive statistics. The results on demographics reflect a low number of persons in households, more females, relatively younger participant group, with relatively lower educational level, with relatively lower annual household income level, and a higher proportion of single, never married persons. A majority (71%) had not taken financial education classes, and 64% were willing to participate in an asset building program. Chi-square tests revealed that educational level and annual household income played a major role in having taken financial education classes; persons under 18 years of age in household, age, and marital status played a major role in willingness to participate in an asset building program. It was recommended that policy makers, academic institutions, and community-based organizations should help bridge the financial knowledge and asset building gap by implementing financial education and asset building programs in the study area, with considerations for socioeconomic factors such as educational level and marital status that appear to be related to financial education and asset building.

Key Words: Financial education, Financial literacy, Asset building, Black belt
JEL Classification: I22, I25, O15

INTRODUCTION

Jacob et al. (2000) argued that many people are not aware of the importance of financial literacy, and that it is crucial that individuals take responsibility for their financial planning and other

[1,2,3,4]Department of Agricultural and Environmental Sciences, Tuskegee University, Tuskegee, Alabama, USA

E-mail:ntackie@mytu.tuskegee.edu

savings instruments. In fact, many people are not financially literate about basic financial terms such as compound interest, inflation, and risk diversification. As a result of this, they have challenges making sound financial decisions. Cole and Fernando (2008), furthermore, emphasized that many households are financially illiterate and often receive little assistance when making financial decisions. Generally, households that have low levels of financial literacy are those that tend not to engage in financial planning, borrow at high interest rates, and have fewer assets. However, financial literacy is important in relation to access to finance, and also, leads to improved savings and asset building.

The Corporation for Enterprise Development (2009) stated that asset building refers to the public policies, strategies, and programs that enable people with limited financial resources to accumulate long-term and productive assets. As a development strategy, asset building is designed to foster economic security and opportunity that will be passed on to future generations. An asset building approach aims to break the cycle of poverty and the dependency of the poor. Goals such as homeownership, developing or acquiring a small business, getting additional education, and retirement planning are fundamental to asset building and provide individuals with a sense of purpose. Asset building is the next progression in financial management; it assumes satisfactory financial literacy, and is predicated on good financial behavior. Kiviat (2009), for example, in dealing with asset building stated that post secondary education and training is a worthwhile human capital asset. He indicated that value can be extracted from the education and training that one receives. The mechanism for extracting that value is the acquisition of a job and the income an individual gets from the job. This is identical to interest income an individual gets from owning a bond. Human capital, then, is a crucial asset that can be used to increase earning power.

Courchane and Zorn (2005) explained that financial education leads to improved financial knowledge, which in turn leads to better financial behavior, and better financial behavior, ultimately, leads to improved asset building. Americans for Consumer Education and Competition (2001) explained that there is a poor understanding of income, money management, spending and credit, savings, and investment among Americans, especially the youth. For instance, high school seniors were deficient in their knowledge of personal finance, and were able to answer only 35% (or five questions) of 13 questions on personal finance correctly. This, therefore, implies that the provision of financial education is a way to improve financial literacy and practices of households.

Bernheim and Garrett (2003) analyzed the effects of financial education in the workplace and found that employer-based financial education stimulates saving, both in general and for retirement. Mandell (2004) also examined financial literacy and reported that those who took, for example, an entire semester course in personal finance or money management were thriftier and save more than others who did not. Moreover, Lyons et al. (2005) evaluated the effect of financial education on behavioral change for low-income participants and found improvement in financial behavior after respondents participated in financial education workshops. Although the afore-

mentioned studies were conducted on financial education and/or asset building, none of them assessed financial education or asset building on low-income families in a rural area with unique characteristics such as the Alabama Black Belt. Since the Alabama Black Belt has many low- and moderate-income households, it is likely that many of the households in the region will have financial knowledge and asset building challenges.

It will be insightful, therefore, to investigate households' characteristics, their financial education level, and asset building practices. Such a study will add to the financial education and asset building literature. The purpose of this study was to analyze perceptions on financial education and asset building in the Alabama Black Belt. The objectives of the study were to (1) identify and describe demographic characteristics of participants, (2) describe and analyze participants' financial knowledge and attitudes toward financial education and asset building, and (3) describe and analyze the relationship between selected socioeconomic characteristics and financial education and asset building characteristics.

LITERATURE REVIEW

Impact of Financial Education on Consumer Behavior and Asset Building

In a study by Lusardi and Mitchell (2007), they reported that only half of respondents from a 2004 Health and Retirement Survey (HRS) could answer two simple questions regarding interest compounding and inflation correctly. Only one third could answer correctly those two questions as well as an additional question on risk diversification. Moreover, financial illiteracy was strong for women, and those with low educational attainment. In general, those who could do simple calculations, and understand inflation, interest compounding and risk diversification were also more likely to plan. Those who reported even modest financial planning activities acquired more wealth holdings than non-planners.

Furthermore, Moore (2003) assessed financial literacy and behavior for a group of consumers. She reported that at least 55% did not know much about financial instruments such as bonds, stocks, mutual funds, and did not know about interest rates or interest compounding, and risk diversification. Also, Agnew and Szykman (2005) evaluated asset allocation and information overload among participants in investment instruments. It was found that participants lacked basic financial knowledge. Many knew little about mutual funds, and they could not explain the simple differences between stocks, bonds, and money market mutual funds. Young participants knew less than older participants; married individuals did better than their single counterparts. The authors concluded that individuals with below average financial knowledge were overwhelmed by the amount of financial information needed to make investment decisions.

In a related study, Kim et al. (2001) examined financial well being, financial stressor events, and financial behavior among credit counseling clients. They found that employees who attended

financial education workshops increased their participation in 401(k) plans, a form of retirement accounts, and changed at least one financial behavior. Additionally, those who were older and practiced better financial behavior were likely to have better financial behavior 18 months after the initial workshop. Those who practiced more positive financial behaviors had higher levels of financial well-being than those who did not. Also, Garman et al. (1999) analyzed workplace financial education as related to financial wellness. They found that older workers, married workers, workers closer to retirement were more likely to attend workshops. Seventy-five percent of the workshop participants made better financial decisions and were also more confident in making investment decisions, and 56% said their financial situation had improved because of the financial education workshops.

Rand (2004) examined financial education and asset building programs for welfare recipients and low-income workers. It was reported that participants learned money management skills, accessed important work supports, and built savings through regular bank accounts and Individual Development Accounts (IDAs), programs that offer matched savings for low-income people. IDA graduates saved enough to buy or repair a home or car, start a business, or pursue post secondary education. Financial education and asset building programs provided participants with the tools needed to make sound financial decisions. Furthermore, Bell and Lerman (2005) investigated whether financial literacy could enhance asset building. They found that many low-income individuals did not have bank accounts and obtained cash using high cost check cashing firms, and were less likely to have any financial education compared to high-income individuals. Individuals who had taken a financial course were more concerned about financial issues, and made better financial decisions than those who had not taken any courses.

Shelton and Hill (1995) also investigated first time homebuyers program as an impetus for change in budgeting behavior. Participants in the program improved their budgeting behavior. However, those with secondary education had better budgeting behavior than those with less than a high school diploma; males reported better budgeting behavior than females, and those with income levels greater than $20,000 had better budgeting behavior than those with income levels less than $20,000. It was concluded that the first time homebuyer's educational program was making a difference in financial knowledge and budgeting behaviors of low- and moderate-income households.

Moreover, Mandell (2004) evaluated the effect of financial literacy on high school youth behavior, and found that more than two-thirds of all the students in the survey had savings accounts, and 83% worked for pay. Those who took an entire semester course in personal finance or money management were thriftier than those who did not. Furthermore, middle age persons who took a course in money management while in high school saved more than those who did not. Financial education was found to be very important in shaping future financial behavior. Prior to this, Bernheim et al. (1997) argued that mandated financial education during high school results in

higher savings rates and higher net worth later in life. In addition, they found that those who had taken a financial management course in high school saved a higher proportion of their income than others who had not. In other words, saving patterns and accumulated wealth are positively influenced by a mandate to study financial concepts in high school. Subsequently, Bernheim and Garrett (2003) examined the effects of financial education in the workplace. They found that 54% of respondents were provided financial education emphasizing retirement planning; nearly 70% had 401(ks); 58% had other pension plans; 75% had both plans, and 27% reported that their employers were the most important sources of advice for retirement planning. The authors stated that employer-based financial education stimulates saving, both in general and for retirement.

Asset Building Status and Attitudes toward Asset Building

Curley and Weiss-Grinstein (2003) analyzed financial education and saving account behavior of rural residents. When those who were employed were given financial education, their participation levels in 401(ks) were higher than those who were employed but were not given financial education. Also, participants who had bank accounts and those who were more frequent depositors saved more than those who did not have bank accounts or were less frequent depositors demonstrating that existing relationships with financial institutions encouraged higher savings.

Correspondingly, Weiss-Grinstein and Curley (2003) examined IDAs in rural communities. They found that financial education at least up to 12 hours mattered in terms of higher saving outcomes as did asset ownership. In addition, they found that having a mechanism for direct deposits increased savings. Also, low-income participants in IDA programs were more financially literate than other low-income non-participants. Subsequently, Weiss-Grinstein et al. (2007) examined asset building in rural communities. They reported that low-income participants had the willingness and ability to save toward the accumulation of assets when provided with institutional opportunities, such as in this case, an IDA program.

Additionally, Yakoboski and Dickemper (1997) evaluated saving and planning results of the 1997 Retirement Confidence Survey. They found that a large proportion of workers had done little or no planning for retirement; only 36% of workers had tried to determine how much they needed to save to fund a comfortable retirement. Many of the workers who had done the calculation could not give a figure when asked. Moreover, the researchers found that financial planning is a powerful determinant of wealth; those who did not plan reached retirement with much lower amounts of wealth than those who planned. Lusardi (1999) also examined information, expectations, and savings for retirement. Using the Health and Retirement Study (HRS) survey for the age range of 51-61, she found that one-third of respondents had not given any thoughts to retirement. The lack of planning was particularly pronounced among those with low education and low income. She also found that those who did not plan accumulated little or no wealth compared to those who planned for their retirement.

Williams and Hinz (2006) assessed the benefits of higher education for low-income children, families, and communities. Ninety-four percent of respondents indicated that their post secondary education experience changed their lives for the better; 69% stated that they felt they were contributing to society, and 63% stated that they had better job opportunities. Those respondents who had completed their post secondary education were earning 75% more hourly than those still working towards a degree. The authors argued that grant awards should be increased to make post secondary education more affordable, and thus, enhancing asset building abilities of low-income households. Furthermore, Dahlk (2007) evaluated financial aid and tuition assistance for low-income workers. They found that 70% of respondents did not possess a post secondary degree. Eligibility requirements and other program rules were barriers to accessing financial aid in order to obtain post secondary education. Generally, financial aid programs benefit traditional students who attend college full-time. Thus, many low-income individuals are not eligible for financial aid, and to qualify, they will have to reduce work and lose earnings to enroll in more classes. Post secondary education was thought to be essential to obtaining marketable skills that pay off in the labor market, and also, facilitate asset building.

Barr and Blank (2004) examined savings, assets, and banking among low-income households. They found that low-income families' inability to save hinders their ability to invest, purchase a home, or send their children to college. They also reported that 25% of low-income families making under $18,900 a year did not have bank accounts, and 13% of moderate income households earning between $18,900 and $33,900 a year did not have bank accounts. Furthermore, low-income families found it difficult to save and plan financially for the future.

Carasso and McKernan (2007) investigated the balance sheets of low-income households. Low-income families had median total assets of $17,000; middle-income families had median total assets of $154,400, and upper-income families had median total assets of $808,100. About 76% of low-income participants had transaction (checking or savings) accounts, although the median balance was $600; 5% had holdings of stocks, bonds, certificates of deposit, or pooled investment funds, and 10% had retirement accounts. Vehicles were the most commonly held nonfinancial asset, owned by 65% of the low-income participants. The authors contended that building up assets and avoiding excessive debt can help low-income families against unforeseen disruptions, increase economic independence, and improve socioeconomic status.

Sherraden (2000) evaluated asset building policy and programs for the poor. He found that 55% of Individual Development Account (IDA) participants intended to purchase a home, 17% intended to start a microenterprise, and 17% intended to pursue post secondary education. Sherraden argued that cumulative public policy is part of the structure of asset inequality, and the challenge will be to change the policy structure so that as many poor people as possible are included in asset building policy. In addition, Kanyi (2007) analyzed homeownership and asset poverty conditions in Alabama. It was found that more Whites than Blacks owned homes; many more persons with

relatively higher incomes owned homes than persons with relatively lower income. He argued that the widening gap between the rich and poor in Alabama was a major cause of asset poverty, and that Blacks had a higher incidence of asset poverty than Whites. He also argued that owning a home is the most important source of wealth and asset richness. Consequently, improving homeownership will improve asset poverty.

To summarize the review of literature, many people appear to be limited in knowledge of personal finance; even though, financial literacy is closely tied to access to finance, increased savings, and asset building behavior. Financial education will allow one to acquire the knowledge and skills to build assets, leading to an improved wealth status. Asset building appears to have positive effects on a family's well-being as a whole. Assets, such as homeownership, having retirement accounts, savings or checking accounts, and acquiring additional education, suggest that such strategies are particularly promising in terms of helping families build wealth. This study will analyze perceptions on financial education and asset building, including selected socioeconomic factors that affect financial education and asset building.

METHODOLOGY

Data Collection

A semi-structured questionnaire was developed to collect the data for the study. It had three major parts: financial education issues, asset building issues, and demographic information. The questionnaire was submitted to the Institutional Review Board, Human Subjects Committee of the Institution for approval before being administered. In addition, to ensure clarity of the questions, the questionnaire was pilot tested, using ten individuals in Macon and Montgomery Counties. As a result of the pilot test, the questionnaire was modified to improve clarity before being administered. The ten pilot tested questionnaires were not included in the results of the study.

The questionnaire was administered to low- and moderate-income individuals using convenience sampling. Convenience sampling has a down side; and that is, it can lead to under-representation or over-representation of particular groups. Nonetheless, it is still used in research because of its ability to yield quick and useful information that would not be possible using other techniques. Convenience sampling was used in this case and was the most appropriate approach, because of a lack of a known sampling frame from which subjects could be drawn. In the fall of 2011 and winter of 2012, data were collected using in-person interviews at several program activity sites in several Black Belt Counties. Extension agents in the various counties helped with collecting the data, which came from a sample of 204 respondents. Extension agents were asked to assist with the data collection because of their connections in the various counties in which they live and work. All of the 204 questionnaires obtained were useable. The area of the study, the Black Belt, is a place of residence for many rural low-income families; has abysmal socioeconomic characteristics relative to the State of Alabama and nation, and with higher than average proportion of Blacks.

Data Analysis

The data were analyzed by using descriptive statistics, namely, frequencies, percentages, means, and chi square tests. The chi-square test allows a researcher to formulate a null hypothesis (H_o), which states that two variables are independent of each other, and an alternative hypothesis (H_a), which states that two variables not independent of (or related to) each other. This type of hypothesis stating is based on test of independence of two samples. In this study, the null hypothesis and alternative hypothesis are stated generally on the basis of the test of independence for the two sets of variables as:

H_o: Having taken financial education classes is independent of selected socioeconomic variables.

H_a: Having taken financial education classes is not independent of (or is not related to) selected socioeconomic variables.

And

H_o: Willingness to participate in an asset building program is independent of selected socioeconomic variables.

H_a: Willingness to participate in an asset building program is not independent of (or is not related to) selected socioeconomic variables.

To determine the chi-square, χ^2, the formula below is used:

$$\chi^2 = \sum_{i=1}^{r}\sum_{j=1}^{c} \frac{(fo_{i,j}-fe_{i,j})^2}{fe_{i,j}}$$

Where

χ^2 = chi-square

fo = observed frequency

fe = expected frequency

i,j = values in the i^{th} row and j^{th} column, respectively

$\sum$ = summation

The observed frequency is the frequency obtained from the survey, and the expected frequency is calculated from each cell in a contingency table as row total times column total divided by the grand total. If the chi-square is significant, then the null hypothesis that the two variables are independent of each other is rejected; otherwise it is not rejected. In the study, specifically, hypotheses were stated for having taken financial education classes and socioeconomic variables. In the case of persons under the age of 18 years in household, for example, the hypotheses were stated as:

Ho: Having taken financial education classes is independent of persons under the age of 18 years in household.

Ha: Having taken financial education classes is not independent of (or related to) persons under the age of 18 years in household.

Similar hypotheses were stated for the other socioeconomic variables: gender, age, educational level, annual household income, and marital status. Correspondingly, identical hypotheses were stated for willingness to participate in an asset building program and the afore-mentioned socioeconomic variables. The data were input into SPSS, and frequencies, percentages, and means were assessed. Chi-square tests were conducted to determine relationships between having taken financial education classes and selected socioeconomic variables, and between willingness to participate in an asset building program and the selected socioeconomic variables. The results are reported in the next section, and are part of a larger study.

RESULTS AND DISCUSSION

Demographics, Financial Education, and Asset Building Attributes

Table 1 presents the demographic information about the respondents. About 78% of the respondents reported having 1-3 persons in their households; 59% reported having no children under the age of 18 years in their households. The average number of persons in the household and the average number of persons under 18 years in the household were 2 and 1, respectively (not shown in Table). Also, 74% of the participants were females; 87% were African Americans, and 77% were between 21 and 50 years. About 61% had high school education or below; 33% earned $20,000 or less and almost 71% earned $30,000 or less. The participants comprised 29% married persons and nearly 53% single, never married persons. The demographics reflect a low number of persons in households, higher proportion of African Americans, relatively younger participant group, with relatively lower educational level, with relatively lower annual household income level, and a higher proportion of single, never married persons.

Table 2 shows respondents' knowledge and perceptions on financial education classes. Twenty-seven percent of the respondents indicated that they had taken financial education classes, and about 71% indicated that they had not taken financial education classes. Of those who had taken financial education classes, 71% stated "understanding budgeting" as a topic covered in their financial education classes; about 45% mentioned "understanding investments" as a topic covered in their financial education classes; 36% stated "understanding retirement" as a topic covered in their financial education classes, and about 62% mentioned "understanding credit and credit management" as a topic covered in their financial education classes. In general, the results are consistent with those reported by Bell and Lerman (2005) who found that low-income individuals were less likely to have taken a financial education course. In this case, in addition, the reason could be due in part to individuals not knowing the importance of financial education or not having the opportunity to take financial education classes. Of respondents who had not taken financial education classes, 78% were willing to do so. The topics in which participants expressed interest were: "budgeting" (56%); "credit and credit management" (45%); "investing" (46%); and "retirement" (56%). It is encouraging to know that although lower income individuals, in many cases, have challenges saving to create wealth, more than three-quarters of the participants were

willing to take financial education courses to improve their financial literacy. This is in alignment Garman et al. (1999) and Mandell (2004) who reported that individuals who attended financial education workshops improved their financial literacy as well as their financial situations. The willingness of these participants to participate in financial education workshops could also be attributed to their realization that financial literacy matters in financial well-being.

Table 3 reflects participants' understanding of financial terms, namely, credit, compounding, inflation, stock, bond, mutual fund, 401(k) or 403(b) [another type of retirement account], interest, dividends, certificate of deposit , and risk diversification; a total of twelve questions. Only 8% each answered 3 and 6 questions correctly; 3% answered 9 questions correctly, and less than 1% answered all 12 questions correctly. The rest of the respondents fell outside the cut-off points or could not answer any questions correctly. The low percentage of respondents that answered the financial term questions correctly supports the need for financial education among such populations. The results are in agreement with Americans for Consumer Education and Competition (2001) which reported that many respondents answered only 35% (about five questions) of 13 questions on personal finance correctly. They are also similar to Moore (2003), Agnew and Szykman (2005), Lusardi and Mitchell (2007) who found that many respondents did not know the basics of compounding, risk diversification, mutual funds, stocks, and bonds.

Table 4 presents participants' responses to asset building issues. Regarding assets owned, about 40% owned homes; nearly 18% owned land; 63% owned vehicles, and about 15% owned retirement accounts. Nearly 64% were willing to participate in an asset building program such as an Individual Development Account (IDA); 52% of which indicated their ultimate objective as purchasing a home, 70% as setting up a small business, 29% as purchasing land, 65% as furthering their education, and 25% as setting up a retirement/investment account. The results are similar to those of Sherraden (2000) who found that a majority of respondents intended to purchase a home, start a small business, or further their education. When participants were asked to rank their first three choices for the ultimate objective for participating in an asset building program, purchasing a home was ranked as the most important or number one, followed by setting up a small business, and furthering one's education (not shown in Table). The ranking was based on the number of number one rankings versus number two rankings and number three rankings.

These results are consistent with the findings of Kanyi (2007), Kiviat (2009), and Williams and Hinz (2006). Kanyi (2007) argued that homeownership is the most important source of wealth and is the largest component of families' wealth. Thus, owning a home reduces asset poverty. Owning a small business can contribute to the assets of the individual or household as well as the local community. This could be a possible reason that many of the participants ranked owning a small business very high. Education has also been shown to influence earnings. Kiviat (2009) stated that furthering one's education is investment in human capital, and the additional income earned overtime is like earning interest from a bond. In addition, Williams and Hinz (2006) found that post

secondary education enhanced asset building abilities of low-income households. For those not willing to participate in an asset building program, the main reasons given were: they were not interested, they did not have enough time, or they were too old to be bothered with such a venture. These individuals do not appear to be aware of the importance of financial literacy and asset building, as the literature clearly shows a connection between participation in asset building and creating wealth.

Chi-Square Test Results

Table 5 shows the results of the chi-square tests between having taken financial education classes and selected socioeconomic variables. Educational level was significant at the 1% level. Annual household income was significant at the 5% level. In these cases, the null hypotheses that these variables are independent of having taken financial education classes are rejected. This means that individuals with higher levels of education tended to have taken financial education classes compared to those with lower levels of education. In addition, those with higher annual household incomes tended to have taken financial education classes compared to those with lower annual household incomes. Persons under the age of 18 years in household, gender, age, and marital status were not significant. The null hypotheses that these variables are independent of having taken financial education classes are not rejected.

The two socioeconomic variables that showed a significant relation to financial education classes were educational level and annual household income. These are discussed in turn. Educational level is related to having taken financial education classes, because educated persons are more likely to know about the importance of personal finance, and therefore, naturally opt to take those classes. Taking into consideration annual household income, it is possible that higher earning individuals in households are cognizant of the importance of financial education classes. It may be so because they may be looking for more ways to either shore up or protect their earnings, and they think taking financial education classes is a way to do that.

Table 6 shows the results of the chi-square analysis between willingness to participate in an asset building program and selected socioeconomic variables. Persons under the age of 18 years in household, age, and marital status were significant at the 5% level. The null hypotheses that these variables are independent of willingness to participate in an asset building program are rejected. This means that participants with children under the age of 18 years in their households tended to be willing to participate in an asset building program than those without children under 18 years. Additionally, older participants were more willing to participate in an asset building program than younger participants. Furthermore, participants who were married were more willing to participate in an asset building program than those who were single. Gender, educational level, and annual household income were not significant. The null hypotheses that these variables are independent of willingness to participate in an asset building program are not rejected.

The three socioeconomic variables that had a significant relation with willingness to participate in an asset building program were persons under the age of 18 years in household, age, and marital status. These are discussed sequentially. Persons under the age of 18 years in household showed a strong influence possibly because respondents who had children or youth in their households believe that they must plan for the future to build wealth. Having children in the household requires appropriate financial planning, taking into consideration the children's well-being, especially their future (for example, their education or in case something happens to the parents say, sudden death or prolonged illness). Focusing on age of respondents, a possible interpretation is that the older one gets, the more willing one is to participate in asset building. The reason is that he or she either wants to plan for a more secure future or build wealth. In general, the older one gets, the more likely it is to focus on building wealth. Considering marital status, those who were married may be willing to participate in asset building because improving or building assets for the married household ultimately creates wealth. Asset building may be more important for the married household than for the single household, because the focus in the married household is more spread than in the single household.

CONCLUSION

The results of the study reflect a low number of persons in households, more females, a higher proportion of African Americans, relatively younger participant group, with relatively lower educational level, with relatively lower annual household income level, and a higher proportion of single, never married persons. A majority had not taken financial education classes before; many of them were willing to take the classes. Not surprisingly, very few got financial term literacy questions correct. Furthermore, a majority was willing to participate in an asset building program, and the ultimate objectives for participating in such a program by ranking was to purchase a home, set up a small business, or further their education. The chi-square tests showed that educational level and annual household income had a statistically significant relation with having taken financial education classes. Also, persons under 18 years in households, age, and marital status had a statistically significant relationship with willingness to participate in an asset building program.

Based on the foregoing, there is a need for policy makers to put in place policies that help support low-income households in the study area to build assets. A key example is individual development accounts (IDAs); these are special match savings accounts allow low-income persons or households to create wealth, provided that the individuals take a course in financial education. The money saved from these accounts can only be used for first time home purchase, starting up a small business, and post secondary education. Also, it is suggested that the respondents be taught the basics and importance of personal finance, as well as how financial education can enhance asset building or wealth creation. In this regard, academic institutions of higher learning and community-based organizations should offer financial education classes and other asset building programs that will help respondents or residents in the study area improve their financial knowledge or literacy

and build assets. These financial education classes should include, but not be limited to, budgeting, investment, credit management, and retirement. The asset building classes should include IDAs, importance of homeownership, and small business ownership, among others.

In addition, since education and annual household income appear to be important in financial education, and children in the household, age, and marital status also appear to be important in asset building, these factors should be considered in any financial education and/or asset building policies and programs in the study area. It is recommended that future studies should involve more in-depth statistical analysis to ascertain if results of the study will be confirmed. However, this study provides us with insights into rural households' perceptions and practices on financial education and asset building.

REFERENCES

Agnew, J. and L. Szykman. (2005) "Asset Allocation and Information Overload: The Influence of Information Display, Asset Choice and Investor Experience." Journal of Behavior Finance No. 6, pp. 57-70.

Americans for Consumer Education and Competition. (2001) "America's Money Skills ReportCard." http://www.acecusa.org/reportcard/ Retrieved September 3, 2009.

Barr, M.S. and R.M. Blank. (2004) Savings, Assets, Credit, and Banking Among Low Income Households: Introduction and Overview, Russell Sage Foundation: New York.

Bell, E. and R.I. Lerman. (2005) "Can Financial Literacy Enhance Asset Building?" Opportunity and Ownership project report, number 6, The Urban Institute, Washington, D.C.

Bernheim, D. and D. Garrett. (2003) "The Effects of Financial Education in the Workplace: Evidence from a Survey of Households." Journal of Public Economics Vol. 87, No. 8, pp. 1487-1519.

Bernheim, D. B., D. Garrett, and D. Maki. (1997) "Education and Saving: The Long-Term Effects of High School Financial Curriculum Mandates." http://www.faircreditfoundation.org/files/72.pdf Retrieved June 1, 2011.

Carso, A. and S. McKernan. (2007) The Balance Sheet of Low Income Households: What We Know about Their Assets and Liabilities, The Urban Institute: Washington, DC.

Cole, S. and N. Fernando. (2008) "Assessing the Importance of Financial Literacy." http://www.adb.org/Documents/Periodicals/Microfinance/finance-200803.pdf Retrieved May 2, 2011.

Corporation for Enterprise Development. (2009) "Federal Reserve Forums: Innovations in Asset Building Policy, Products and Programs." http://www.cfed.org/focus.m?parentid=2&siteid=552&id=556#content5 Retrieved September 3, 2009.

Courchane, M. and P. Zorn. (2005) "Consumer Literacy and Creditworthiness." http://www.chicagofed.org/cedric/files/2005_conf_paper_session3_courchane.pdf Retrieved September 3, 2009.

Curley, J. and M. Weiss-Grinstein. (2003) "A Comparative Analysis of Rural and Urban Saving Performance in Individual Development Accounts." Center for Social Development Vol. 25, No. 1&2, pp. 89-105.

Dahlk, K. (2007) "Financial Aid, Tuition Assistance, and Low Income Workers Minnesota Governor's Workforce Development Council." http://www.downloadic.com/7ct4ea1mns7cua14ed5u/Financial-aid-tuition-assistance-and-low-income-workers.html Retrieved October 10, 2009.

Garman, E. T., J. Kim, C. Y. Kratzer, B. H. Brunson, and S. Joo. (1999) "Workplace Financial Education Improves Financial Wellness." Journal of Financial Counseling and Planning Vol.10, No. 1, pp.79-88.

Jacob, K., S. Hudson, and M. Bush. (2000) Tools for Survival: An Analysis of Financial Literacy Program for Lower-Income Familes, Woodstock Institute: Chicago.

Kanyi, P. (2007) "Assessment of Homeownership and Asset Poverty in the Alabama Black Belt Counties." Master's Thesis, Tuskegee University: Tuskegee.

Kim, J., E.T. Garman, and B. Sorhaindo. (2001) "Relationship among Credit Counseling Clients' Financial Well-Being, Financial Behavior, Financial Stressor Events, and Health." Consumer Interests Annual Vol. 49, pp. 1-4.

Kiviat, B. (2009) "Jobs are the New Asset." http://www.time.com/time/specials/packages/article/0,28804,1884779_1884782_1884749,00.html Retrieved September 23, 2009.

Lusardi, A. (1999) Information, Expectaitons, and Savings for Retirement, Brookings Institution Press and Russell Sage Foundation: Washington, DC.

Lusardi, A. and O.S. Mitchell. (2007) "Financial Literacy and Planning: Role of Planning, Financial Literacy, and Housing Wealth." Journal of Monetary Economics Vol. 54, pp. 205-224.

Lyons, A. C., Y. Chang, and E. Scherpf. (2006) Translating Financial Education into Behavior Change for Low-Income Populations, University of Chicago, Chicago.

Mandell, L. (2004) Financial Literacy: Are We Improving? Jump$tart Coalition for Personal Financial Literacy: Washington, DC.

Moore, D. (2003) Survey of Financial Literacy in Washington State: Knowledge, Behavior, Attitudes and Experiences. Technical report 03-39, Social and Economic Sciences Research Center, Olympia.

Rand, D. (2004) "Financial Education and Asset Building Programs for Welfare Recipients and Low Income Workers: The Illinois Experience." http://www.povertylaw.org/advocacy/community-investment/fllip-in-review-2004.pdf Retrieved September 18, 2009.

Shelton, G. G. and O.L. Hill. (1995) "First-time Home Buyers Programs as an Impetus for Change in Budgeting Behavior." Financial Counseling and Planning Vol. 6, pp. 83-91.

Sherraden, M. (2000). Asset Building Policy and Program for the Poor. Center for Social Development: St. Louis.

Weiss-Grinstein, M. and J. Curley. (2003) "Individual Development Accounts in Rural Communities: Implications for Research." Working paper number 03-21. Washington University, St. Louis.

Weiss-Grinstein, M., J. Curley, and C. Pajarita. (2007) "Asset Building in Rural Communities: The Experience of Individual Development Accounts." Rural Sociology Vol.72, No. 1, pp. 25-46.

Williams, E. and L. Hinz. (2006) "Study Finds Access to Higher Education Benefits Low Income Children, Families, and Communities." http://iwpr.org/pdf/D466_release.pdf Retrieved October 5, 2009.

Yakoboski, P. and J. Dickemper. (1997) "Increased Saving but Little Planning Results of the 1997 Retirement Confidence Survey." http://www.ebri.org/pdf/briefspdf/1197ib.pdf Retrieved October 5, 2009.

Table-1: Responses Regarding Selected Socioeconomic Characteristics of Respondents

Variable	Frequency	Percent
Number of Persons in Household		
1-3	159	77.9
4-6	44	21.6
7-9	1	0.5
Number of Children		
No Child	121	59.3
One Child	75	36.8
Two or More Children	8	3.9
Gender		
Male	53	26.0
Female	151	74.0
Race		
Black	178	87.3
White	26	12.7
Age		
20 years or less	7	3.4
21-35 years	87	42.6
36-50 years	70	34.3
51-65 years	32	15.7
Over 65 years	8	3.9
Educational Level		
Some Grade School	4	2.0
High School	17	8.3
Some College	104	51.0
Associate degree	37	18.1
Bachelor's Degree	34	16.7
No Response	8	3.9
Annual Household Income		
$10,000 or less	21	10.3
$10,001-20,000	46	22.5
$20,001-30,000	79	38.7
$30,001-40,000	23	11.3

$40,001-45,000	21	10.3
Over 45,000	14	6.9
Marital Status		
Married	60	29.4
Single Never Married	108	52.9
Separated	11	5.4
Divorced	17	8.3
Widowed	8	3.9

Table-2: Respondents' Knowledge and Perceptions on Financial Education Classes

Variable	Frequency	Percent
Financial Education Classes		
Yes	55	27.0
No	145	71.1
No Response	4	2.0
Topics Covered (multiple answers)		
Understanding Budgeting	39	70.9
Understanding Investments	25	45.4
Understanding Retirements	20	36.4
Understanding Credit and Credit Management	34	61.8
Willingness to take Financial Education Classes		
Yes	113	77.9
No	32	22.1
Topics to be Covered (multiple answers)		
Budgeting		
Credit and Credit Management	63	55.8
Investing	51	45.1
Retirement	52	46.0
No Response	63	55.8
	1	0.5

Table-3: Participants' Understanding of Financial Terms

Variable	Frequency	Percent
Answers to Financial Terms		
Getting at least 3 or 25% of questions correct	17	8.3
Getting at least 6 or 50% of questions correct	17	8.3
Getting at least 9 or 75% of questions correct	7	3.4
Getting at least 12 or 100% of questions correct	1	0.5

Table-4: Participants' Responses to Asset Building Issues

Variable	Frequency	Percent
Asset Owned (multiple answers)		
Home	81	39.7
Land	36	17.6
Small Business	9	4.4
Vehicle	128	62.7
Retirement Accounts	30	14.7
Stocks, Bonds, or Mutual Funds	8	3.9
Willingness to Participate in an Asset Building Program		
Yes	130	63.7
No	74	36.3
Ultimate Objective for Participation (multiple answers)		
Purchase Home	67	51.5
Setup Small Business	91	70.0
Purchase Land	38	29.2
Further Education	85	65.3
Purchase Vehicle	11	8.5
Setup Retirement/Investment Account	33	25.4

Table- 5: Chi-Square Tests between Financial Education Classes and Selected Socioeconomic Variables

Variable	df	X^2	*p* value
Persons Under the Age of 18 Years in Household	8	5.954	0.652
Gender	2	1.733	0.452
Age	8	12.149	0.145
Educational level	10	69.608***	0.000
Household Income	10	22.130**	0.014
Marital Status	8	4.437	0.186

*** Significant at the 1% level; **Significant at the 5% level

Table- 6: Chi-Square Tests between Willingness to Participate in an Asset Building Program and Selected Socioeconomic Variables

Variable	Df	X^2	*p* value
Persons Under the Age of 18 Years in Household	4	12.494**	0.014
Gender	1	0.066	0.797
Age	4	10.793**	0.029
Educational level	5	2.557	0.768
Household Income	5	6.673	0.246
Marital Status	4	9.755**	0.045

**Significant at the 5% level