International Students and Financial Institutions:

Examining Financial Literacy and the Factors

Leading to Banking Decisions

[This research will look at the factors most important to international students when deciding which bank to patronize. The purpose of our research is to examine whether or not international students are pleased with their current banking situation and if increased information and banking options would increase their satisfaction with their banking choice during their stay in the United States. Existing literature demonstrates strong preferences for specific services and other characteristics of financial institutions and we wish to further this knowledge by focusing on international students and their financial literacy. We will collect our data using interviews of financial institution marketers and a survey sent out among international students. We expect to find that international students would like more freedom to make their own decision regarding which bank to use, but even given that freedom, may lack the financial literacy to confidently make a decision. If our findings are as expected, this may help the Office of International Education offer more programs to improve financial literacy as well as offer more options for students to choose from when selecting a bank.]

PROPOSAL NARRATIVE

Background/Statement of the Problem/Significance of the Project

Banking services are used by people all over the world on a daily basis and make up a substantial percentage of GDP in many countries around the globe (World Bank, 2013). This naturally creates a competitive market for banks to enter and the number of options to consumers abound. In order to be competitive, banks must examine what features consumers want and what services competitors offer. The features that are important to consumers in the United States may differ from those desired by consumers in Eastern countries, such as China, Japan, and Vietnam, particularly among university students. The difference may prove challenging for foreign exchange students who have come to the United States for education as well for banks located in the United States, as there may be discrepancies between the services desired and the services offered.

In a study of U.S. consumers, Crane and Clarke found that the four services Americans consider most important are access/availability, responsive service, and courtesy, as well as physical location (1988). Examining Eastern undergraduate students, one study found that dimensions such as "feeling secure" and electronic services ranked high among university students in Singapore (Gerrard and Cunningham, 2001). Another study, which examined international students, identified two dimensions as being important when students chose which bank to patronize: the banks commitment to an organization and consumer involvement in products or services. This study also identified that many factors that are important to students from the United States, such as customer service and accessibility to money, were also important to foreign exchange students from Ghana, a country that does not have a long history of banking practices (Blankston et al., 2009). From these studies, it is clear that there are many

criteria that students use when deciding which bank to use; some are shared universally among students of all nationalities and others may be culturally specific. It is important to understand these similarities and differences in order to better educate international students about their options when choosing banking services and to raise financial literacy.

Objectives

Overall objective:

This research will examine the determining factors that influence international students' choice of local bank in the United States. The outcome of the research would be valuable for financial institutions if they desire to expand their clientele in the U.S. financial industry as well as the for Office of International Education at universities.

Specific objectives:
- To determine characteristics of financial firms that international students consider important including expertise of the financial institution in international banking, package of services offered, how much they charges for these services, and incentive programs.

- To explore if physical factors such as location or transportation affect on the choice of where to set up an account.

- To measure the influence of recommendations from international advisors, peer advisors and friends on international students regarding their choice of bank.

Research Methods

We plan to use two research methods to collect our data; face-to-face interviews and a survey. We plan on having face-to-face interviews with those that do marketing for the banks and the workers in the Office of International Education who are in charge of arranging banking information for international students. These will be one-on-one sit downs where we ask them a series of prepared, open-ended questions.

The second method we have elected to use is a survey. We will design a survey using Qualtrics to determine what influenced international students' choice of which bank to use. For our survey, we hope to get a sample size of at least 100 foreign exchange students. Once the data are collected, we will use SPSS to examine and make inferences from the data. The main question we are trying to answer with our research is what are the most influential factors for international students when they make the decision of which bank to use. We have identified three main influencing factors: recommendations from advisors/parents/peers, physical attributes of the banks, and the services offered by the banks. These factors all culminate in an overall brand equity for each individual bank in the student's minds, which changes over time as the student has interactions with their own bank and other banks. We hypothesize that this brand equity plays a role in how the international students first choose their bank and in post-selection satisfaction. In order to examine this possible change in brand equity, we will use multiple linear regression to explain how recommendations, physical attributes and banking services affect brand equity. We also include country of origin as an indicator variable to examine its influence on brand equity. Upon examining the data, we will put together a proposal to send to the Office of International Education with our findings. We hope that the findings from our interviews and surveys will help the Office of International Education educate students more and provide them with more freedom of choice when selecting a financial institution. We expect to have our survey designed and sent out for students to respond to by mid-April, giving us time to fully analyze the data. Below is a sample of some questions we will include in the survey:

Demographics:
1. What gender do you most closely identify with?
      Male   Female   Do not wish to disclose

2. What is your age?

Ratio scale

3. What is your country of origin? (will need to find more comprehensive list of study abroad countries)

China   Vietnam   Japan   Thailand   Laos   Other?<--(filled in)

4. What year in school are you?

First year   Second year   Third Year   Fourth Year   Fifth Year+

Topic Specific Questions:

1. What financial institution do you currently use? (need more comprehensive list of banks)

Associated Bank   Wells Fargo   US Bank   Bank of America   Other?<--(filled in)

2. Did you personally choose the financial institution you currently use?

Yes   No

If answered "Yes" to question 2, use skip logic to question 4
If answered "No" to question 2, continue to question 3

3. Who chose your current financial institution for you?

Parents   School   Other?<--(filled in)

4. How would you rate your financial literacy? (Financial literacy = understanding of financial terminology) (1 = no understanding at all, 10 = very good understanding)

Rating Scale from 1-10

5. Which of the following financial terms do you understand? (check all that apply)

Interest Rates   Savings Account   Checking Account   Bonds   Stocks
Mutual Funds

6. Which of the following banking service(s) do you currently use?

Checking and Savings Account   Credit/Debit Card   Foreign Exchange
Money Transfer   Online Bill Paying   ATM   Travelers Checks

7. Which of the following banking service(s) do you use the most?

Checking and Savings Account   Credit/Debit Card   Foreign Exchange
Money Transfer   Online Bill Paying   ATM   Travelers Checks

8. How would you rate your satisfaction with your current bank? (1=very dissatisfied, 2=dissatisfied, 3=satisfied, 4=very satisfied)

Likert Scale from 1-4

Final Products and Dissemination

The findings of the project will be disseminated through either a poster display or oral presentation at UW-L Celebration of Student Research & Creativity on April 18th, 2014. Additionally, the findings will be made available to the financial literacy program at UW-L, It Make$ Cent!, and the Office of International Education, to be used in their work.

Budget justification

Budget Item	Amount
Stipend	$1,500
Final product materials	$200
Survey incentive	$250
Total:	**$1,950**

Explanation of Budget Items:

Stipend - The research will take a considerable amount of time visiting local banks, preparing and administering the survey, performing interviews, and collecting and analyzing results. We expect this to take us 60-80 hours apiece, and the stipend will compensate us for the time and our personal resources we put into this research. We based our stipend amount on the UW-L URCC grant specifications for collaborative research.

Final Product Materials - We plan to use the $200 for supplies to construct our poster upon completion of our research. These supplies may include poster board, markers, and glue as well as any printing that we will need done.

Survey Incentive - We would like to offer $250 gift card(s) to random student(s) who completes our survey. This is an attempt to increase response rates.

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