

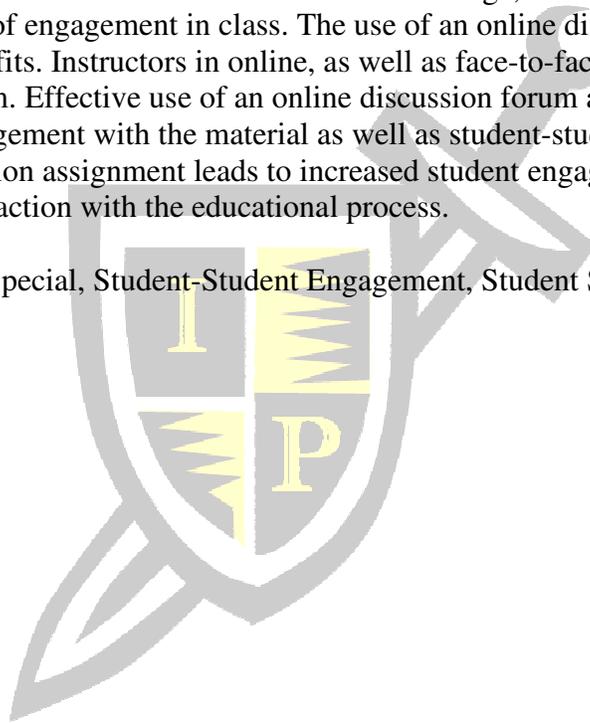
Banking class engagement and the special nature of banks

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ABSTRACT

A good understanding of banks and the banking industry are important in a quality business education. Focusing students early in the semester on the three major characteristics of banks and their place/importance in the economy that make them special establishes a solid foundation upon which to build a good understanding of the industry. However, getting students to engage the subject can be challenging. Typically, students' knowledge of banking is very limited at the beginning of the semester. This lack of knowledge, and other issues, often contribute to their lack of engagement in class. The use of an online discussion forum to engage students has many benefits. Instructors in online, as well as face-to-face classes can utilize this type of discussion forum. Effective use of an online discussion forum allows the instructor to encourage student engagement with the material as well as student-student interaction. A well-designed online discussion assignment leads to increased student engagement, critical thinking, and better student satisfaction with the educational process.

Keywords: Are Banks Special, Student-Student Engagement, Student Success, Critical Thinking, Bank Management



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INTRODUCTION

The focus of this paper is student engagement. This paper illustrates one method instructors may use to enhance student success in a college classroom. The tool discussed herein to enhance student engagement is an online discussion board, specifically assigned on the first day of class. While this paper uses the topic of the special nature of banks, an online discussion forum to enhance student engagement may be adapted from this example for other topics/classes.

Foundational to the study of banking is an understanding of the special nature of banks and the banking industry. E. Gerald Corrigan addressed this issue in his seminal work, *Are Banks Special*, published by the Minneapolis Federal Reserve Bank in its 1982 Annual Report (1983). Many scholars have followed up on Corrigan's work to debate the special nature of banks (Corrigan, 2000) (Olson, 2006) (Saunders & Cornett, 2018).

Fundamental to the success of students in their education is "a sense of connection between the instructor, students, and the materials" (Law & Law, 2018). Fostering a sense of connection results in an increase in students' educational experience. Learning outcomes are more likely to be achieved along with a deeper level of student fulfillment, when the instructor designs a course that incorporates student-student and instructor-student interactions (Law & Law, 2018).

Issues for Banking Classes

At the beginning of a class on banking, students' understanding of banks and the banking industry is limited. Students often think of a bank employee as a being a teller, loan officer, or branch manager. They think of banks as a place to hold their money and get a loan. While these understandings are true, they are rudimentary. Generally, students have not been introduced to the many important issues of banking. They have not thought about the fact that money moves throughout the economy through banks, that the liquidity provided by the banking system facilitates commerce, that the existence of FDIC deposit insurance coverage creates moral hazard, or that the heavy regulation of the industry promotes macroeconomic stability.

The seminal work of E. Gerald Corrigan is a good place to begin the study of banking because it immediately broadens the student's understanding of banks and the banking industry. In his original work, Corrigan identifies and explains the three essential elements of banks that make them special. "They are: 1. Banks offer transaction accounts. 2. Banks are the backup source of liquidity for all other institutions. 3. Banks are the transmission belt for monetary policy." (Corrigan, 1983). By focusing on Corrigan's argument that banks are special, students are able to begin to appreciate that banking is complicated and vital to the success of an economy.

Goals and Objectives of the First Class Assignment

At the beginning of any class, students often do not know each other and are somewhat unfamiliar with the subject. Getting students to engage in a banking class can be challenging for an instructor. Often, the subject of banking is only one topic covered in a Money & Banking class, diminishing its importance. If the class is specifically focused on banking, the topic is often perceived as less sexy than other classes. To address these issues, a student-student

discussion of the topic helps students to engage each other and the material (Shackelford & Maxwell, 2012).

The objective is to get students to engage and think critically about the topic. “Student participation, encouragement, and peer-to-peer interaction consistently emerge as being significantly and positively related to critical thinking” (Smith, 1977, p. 180). The goals are student success in learning the material and satisfaction of the educational process.

LITERATURE REVIEW

Theory of the Special Nature of Banks

E. Gerald Corrigan, 1983, provides the foundation for studying the theory that banks are indeed special. In his original work, Corrigan, 1983, focuses on the three essential characteristics of banks. The first is the issuance of transaction accounts. “That is, they incur liabilities payable on demand at par” (Corrigan, 1983). This ability is important because it carries with it the support of FDIC insurance protection for depositors. FDIC insurance is a form of a public safety net. However, there are costs that banks must bear for the safety net. Banks must pay insurance premiums and bear the associated regulatory burden.

The second characteristic considered is the liquidity provided by banks. “...banks are the primary source of liquidity for all other classes and sizes of institutions, both financial and nonfinancial...this role of banks as a ... source of liquidity takes on special significance ... and in this light underscores the importance of ... banks” (Corrigan, 1983).

The last characteristic Corrigan, 1983, specifies is that banks are used by the central bank for the transmission of monetary policy. The central bank influences interest rates, markets, and the overall economy via changes in the money supply. The primary tool used for monetary policy is open market operations, carried out by executing transactions with banks.

These three characteristics are intertwined. Taken together, they demonstrate why banks’ characteristics make them special and how banks are able to simultaneously allow for the quick movement of funds throughout the economy, support commerce and contribute to the smooth-functioning of the economy.

However, the banking industry is dynamic, as illustrated by Gramm-Leach-Bliley (GLB), signed into law in 1999. This law expanded the ability of banks to operate outside of the traditional commercial banking arena. After GLB, banks could sell insurance and offer investment-banking services, among other things (Olson, 2006) (Saunders & Cornett, 2018). In spite of the changes, Corrigan, 2000, states, “GLB seems to acknowledge that banks are special... and provide a coherent framework to guide the next phase of the evolution of banking and finance in the United States”.

Olson, 2006, recognized that banking had changed much since Corrigan’s 1983 article. Specialized financial instruments had been created allowing other financial services firms to offer transaction accounts, banks were no longer the dominant source of liquidity for other financial institutions, and the relationship of banks to the Federal Reserve and their role had been impacted by the attacks of September 11, 2001. In spite of this, Olson, 2006, continued to argue, “that banks continue to be special”. In his conclusion, Olson, 2006, appropriately pointed out that because banks are still special, they must be regulated using high standards and they must be examined and supervised for safety and soundness.

This point is paramount in understanding the special nature of banks. Failure to apply high regulatory standards to these financial institutions can result in their insolvency. The negative externalities associated with financial institution insolvency are socially detrimental. Financial institution insolvency results in economic disruption. While there are regulatory costs to financial institution owners, the social benefits of heavy regulation outweigh these costs. Ultimately, banks are special because of the social benefits they provide (Saunders & Cornett, 2018). They are special because they continue to uniquely support the smooth-functioning of the economy via careful conveyance of the three characteristics Corrigan observed in 1983.

Benefits of Student-Student Engagement

Much has been written about distance education and online course design, with a focus on student success. Building a sense of community is an important key to this success (Law & Law, 2018) (McMillan & Chavis, 1986) (Shackelford & Maxwell, 2012). One key to building this sense of community is the incorporation of student-student contact in the course design. There are a variety of successful student-student interactions that may be utilized successfully. The top four are i. student introductions ii. collaborative group project iii. student's contribution of personal experiences iv. entire class online discussions (Shackelford & Maxwell, 2012). Using these tools leads to an increase in students' feeling of connectedness and sense of community. Online discussions, if done well, also lead to increased critical thinking and promote writing skills (Gao, Zhang, & Franklin, 2013) (Jewell, 2005). Students then increase their learning and are more satisfied with the educational process (Law & Law, 2018).

A very important consideration is that online discussion assignments can be used in face-to-face classes as well, leading to very positive outcomes. Use of online discussions is gaining momentum in face-to-face classes (Gao et. al., 2013) (Seethamraju, 2014). There are two major reasons that an online discussion is useful in a face-to-face class. First, the use of an online discussion assignment at the beginning of the semester can assist in overcoming student participation barriers in a face-to-face class. Second, there are benefits for the instructor.

It is valuable to design any course, whether online or face-to-face, in a way that overcomes students' barriers to participation so that students' success in learning and students' satisfaction with the educational process is high. There are several barriers that can exist which may limit students' participation/engagement in a face-to-face class. Students are sometimes inclined towards anonymity. This is obvious in face-to-face classes where some students prefer not to engage with others or the instructor. In addition, if an instructor utilizes much, or all, of the class-time to lecture, there is little time for students to participate by sharing their own thoughts. Of course, it is generally the case, particularly at the beginning of a semester, that students' knowledge of the course subject is limited, and this too can lead them to shy away from discussing the topic in class (Damron & Mott, 2005). Then, there are considerations of demographic diversity that can discourage student engagement in the classroom (Ensign & Woods, 2014) (Seethamraju, 2014). Any of these issues can produce a strong disincentive for students to engage in a face-to-face classroom (Damron & Mott, 2005). In addition, as is common knowledge among instructors and students, there are often a few students who dominate in-class discussions, making it difficult for all students to engage.

Fortunately, an online discussion assignment can address many of the barriers to student participation in a face-to-face class. Instructors and students can benefit from the incorporation of an online discussion assignment in several ways. Two of the above listed items of the top four

successful student interactions can be addressed with an online discussion assignment assigned to students on the first day of class. First, this assignment can allow/require students to introduce themselves. Second, the entire class discussion item can be utilized to stimulate engagement. Doing this allows students to think about what they want to share with the class. It allows students to post information in a non-threatening environment. It allows the instructor to avoid using valuable class-time for this kind of activity. It allows students to begin to build a sense of community and connectedness. Also, this assignment should be designed in a way that allows/requires students to begin to engage the course material in a significant way. This accomplishes the dual pedagogical purposes of learning to appreciate the subject material with some of its complexities, while at the same time encouraging students to think critically about the subject so they can communicate with their peers about it.

ONLINE DISCUSSION ASSIGNMENT

The online discussion assignment described herein can be used in an online or face-to-face class. The discussion assignment instructions are posted below in Figure 1. The first reading, Corrigan (1983), is lengthy. It is recommended that instructors abridge this document so that students get the gist and are not discouraged from completing the assignment due to its excessive length.

Part I of Assignment – Student Preparation

First, students should be introduced to the general topic either in class by the instructor or by communicating online to students in an online class. In an online class, this can easily be accomplished with an email or an introductory comment/video at the beginning of the course. For a face-to-face class, this can be accomplished by briefly introducing the topic on the first day of class along with the typical discussions of the syllabus and course requirements.

It is imperative that students study the materials provided in the links included in the discussion assignment instructions. Not doing so will lead to very low-level comments and this will quickly become apparent to the instructor and to other students. However, it is also a little unreasonable to expect students to study the material in depth after the first day of class. As a result, the comments will range from superficial to extensive, depending on each student's desire to and aptitude for learning the material.

Part II of Assignment – Student Participation

The discussion assignment may be done as a required assignment or as a bonus assignment, depending on the instructor's preference. In my experience, student participation is about the same either way at the beginning of class, with slightly more students participating if the assignment is required. The negative consequence of making the assignment required is that students who register after the first day of class will be frustrated that they have already missed an assignment. The negative consequence of making it a bonus assignment is that some students will fail to see the value of it and will simply choose to skip it.

Information should be provided to students in the discussion assignment instructions that specify what is expected by the instructor. An example of this information is provided towards the bottom of Figure 1 below. This communicates expectations without specifying a word

requirement. As a result, student posts will be different lengths and vary in quality, as would be the case in a face-to-face discussion in class.

The assignment should be due before the second class meeting for a face-to-face class. This requires students to engage sooner rather than later and encourages the establishment of relationships among students. It fosters connectedness to other students and encourages students to engage the course material. For an online section, the timeframe for making the assignment due depends on a couple of factors. First, the length of the course should influence the decision of how long students should have to complete the assignment. In a short course, like a summer section, the assignment may need to be completed in the first two or three days. In a regular fall or spring semester, a week may be more appropriate. Of course, the last day to register may need to be considered as well.

Students should be required to make their initial post before viewing others' posts. Requiring students to do this encourages study of the required material. If this is not done, students will simply read others' posts and regurgitate other student's comments as their own. The number of posts required may need to be adjusted depending on the number of students in the class. For the assignment discussed here, four posts were required. If the class is very small, say less than 10 students, it is not inappropriate to require only three posts. However, the smaller the number, the less connected to others the students are likely to feel. It is not unusual for some students to post more than the required minimum. It can be beneficial, for assignments that are required, to allow for some bonus points if students make additional posts. This should be communicated in advance to encourage greater participation.

Part III of Assignment – Faculty Feedback

97.6% of students report that timely feedback is 'very important' or 'important' in an online class (Dennen, Darabi, & Smith, 2007). Providing individual feedback to students for this assignment generally aids in establishing good rapport with students at the beginning of the semester. Providing general feedback to the class, in the form of a class announcement, is also useful. Feedback in the form of an announcement allows the instructor to follow up on themes that developed in the discussion and point students in the right direction regarding topics discussed.

For face-to-face classes, feedback is also important. On the second day of class, the topic should be revisited, at least briefly, to address themes that developed in the discussion topics and emphasize the issues that students should have learned in the course of completing the assignment.

SUMMARY

An awareness of the special nature of banks is critical for students studying banking. By focusing on the characteristics of banks and their place/importance in a smoothly-functioning economy, students have a foundation upon which to build a fuller understanding of the subject throughout a course in banking.

The use of an online discussion assignment, whether in an online or a face-to-face class, enhances student engagement. This leads students to feel more connected to others in the class and a sense of community. This type of class activity fosters critical thinking, encourages participation, and leads to greater student satisfaction of the education process. Instructor's

individual feedback aids in meeting students' need for interpersonal communication and this also increases student satisfaction (Dennen et. al., 2007).

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APPENDIX**Figure 1: Discussion Assignment Instructions**

Are Banks Special? - Discussion Instructions

The purpose of this assignment is to examine the view that banks are special. This view is based on various characteristics of banks and their purpose in the overall economy.

To complete this assignment, you must:

- Read the article by E. Gerald Corrigan, ‘Are Banks Special?’ at <https://fraser.stlouisfed.org/title/annual-report-federal-reserve-bank-minneapolis-473/annual-report-1982-18309>
- Read the follow up article by E. Gerald Corrigan, ‘Are Banks Special? A Revisitation’ at <https://www.minneapolisfed.org/article/2000/are-banks-special>
- Read the article by Mark W. Olson, ‘Are Banks Still Special?’ at <https://www.federalreserve.gov/newsevents/speech/olson20060313a.htm>
- Enter the Discussion ‘Are Banks Special’ and post your discussion information based on the following:
 - Your First Post – should introduce yourself to the class in a brief paragraph (you may include information about your work, your family, your reason for taking this class, etc.) then answer these questions,
 - i. “What is your definition of a bank?”
 - ii. “What is the most important thing about banks that make them special?” Why?
 - Your Subsequent Posts – should respond to other posts from the class

Keep in mind that four Quality Posts are required for this assignment. A Quality Post demonstrates that you have read the article, formulated an opinion, presented your opinion in a professional manner, and responded to others professionally regarding their posts.

RUBRIC: Four Quality Posts are required.

With four or more Quality Posts, you will likely earn a grade of “A” for the assignment.
With three Quality Posts, you will likely earn a grade of “B” for the assignment.
With two Quality Posts, you will likely earn a grade of “C” for the assignment.
With only one Quality Post, you will likely not earn a passing grade for the assignment.