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I am submitting herewith a thesis written by Hazel Taylor Spitze entitled "The Relation Between Selected Women's Knowledge and Use of Consumer Credit: a Basis for Adult Education Program Planning." I recommend that it be accepted in partial fulfillment of the requirements for the degree of Doctor of Education, with a major in Home Economics Education.

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THE RELATION BETWEEN SELECTED WOMEN'S KNOWLEDGE
AND USE OF CONSUMER CREDIT: A BASIS FOR
ADULT EDUCATION PROGRAM PLANNING

A Thesis
Presented to
the Graduate Council of
The University of Tennessee

In Partial Fulfillment
of the Requirements for the Degree
Doctor of Education

by
Hazel Taylor Spitze

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H. T. S.

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CHAPTER I

INTRODUCTION AND REVIEW OF LITERATURE

A. INTRODUCTION

The problem setting. The increasing use of credit by consumers has sharpened the need for information in this area. Consumer debt now exceeds fifty-six billion dollars, an increase of 800 per cent since 1939 or about 180 per cent in the past six years.¹ Instalment debt per capita increased from an average of forty-one dollars in 1929 to one hundred ninety-five dollars in 1959, in terms of 1958 dollars.² In December 1960 it had reached two hundred thirty-two (1960) dollars.³ Per capita instalment debt in 1958 was about 9.5 per cent of the per capita income for the United States; for Tennessee it was about 12.5 per cent.⁴ For the United States in December 1960, it had increased to 10.3 per cent.⁵

¹Federal Reserve Bulletin, February, 1961, p. 206.

²Emma Holmes and Minne Belle McIntosh, "Consumer Installment Credit—Patterns of Use and Costs," Journal of Home Economics, 52:95, February, 1960.

³Computed from total instalment debt for December 1960 and estimated U.S. population for December 1960, as reported in U.S. Dept. of Commerce, Survey of Current Business, February 1961, pp. S-11 and S-17.

⁴Federal Reserve Bank of Atlanta, Monthly Review, July, 1960, p. 81.

⁵Computed from data in footnote 3 and total U.S. personal income for December 1960, reported in Survey of Current Business, February, 1961, p. S-1.

Emma Holmes of the United States Department of Agriculture Institute of Home Economics said in 1957 that "over the period of a lifetime, chances are that almost everybody will sometime take advantage of the credit so freely offered in so many forms, for so many goods and services, and on such attractive terms."⁶ Clyde W. Phelps said a year later that in a normal year one-fourth of all consumers, and one-third of urban consumers, make use of instalment credit.⁷ These statements are probably as true now as then.

Helen Humes Lamale of the Bureau of Labor Statistics has said that "among the economic factors which have had a marked influence on city family spending patterns in the postwar years has been their greatly increased use of credit to finance their purchases."⁸

New types of credit, and more liberal terms for older forms, are constantly being devised. "All-purpose" or "thirty-day option" charge accounts, credit cards such as that offered by the Diners' Club, credit coupons purchased on instalment contracts, bank-charge-account credit, and revolving check credit are among the newer types. Advertising makes these innovations known to consumers immediately, sometimes

⁶Emma Holmes, "Who Uses Consumer Credit?" Journal of Home Economics, 49:340, May, 1957.

⁷Clyde William Phelps, Financing the Instalment Purchases of the American Family, Studies in Consumer Credit, no.3 (Baltimore: Commercial Credit Company, Educational Division, 1958), p. 20.

⁸Helen Humes Lamale, "Changes in Expenditures of Urban Families," Journal of Home Economics, 50:685, November, 1958.

in subtle and dramatic ways. In prosperous times such as Americans have been experiencing in recent years, consumers are willing to obligate themselves for future payments in order to improve their level of living with greater speed. Katona found in a 1955 study that 42 per cent of respondents who felt better off financially than a year before reported instalment purchases, while only 25 per cent of those who felt worse off had done so.⁹

Lansing, Maynes, and Kreinin found that "the proportion of units who owe instalment debt is highest in the middle income groups, those with incomes of \$4000 to \$7500."¹⁰ Holmes and McIntosh reported, from data in the Federal Reserve studies, that suburban families with heads between twenty-five and thirty-four years of age were especially likely to use credit in liberal amounts, and that debt rises with easing of terms and increasing credit opportunities.¹¹ Lansing, Maynes, and Kreinin say that "the most important factors which influence the probability that an individual spending unit will owe instalment debt are its liquid asset holdings, its income, and its stage in the family cycle or the age of the head of the unit." They state further:

The effect of changes in people's income on their instalment buying is not clear from the data. The data do show that people with

⁹Board of Governors, Federal Reserve System, Consumer Instalment Credit, Pt. II, Vol. 1, Conference on Regulation (Washington: Government Printing Office, 1957), p. 455.

¹⁰Ibid., p. 487.

¹¹Holmes and McIntosh, op. cit., pp. 96-97.

incomes which are stable and are expected to remain stable are less likely than others to owe instalment debt. This finding is consistent with an earlier assumption of Katona that rising incomes may lead to negative saving (borrowing) in order to speed up the rise in standard of living, while falling incomes may lead to negative saving in order to prevent or postpone a deterioration in standards of living. People with steady incomes thus have less incentive to borrow.¹²

Although changing the down payment or the monthly payment affects the amount of instalment buying, changing the interest rate does not seem to do so.¹³ One might wonder whether consumers are really aware of the interest rates they are paying. Since credit agencies often attempt to conceal actual interest rates by various, sometimes devious, means, and since school curricula provide very little help in this area, it is small wonder that one finds so many individuals, even in college classes, who cannot compute a true annual interest rate. There may be even less understanding of the "hidden costs" involved in securing many loans or of the valid reasons for variations in credit costs, such as the credit rating of the customer, collateral offered, length of the loan period, costs of investigation and record keeping, and size of the loan.

Instalment credit deserves special consideration since it now constitutes over three-fourths of the short- and intermediate-term consumer debt outstanding.¹⁴ Such credit use shows seasonal variation

¹²Consumer Instalment Credit, Pt. II, Vol. 1, op. cit., pp. 487-88.

¹³Holmes and McIntosh, op. cit., p. 97.

¹⁴Federal Reserve Bulletin, February, 1961, p. 206.

with each year's peak coming in December when Christmas gifts, such as furniture and appliances, jewelry and non-durables, are bought on instalment plans. Another, somewhat lower, peak occurs in June when automobile buying is strong. Of the total, however, nearly half is for automobiles, i.e., \$18 billion out of \$43 billion.¹⁵

Many agencies advertise their instalment credit at the time-honored rate of 6 per cent. A government committee in Massachusetts checked on one hundred five such cases and found only one that was actually charging 6 per cent. The others ranged up to 679 per cent with about three-fourths of the cases falling between 11 and 30 per cent. A state legislative committee in Wisconsin found that although most automobile purchasers thought they were paying between 8 and 12 per cent for credit, the real rates were between 17 and 40 per cent or, in many transactions, even higher.¹⁶

In addition to the interest itself, numerous other charges are often attached which add to the cost of instalment credit. Swollen charges for installation of such items as television sets, inflated insurance rates for car buyers, credit life insurance; filing, notary, and documentary fees; reinstatement, adjusters', or reconditioning fees—all these and other hidden charges await the unwary consumer.

¹⁵Ibid.

¹⁶Jerome B. Cohen and Arthur W. Hanson, Personal Finance (revised edition; Homewood, Illinois: Richard D. Irwin, Inc., 1958), p. 98.

Although instalment credit is the predominant type of consumer credit, other forms are likewise increasing in use. Charge accounts are used by an ever-increasing number, with users owing over \$5 billion at the end of 1960, service credit amounts to over \$3 billion, and single payment loans account for over \$4 billion. Of the instalment credit, dealers extend about \$5.8 billion, loan or finance companies about \$15.3 billion, and commercial banks over \$16 billion.¹⁷ Credit unions now number nearly twenty thousand with over eleven million members and nearly \$4 billion in outstanding loans.¹⁸ Some must still apply to pawnbrokers for needed cash, and others, especially in states without adequate small loan laws, continue to be exploited by loan sharks.

Statement of the problem. In order to contribute to the needed knowledge in this area, this study was an investigation of:

- (1) knowledge, concerning consumer credit, possessed by a selected group of women, and
- (2) how their level of knowledge is related to
 - (a) their attitudes concerning credit,
 - (b) the extent to which they use credit,
 - (c) the sources used and corresponding interest rates paid, and
 - (d) selected characteristics of the women.

¹⁷Federal Reserve Bulletin, February, 1961, p. 206.

¹⁸Credit Union National Association, Credit Union Yearbook, 1960. (Madison, Wisconsin: Credit Union National Association, 1960), p. 5.

Assumptions of the study. Assumptions basic to the study are these:

- (1) Adult education agencies can help consumers increase their credit knowledge.
- (2) Increased knowledge of consumer credit can enable families to use credit in a manner that will contribute to a greater realization of their values.

Hypotheses. The study proceeded with the following null hypotheses:

- (1) Levels of credit knowledge are not associated with (a) extent of use of credit, (b) interest rates paid, or (c) attitudes toward credit.
- (2) The level of credit knowledge is unrelated to the woman's (a) general educational level, (b) socioeconomic level, (c) number of years married, (d) gainful employment (amount and type), and (e) cooperative planning in the use of family income.

Organization of the study. Chapter I is an introduction (including the problem and its setting, assumptions, hypotheses, definition of terms) and a review of literature.

Chapter II concerns procedures. It includes a description of the sample and how it was drawn, of the data-gathering instruments and how they were constructed and validated, of the interview procedure, and of the manner in which the data were analyzed.

Chapter III contains analysis of the data: a presentation of the knowledge, attitude, use, and rate scores of the interviewees, a discussion of the statistical tests used to accept or reject each hypothesis, and some related phenomena not included in the hypotheses.

Chapter IV is a continuation of the data analysis with an item analysis of the Knowledge Test and the Attitude Scale, and a discussion of credit sources which relates some items of the questionnaire to the Knowledge Test.

Chapter V consists of some implications for adult education, using additional questionnaire items and drawing on the investigator's experience in teaching adults.

Chapter VI contains the summary and conclusions, and the appendices include preliminary and final Knowledge Tests, Attitude Scales as presented to the respondents and as arranged for scalogram analysis, and the questionnaire.

Definition of terms. Consumer credit, as used in this study, means credit used to finance the purchase of commodities and services for personal consumption or to refinance debts originally incurred for such purposes. No minimum period of repayment is specified but credit included is of short or intermediate term. These types are excluded: credit to Government agencies, nonprofit or charitable organizations, business credit (including production credit to farmers), and real estate mortgage credit.²⁰

²⁰Lelia Easson, "New Developments in Consumer Credit," Journal of Home Economics, 51:846, December, 1959, citing Board of Governors of the Federal Reserve System.

The definition of knowledge proposed by R.G. Spitze in his "Knowledge of Credit by Tennessee Farmers and Its Effects upon Practices" is accepted here: "any understanding which is found useful by any individual in the resolution of scientific or practical problems encountered."²¹

Attitude may be defined as a willingness to act or an evaluative belief which is a predisposition for action, while value, as here used, is a strong and durable attitude which determines or strongly influences action. Romans accepts similar definitions.²²

Adult education consists of formally or informally organized activities designed to further the knowledge of older youth and adults. In this study the particular concern is for public school adult education, i.e., those activities sponsored by the public schools, open to all adults, with minimum or no fees.

B. REVIEW OF LITERATURE

Although literature on the subject of consumer credit abounds—in newspapers and popular magazines, in professional journals, in publications issuing from yearly conferences held by many universities and other institutions, in pamphlet series sponsored by credit agencies—research studies in this area are relatively few.

²¹R.G. Spitze, "Knowledge of Credit by Tennessee Farmers and Its Effects upon Practices" (unpublished manuscript, prepared in 1960).

²²John Thomas Romans, "Knowledge and Attitudes of Tennessee Farmers Concerning Credit Practices and Some Effects on Credit Management and Credit Cost" (unpublished Master's thesis, The University of Tennessee, Knoxville, 1957), pp. 22-23.

The research most closely related to the present investigation was a 1956-57 University of Tennessee survey²³ of five hundred representative Tennessee farmers with regard to their knowledge, attitude and use of production credit, conducted by R.G. Spitze of the Agricultural Economics staff and J.T. Romans, a graduate student in that department.

The interview method was used in the Spitze-Romans survey of a multi-stage cluster sample of farmers. The interviewers used a twenty-point knowledge scale concerning sources for production credit with some questions answerable by Yes or No and some requiring completion-type answers, e.g., "Where is the nearest office of the Production Credit Association?" The attitude index and also a deliberation index used in this study were determined on a subjective basis at the close of each interview. In securing information regarding outstanding loans, the interviewers looked at the farmers' documents whenever possible. Both interviewers were versed in agricultural economics and familiar with the study.

Another study of interest was done by the National Bureau of Economic Research at the request of the Board of Governors of the Federal Reserve System. The purpose of the study was to provide the Executive Branch of the government with information to guide policy decisions regarding consumer credit controls. As one of the five parts of this

²³Part of the results of this study are available in Romans' Master's thesis and other data are reported in an unpublished manuscript by Spitze. These works have been cited previously.

research program, the Board determined upon a study to be a

compilation and report on analyses by university specialists, to be developed by conference methods, regarding data and knowledge needed for effective public policy in the field of consumer credit in general and instalment credit in particular. (p. xiii)

This Conference on the Problem of Consumer Credit Regulation, which was held at Princeton University under the auspices of the National Bureau of Economic Research in October, 1956, included forty-six scholars from twenty-eight universities and research institutions.

The proceedings of this conference were published as part of a six-volume Federal Reserve System series²⁴ in 1957. This publication contains the papers presented at the conference and the comments by discussants of the papers. Three of the papers in Volume 1 of Part II pertain to the problem of the present study: "Attitudes Toward Saving and Borrowing," by George Katona; "Factors Associated with the Use of Consumer Credit," by John B. Lansing, E. Scott Maynes, and Mordechai Kreinin; and "Consumer Debt and Spending: Some Evidence from Analysis of a Survey," by James Tobin.

From Katona's paper and the research on which it was based, two major conclusions emerge: (1) Consumers' desire to save and the importance they attached to the accumulation of savings were not impaired by their extensive use of instalment buying. (2) Striving toward having more of the good things of life and toward improvement of one's plane of living is not generally done at the expense of saving. The feeling of security and confidence stimulates both.²⁵

²⁴Consumer Instalment Credit, Pt. II, Vol. 1, op. cit.

²⁵Ibid., p. 469.

The data used in the Lansing, Maynes, and Kreinin paper came from the Surveys of Consumer Finances conducted by the Survey Research Center of the University of Michigan in cooperation with the Board of Governors of the Federal Reserve System, particularly the 1956 survey in which a probability sample (3,014) of all spending units in the United States was interviewed. Seven factors associated with the use of consumer credit were studied:

- (1) Liquid-asset holdings. (The larger the liquid assets of a unit, the less likely it is to owe instalment debt. But, among units who owe, the amount of payments does not appear to be related to liquid-asset holdings.)
- (2) Income. (The probability that a unit will owe first rises and then falls as income rises. The amount of payments rises with income but at a slower rate.)
- (3) Age or stage in the life cycle. (Both the probability that a unit will owe and the amount of payments are highest for young couples and lowest for old people.)
- (4) Income stability. (Units with stable income are less likely to owe. Their payments seem to be about the same as those of other units, other things being equal.)
- (5) Whether the head is a farmer. (Units headed by farmers are less likely to owe. Those who do borrow obligate themselves to smaller payments than units headed by individuals in other occupations.)
- (6) Region of the country. (Units in the West are more likely to owe. Their payments seem to be about the same as those of other units, other things being equal.)
- (7) Whether the unit owns a home with a mortgage. (Units with a mortgage are more likely to owe instalment debt.)²⁶

Tobin presents some conclusions regarding household behavior in relation to consumer debt: (1) Other things equal, high debt levels deter expenditure on durable goods. (2) High debt levels deter further use of debt in financing purchases. (3) There are important inter-relations between debt and liquid assets in consumer behavior.

²⁶Ibid., pp. 488-89.

(4) Additions to debt are negatively related to current income and positively related to previous income among low-income families, while the reverse is true among those at higher income levels. Single individuals are less apt to add to debt than married spending units, and older consumers are less likely than younger, except among low-income units where distress borrowing reverses the relationship. Change in debt is significantly correlated with both actual and anticipated purchases of durable goods, but it does not appear to be significantly related to attitudes of economic optimism or pessimism.²⁷

A third study, Financing New Car Purchases,²⁸ was carried out under the direction of Arthur L. Broida of the Division of Research and Statistics of the Federal Reserve System, Board of Governors, who worked with National Analysts, Incorporated, of Philadelphia. The data were obtained from a survey in mid-1956, during which a representative national sample of over 4,600 buyers of new cars, in the two preceding years, was interviewed. This sample included about 3,000 credit buyers. The study also included reports from the lending institutions involved in over 5,700 credit purchases of new cars, including 2,750 transactions for which the buyers also were interviewed.

This study was also published as part of the Federal Reserve series mentioned earlier and presented these major findings: (1) The countrywide availability of instalment credit on easier terms, rising levels of employment and income, and the popularity of the 1955 models

²⁷Ibid., p. 541.

combined to cause more new car purchases than ever before, especially credit purchases. (2) Credit terms eased so much that two-thirds of the contracts had maturities of thirty months or longer, and nearly one-half involved downpayments of less than 25 per cent. (3) Many of these contracts were associated with buyers with rather low incomes or in weak net worth positions. (4) On most new car contracts effective annual finance rates were between 9 and 13 per cent, with median of 11 per cent. (5) About one-half of the instalment buyers said that they would not have bought the new car if downpayments and maturities had not been eased.²⁹

Ferber conducted a study of the plans for and purchases of a variety of durable goods (including clothing) in 1951 and 1952 by means of a continuous monthly consumer panel of some one hundred fifty families in Decatur, Illinois.³⁰ A total of eight interviews were made with each family. The panel was set up as a random sample of the population, but the rate of non-response was high and although the substitutions were also selected at random, the author does not claim that the final results are necessarily representative of the population. However, the thirty-five to fifty new families interviewed for each of the second, third, fourth, and seventh months provided a means of comparison of their answers with those of veteran panel members and a check on the bias introduced by panel membership.

²⁹Ibid., pp. 1-7.

³⁰Robert Ferber, Factors Influencing Durable Goods Purchases (Urbana, Illinois: Bureau of Economic and Business Research, University of Illinois, 1955).

Ferber states his results as hypotheses on consumer behavior to be tested in further research. Some of these are: (1) The relative frequency of credit as a means of financing durable goods purchases increases with the size of the purchases. (2) The use of credit varies by purchase category, appearing to be most frequent in the purchase of car and housing items and least frequent in clothing purchases. (3) Planning is not uniform among population groups, but those doing the most purchasing also do the most planning. (4) The planning horizon (i.e., time between planning and purchase) of an item may be related to the degree of family participation in its use. (5) A large proportion of plans for major items are fulfilled, usually within one month of the planned-for purchase date. (6) The degree of fulfillment of plans is influenced by one's present and expected future financial position.³¹

Other studies bear more peripheral relationships to the present one. The findings of a Kansas State College research³² support the assumptions of this study, i.e., that education agencies can help women increase their knowledge in matters of money management and that such increased knowledge is used in practice. The Kansas study was an investigation of the effectiveness of a family finance course in helping freshman college students see the value of keeping financial records. Data were secured from interviews with one hundred freshman women in April

³¹Ibid., pp. 52-55.

³²Mamie Eugenia Allen, "The Effect of Instruction in Financial Management among Selected Kansas State College Women" (unpublished Master's thesis, Kansas State College, Manhattan, 1958).

and May of 1958. No statistical measures were used to test the significance of the differences found in practices of those who had and had not taken the family finance course, but it was concluded "that the instruction in financial management . . . did have a measurable impact on financial management habits as expressed by students in terms of both planning and record-keeping."³³

Winder's doctoral study, though quite different in purpose and method from the present one, did offer some implications or recommendations that were similar. The purpose of her investigation was "to identify the family financial experiences of selected graduates of one class of Morgan State College one year after graduation and to show the implications of these experiences for teaching a course in family finance at Morgan State College." The interview method was used for this study also, with forty members of the 1954 graduating class serving as respondents. Among the implications for teaching drawn from this study, the investigator stated that "since many of the graduates had charge and credit accounts for clothing, household items, and automobiles, the study of installment purchases, wise credit buying and other indebtedness should be emphasized in teaching a course in family finance."³⁴

Kobcak³⁵ analyzed the growth of consumer installment credit and some characteristics of installment credit users by studying secondary

³³Ibid., p. 43.

³⁴Thelma Vivian Winder, "Family Financial Experiences of Selected Graduates of Morgan State College and the Implications of These Experiences for Teaching Family Finance" (unpublished Doctoral dissertation, New York University, New York, 1957), p. 147.

³⁵Marie DeVroet Kobcak, "Installment Credit and Associated Factors" (unpublished Master's thesis, The University of Chicago, Chicago, 1958).

sources of data such as the annual estimates of instalment credit of the Federal Reserve Board and their consumer finance surveys. She noted that the trend in instalment credit is an upward one and offered these conclusions regarding credit users: (1) The percentage of spending units using credit was highest in middle income groups. (2) Young and middle aged couples with children had most frequent debt. (3) Those in medium-sized and small cities more often bought on instalment than those in very large cities, villages, or on farms. (4) The percentage of wage earners using credit was higher than in any other group; self-employed persons, especially farmers, used least. (5) The percentage of units having instalment debt increased with the number of earners. (6) Negroes had more frequent debt than whites, foreign-born less than native-born, and homeowners less than renters.

Babcock's doctoral study,³⁶ "Scales for Measuring Attitudes Toward Participation in Decisions about Uses of Family Income," is related to the present study in two ways. Her scale, a copy of which is included in her report, and her excellent review of the literature regarding attitude scale construction were helpful in that aspect of this study. The other is a more tangential relationship. Implicit in Babcock's study is the idea that cooperative planning in the use of family income is desirable; the implication is that her scale may be used to identify attitudes in order to guide students more effectively into patterns of

³⁶Gladys Babcock, "Scales for Measuring Attitudes Toward Participation in Decisions About Uses of Family Incomes" (unpublished Doctoral dissertation, Iowa State University, Ames, 1958).

cooperative planning. She quoted a study by Wittler³⁷ stating that of 152 families studied, nearly one-half reported that both parents participated in decisions regarding money and another one-third that both parents and children over six years of age participated, while only 3.3 per cent reported father alone and 1.3 per cent mother alone making such decisions.

Engelbrecht³⁸ explored the homemaker's awareness of, and inclination to use, the various sources of information which are available to her, and attempted to gain some insight into the factors which facilitate or impede the use of these potential sources of information. She interviewed twenty-one Columbia, Missouri, homemakers in May, 1958, to collect information regarding their knowledge and use of sources of information pertaining to thirteen homemaking subjects, as well as their homemaking practices and family characteristics. The homemakers were selected from a list of urban parents of children in the kindergarten and primary grades of the University of Missouri Laboratory School and were above average in income, education, and cooperativeness. In addition to the schedule of questions, the interview, conducted in the homes, gave the investigator the opportunity to make observations regarding homemaking effectiveness which were recorded at the close of each interview as a

³⁷Waneta A. Wittler, "Development of a Method of Identifying Home Management Problems of Farm Families" (unpublished Master's thesis, Iowa State College, Ames, 1952).

³⁸Selma Rosena Engelbrecht, "An Exploratory Study of Homemaking Information Sources Used by Homemakers" (unpublished Master's thesis, University of Missouri, Columbia, 1959).

profile of the homemaker and her family. From these profiles, five "most effective" and five "least effective" homemakers were chosen, and these were compared on their answers to some of the schedule questions.

When asked on what homemaking subjects they would like to receive more information, the homemakers mentioned cooking and home decoration most frequently. When asked what sources they would consult for adding to their knowledge of thirteen homemaking subject areas, "bringing up children" had the greatest number of sources listed, while money management and time and energy management were at the bottom of the list. The sources most often mentioned for information on money management were husbands, specialists, magazines, and books. Engelbrecht observed:

Perhaps this area was one in which: (1) the homemaker feels that the more complex aspects are chiefly the husband's concern and that the homemaker's problem is simply to get the most for the money she spends, or (2) the homemaker feels that the whole problem is fairly simple—one sets aside money for the necessities and hopes to have some left over, or (3) the homemaker is unaware of the substantial economies that can be affected by informed money management.³⁹

Some of the same theories might apply to credit management.

All of the studies reviewed in this chapter have presented helpful background material, although none has reported an attempt to discover the relationships between knowledge and the factors regarding consumer credit with which the present investigation is concerned. If it can be shown that increased knowledge results in wiser use of

³⁹Ibid., p. 65.

such credit, as has been suggested by some of the studies in other areas, then homemakers might be led to seek additional knowledge with more diligence, and adult educators might be given some guidance in assisting these homemakers in their efforts.

CHAPTER II

PROCEDURES

A. THE SAMPLE

In order to make use of the theory of statistical inference, a probability sample was chosen for this study. For present purposes, the best probability sample seemed to be the simple random sample.¹ Hence, the group interviewed consisted of one hundred women, a random sample of the women living within the city of Knoxville, Tennessee, who had attended one or more home economics classes at the Knoxville Adult Education Center during the 1959-60 school year. Enrollment cards were obtained from the school and numbered; a table of random numbers was used in selecting the one hundred women.²

This sample constituted 60 per cent of the Knoxville students in the Home Economics Department for that year and approximately 30 per cent of the total enrollment in that department, since about half the enrollment consisted of city residents. It was felt that having a sample of such size in relation to the size of the population would reduce the sampling error and increase the reliability of the results.³

¹Leon Festinger and Daniel Katz (eds.), Research Methods in the Behavioral Sciences (New York: The Dryden Press, 1953), p. 184. Also Claire Selltitz, et al., Research Methods in Social Relations (New York: Henry Holt and Company, Inc., 1959), p. 521.

²Festinger and Katz, op. cit., p. 185.

³Selltitz, et al., op. cit., p. 526.

The women interviewed ranged in age from twenty to seventy-one years with mean age of thirty-nine. Over half of them were under forty, and only seven were sixty or over. The distribution is shown below:

<u>Years of Age</u>	<u>Number of Women</u>
20-29	22
30-39	32
40-49	22
50-59	17
60 and over	7

In educational level the respondents ranged from fifth grade to graduate degrees. Two-thirds had attained at least high school graduation, but there were almost as many with less than tenth grade education as with college degrees. The frequencies are indicated in the following:

<u>Highest Grade Completed</u>	<u>Number of Women</u>
Grade 7 or less	3
Grades 8-9	5
Grades 10-11	24
Grade 12 or one year additional	47
College, 2-3 years	11
College degree (incl. Master's)	10

With the use of McGuire and White's revision⁴ of Warner's occupational types,⁵ the work experience of the interviewees was classified as shown in Table I. About half of them fell into the Type 4 classification which includes stenographers, bookkeepers, sales people and others with approximately a high school education.

⁴Carson McGuire and George D. White, "The Measurement of Social Status," Research Paper in Human Development No. 3, revised (Department of Educational Psychology, The University of Texas, March, 1955), p. 7.

⁵William Lloyd Warner, Marchia Meeker, and Kenneth Eells, Social Class in America (Chicago: Science Research Associates, 1949), pp. 132-38, 140-41.

TABLE I
TYPES OF OCCUPATIONAL EXPERIENCE REPORTED BY A
SELECTED GROUP OF KNOXVILLE WOMEN, 1960

Occupational Types	Number of Women
1 (Top professionals, executives, proprietors, <u>et al.</u>)	1
2 (High school teachers, librarians, large proprietors, accountants, <u>et al.</u>)	5
3 (Elementary teachers, nurses, bank clerks, smaller proprietors, <u>et al.</u>)	8
4 (Stenographers, bookkeepers, sales people, <u>et al.</u>)	49
5 (Telephone and beauty operators, clerks, apprentices, <u>et al.</u>)	13
6 (Semi-skilled factory workers, waitresses, <u>et al.</u>)	13
Total	89

(11 had had no occupational experience)

The number of years of gainful employment reported by the women is shown below. Eighty-nine of them had worked at least one year outside their homes, and over two-thirds had worked four years or more.

<u>Years of Employment</u>	<u>Number of Women</u>
0	11
1 to 3	19
4 to 8	31
9 to 15	16
16 or over	23

The socioeconomic status of the interviewees, as determined with the McGuire and White revision⁶ of Warner's classification,⁷ ranged

⁶McGuire and White, op. cit., pp. 2-4, 7-8.

⁷Warner, Meeker, and Eells, op. cit., pp. 121-29.

from A- (the lower segment of the upper class) to E (the middle segment of the lower-lower class) with about half of them falling into the lower middle class and about an equal number in the upper and the lower-lower classes. The distribution is as follows:

<u>Socioeconomic Class</u>	<u>Number of Women</u>
A (Upper)	4
B (Upper middle)	22
C (Lower middle)	49
D (Upper lower)	20
E (Lower lower)	5

Sixty-nine of the respondents were living with their husbands at the time of the interview; the remaining thirty-one were widowed, divorced, or had never been married.

Only two of the original sample of one hundred women refused to be interviewed. This low percentage of refusals was gratifying in view of the larger percentage reported by other investigators, e.g., 4 to 6 per cent by Katona and Mueller in their periodic surveys on the attitudes and expectations of American consumers.⁸ Substitutions were made for the two refusals and for fourteen others who were unable to cooperate because of illness or because they were no longer living in Knoxville. Regarding residence change, Katona and Mueller stated:

In each of the last few years close to 20 per cent of American families have changed their place of residence every year; even if much money and ingenuity are devoted to following the movers,

⁸George Katona and Eva Mueller, Consumer Expectations, 1953-1956 (Ann Arbor: Survey Research Center, Institute for Social Research, University of Michigan, 1956?), p. 138.

there will be some--about 10 per cent of the total sample after a year according to recent experience—who cannot be contacted.⁹

The substitutes in the present study were drawn in the same manner as the original one hundred. Since the sample was large in relation to the population, it was felt that the substitutions did not reduce the value of the study.

B. THE KNOWLEDGE TEST

An instrument for measuring the credit knowledge of the interviewees was needed. The literature on test construction and on consumer credit was studied in preparation for the construction of this instrument. Those parts of the Tennessee Code pertaining to consumer credit were reviewed, and interviews were held with representatives of the following consumer credit agencies: banks, small loan or finance companies, pawnbrokers, department store credit departments, and credit unions. Actual construction of the test began with a list of multiple-answer statements of the type shown below. This type was chosen to lessen the chance of correct answers by mere guessing, and the correct answer was placed among the foils by throwing a die.

Example: If you finance a purchase through a loan company instead of an instalment retail dealer, your finance charges will probably be

- (a) more.
- (b) slightly less.
- (c) much less.
- (d) about the same.
- (e) I don't know.

⁹Ibid., p. 131.

A pre-test of these statements with a number of homemakers of varying educational levels provided clarification of the wording of the statements and direction for further work on the instrument as well as preliminary experience in interviewing. The list was then revised and expanded to a tentative test of fifty items as seen in Appendix A. It was felt that this number of items would be excessive in the final interviews and that reliability would be reduced because of the respondents' boredom or irritation. As Campbell and Katona have stated,

Every data-gathering instrument has an optimal length for the population to which it will be submitted. Beyond that point, interest begins to lapse and cooperation to diminish. The survey researcher must take care that he does not overestimate the tolerance of his respondents . . .¹⁰

The jury method was used to reduce the number of items in the test and to improve the items that were retained. Regarding this procedure Guttman has said, "The evaluation of the content . . . remains a matter that may be decided by consensus of judges . . ."¹¹ Suchman also states that

While it is probably impossible to remove the element of subjectivity from the process of constructing . . . items, it should be possible to decrease the danger of individual bias by means of groups of judges.¹²

¹⁰Festinger and Katz, op. cit., p. 49.

¹¹Measurement and Prediction: Studies in Social Psychology in World War II, Vol. IV (Princeton, New Jersey: Princeton University Press, 1950), p. 84.

¹²Ibid., p. 167.

For this study five jurors were chosen from the University of Tennessee faculty: two in home management, two in agricultural economics, and one in consumer finance in the College of Business Administration. These jurors were given the fifty-item preliminary knowledge test with the following instructions:

Please place in column 1, V (very important), I (important), or U (unimportant) to indicate your feeling concerning that item as a measure of a consumer's knowledge about credit. Place a check in column 2 if you feel that an item is ambiguous, has an ambiguous answer, or has more than one possible answer listed. Place a check in column 3 if you wish to make any other comment (on reverse side of this sheet) concerning the item. Do you think of significant questions which I have omitted?

On the basis of the jurors' reactions the preliminary test was revised and reduced to thirty-five items (see Appendix B). The jurors' reactions were scored with five points for V, three points for I, no points for U, and in the few cases where a juror placed a question mark instead of a letter, one point was given. The summary then revealed a score from the jurors' reactions ranging from three to twenty-three out of a possible twenty-five points for each item. The fifteen items scoring twelve or less were deleted.

The next step was a second pre-test using the thirty-five item preliminary test, with twenty women of varying backgrounds who, like these of the final sample, had been students in the Knoxville Adult Education Center in other years. The women in this group scored from three to twenty-five, out of a possible thirty-five, on the preliminary test. A comparison was then made of items missed by the top 25 per cent of the scorers and the low 25 per cent. Those items found not to

discriminate between women with high and low knowledge of credit, as measured by the entire instrument, were deleted.¹³ (These items, missed by an equal number or a difference of only one, in the two groups, were 1, 14, 15, 16, 17, 19, 25, 28, 29, 30, and 33.) The remaining twenty-four items were further revised and clarified to form the final knowledge test, or K-test (see Appendix C).

The K-test used in the final interviews was found to have a split-half (odd-even) reliability coefficient of .56 as computed from the one hundred cases. Coefficient alpha¹⁴ (a split-half using random halves instead of odd-even) was .52. The lower bound of the reliability coefficient as determined from the Guttman formula¹⁵ was .7. This means that the actual reliability could be anywhere between .7 and unity. Such levels of reliability seem adequate for the purposes of this study for two reasons. First, although reliabilities below .90 are risky if predictions about particular individuals are required on the basis of their scores, one can afford to operate with measuring instruments of relatively low reliability if the interest is in group results.¹⁶ Secondly, this knowledge test might more reasonably be considered a series of one-item (or few-item) tests rather than a

¹³Cf. the discussion of the "discriminatory power" of test items in Selltitz, et al., op. cit., p. 185.

¹⁴Ibid., p. 175.

¹⁵Measurement and Prediction, op. cit., p. 310. In this formula $L_4 = 2 \left(1 - \frac{s_a^2 + s_b^2}{s_t^2} \right)$, s_a^2 = the variance of the odd half of the test, s_b^2 = the variance of the even half, and s_t^2 = the variance of the total score.

¹⁶Selltitz, et al., op. cit., pp. 181-82.

single test. If an item measuring respondents' ability to compute interest rates or to recognize inexpensive sources for loans does not correlate highly with one measuring their knowledge of the operations of instalment dealers, the reliability of neither item is diminished. Furthermore, both may be equally important in determining a general knowledge of consumer credit.¹⁷ As Peak has said, "If the correlation [between scores on split halves of a test] is low, it cannot be clear whether this is because of the instability of the measures or because the different sets of items are in fact measuring different things."¹⁸

C. THE ATTITUDE SCALE

Following a study of the literature on scaling theory, the construction of the instrument for measuring the interviewees' attitude regarding consumer credit was begun with a series of statements designed to express varying feelings for or against the use of credit, e.g., using credit is morally wrong unless necessary to save life. These were discussed with several faculty members and revisions and additions were made. An additional revision was made after pretesting the items with a group of homemakers. The resulting instrument (see Appendix D) consisted of sixteen statements, with items for and against credit alternating, and a five-point scale ranging from "strongly agree" to "strongly disagree." It was desirable to have the number of items

¹⁷Ibid., p. 178-79.

¹⁸Festinger and Katz, op. cit., p. 295.

low in order to keep the interview of a tolerable length for the respondents. In tabulating the final scores, the categories were combined so as to obtain only three: agree, neutral and disagree, as suggested by Guttman.¹⁹ The instrument presented to the interviewees consisted of two scales, one composed of the odd items and another of the even items, arranged in scrambled fashion. When unscrambled and arranged in decreasing order of favor toward or approval of credit use, they appear as in Appendix E. Since many respondents seemed to misunderstand or to interpret in widely different ways the last item (no. 16), it was decided to eliminate it from the even scale. Scalogram analysis²⁰ showed the coefficient of reproducibility for the odd scale to be .89 with reproducibility for the individual items as follows:

Item 1 - .92	Item 5 - .93
Item 2 - .83	Item 6 - .89
Item 3 - .85	Item 7 - .90
Item 4 - .87	Item 8 - .93

For the even scale, the coefficient of reproducibility was .85 with this reproducibility for individual items:

Item 1 - .91	Item 5 - .89
Item 2 - .86	Item 6 - .82
Item 3 - .82	Item 7 - .88
Item 4 - .78	

This coefficient, which is actually the proportion of responses that can be predicted correctly from knowing the total score of each individual, represents the difference between a given scale and a perfect

¹⁹Measurement and Prediction, op. cit., p. 301.

²⁰Ibid., p. 77.

one. To quote Guttman again:

Perfect scales are not to be expected in practice. The deviation from perfection is measured by a coefficient of reproducibility, which is simply the empirical relative frequency with which the values of the attributes do correspond to the proper intervals of a quantitative variable. In practice, 90 per cent perfect scales or better have been used as efficient approximations to perfect scales.²¹

He also says that not only should the total sample reproducibility be "around .90, but each separate item should have reproducibility not much below .90."²² He states further that "the hypothesis of scalability seems even more tenable if high reproducibility . . . is obtained when three or more categories can be retained in at least some of the items."²³ Hence, having the neutral category in the scale in this study makes the level of its coefficient of reproducibility more significant.

Scores were computed for both scales: for the odd scale by counting the number of items with which the respondent agreed, and for the even scale by counting the number with which she disagreed. Thus both scores represented the same end of the agree-disagree continuum, and these were totaled to obtain a final attitude score for use in correlations and other analysis.

D. THE QUESTIONNAIRE

The questionnaire for securing personal data and credit use information from the interviewees was constructed after considerable study of the literature related to this type of instrument. Suggestions such

²¹Ibid., p. 64.

²²Ibid., p. 287.

²³Ibid., p. 293.

as the following from Campbell and Katona were incorporated:

The questionnaire is not simply a translation of the specific objectives into language understandable to the respondents; it is built carefully, with regard to the type of questions to be asked, the degree of probing, the sequence of the questions, and the establishment of rapport. The draft of the questionnaire is pre-tested in the field before its actual use.²⁴

The instrument was revised several times after consultations with faculty members and pre-tests with homemakers. The final form is included in Appendix F. The interviewees were most cooperative in providing the information sought and seemed to feel no hesitancy in answering the questions despite the fact that some of them were rather personal. Among the queries in this instrument were those designed to discover the interviewee's socioeconomic status, the extent to which she used credit, the sources and cost of this credit, and her inclinations concerning the desire for more information in the area of consumer credit. To minimize memory errors, questions were usually limited to the period of the preceding year.

E. THE INTERVIEW

Preparation for the interview consisted of a study of the literature and the experience of the pre-tests. Bingham and Moore's How to Interview was found particularly helpful.²⁵ Cannell and Kahn say that "the major problems in interviewing stem from the inability or unwillingness of the respondent to communicate."²⁶ In this study,

²⁴Festinger and Katz, op. cit., p. 40.

²⁵Walter V. Bingham and Bruce V. Moore, How to Interview (fourth edition; New York: Harper and Brothers, 1959).

²⁶Festinger and Katz, op. cit., p. 331.

however, little difficulty was experienced in establishing rapport and obtaining the interviews, and no questions were left unanswered. Many of the interviewees expressed their appreciation for having had the subject of consumer credit brought to their attention. In most cases the first contact was by telephone, at which time the study was briefly explained and an appointment made for the interview. All the interviews were made by the investigator during May and June of 1960, and each required between forty and sixty minutes.

The K-test was presented first. The interviewee read the statements and if she wished, the statements were also read aloud to her. As she chose her answers, the interviewer recorded the corresponding letter on an answer sheet. Guesses were encouraged, but not required, when the respondent did not know the answers. When children were present, the interviewer attempted to occupy their attention with a kit of materials available for the purpose so as not to have them interfere with the respondent's thought processes. In the few cases in which other adults were present, it was made very clear that their answers were not desired. All were cooperative. In some cases these other adults were interested enough to ask questions after the interview, and such questioning was encouraged.

The respondent was then given a copy of the Attitude Scale as it appears in Appendix D, and again the statements were read aloud to her if she wished. As she expressed her feeling about each item, the interviewer checked the proper column on another copy of the scale and gave that copy a code number to correspond with the answer sheet.

Lastly, the interviewer read to the respondent the items in the questionnaire and recorded the replies on the answer sheet. During the entire interview, an attempt was made to clarify questions according to the need of the respondent and to preserve an atmosphere of friendly informality. This procedure is in agreement with the following statement by Cannell and Kahn:

If the interviewer were only to ask a specific question in a standard way, he would not succeed in obtaining responses from different respondents which reflected the same degree of frankness, the same amount of completeness, and so on. In short, the interviewer cannot apply unvaryingly a specified set of techniques, because he is dealing with a varying situation.²⁷

At the close of the interview, the respondent was given time to ask questions or discuss any part of the interview that she wished. Many wanted the correct answers to items on the K-test.

F. THE ANALYSIS

In order to have some quantitative measure of the amount of credit the respondents had used, a credit use score was computed for each subject by using her answers to items 21, 23, 24, 26, 27, 30, and 32 of the questionnaire. For item 21, one point was scored for each item of merchandise bought on the instalment plan. If the cost of an item exceeded five hundred dollars, an extra point was scored for each additional five hundred dollars or fraction thereof. In items 23, 24, and 27, one point was scored for each five hundred dollars (or fraction

²⁷Festinger and Katz, op. cit., p. 332.

thereof) borrowed from bank, loan company, or credit union. For item 26, one point was scored if layby (or layaway) services were used more than five times. If one-third or more of the family clothing was bought with a revolving charge account, one point was scored for item 30. One point was given for item 32 if the respondent had borrowed to take a vacation and the loan had not been recorded in a previous question. The total of these points was termed the credit use score and was used to indicate the extent to which the subject made use of consumer credit. Loans on real estate were excluded from the study.

The rate score was simply the average rate of interest paid by the respondent on the credit she had used. In most cases the women did not know the rate they had been charged, and generally they estimated the rate lower than it actually was. Other studies have reported similar findings. Hoskins and Coles stated:

Over two-thirds admitted that they did not know the simple or annual interest rates they were paying to finance the purchase of their automobiles. Of those who thought they knew, the majority said they were paying a rate of 5 or 6 per cent. However, half of this latter group were paying between 12 and 32.5 per cent . . .²⁸

R.G. Spitzke also reported that "the farmer borrowers who give an incorrect interest rate on their loans have a strong tendency to err in underestimation."²⁹ In the present study the respondents were able to

²⁸Hoskins and Coles, op. cit., p. 40.

²⁹R.G. Spitzke, op. cit., p. 25.

say where their credit had been secured; the investigator then arranged interviews with representatives of these credit sources to ascertain the rates charged. All but one were cooperative in providing the desired information. For that one an estimate of interest rate was used.

In determining the rate score, the rates were weighted according to the size of loan as in the credit use score. An effort was made to have this rate score represent a true annual rate. For example, if a bank charged 6 per cent and required repayment monthly over the period of the loan, the rate of 12 per cent was used since this type of repayment schedule approximately doubles the true rate paid.

The socioeconomic status was determined by means of McGuire and White's revision³⁰ of the Warner scale. The short form, which secures an index of social status from the occupation of the head of the family, the source of the family income, and the education of the head of the family, was used. In this form these items are weighted five, four, and three, respectively, and the resulting total score is converted to an index score by means of Warner's general conversion table. A random sample of the investigator's computations were checked by a professor familiar with the McGuire-White revision who agreed that appropriate use of the instrument had been made.

The K-score is simply the number of items the respondent answered correctly out of the twenty-four on the K-test, and the attitude index or score is explained on page 31.

The interrelationships of these various scores will be presented in the analysis of the next chapter.

³⁰McGuire and White, op. cit., pp. 2-4, 7-8.

CHAPTER III

ANALYSIS OF THE DATA

A. KNOWLEDGE, ATTITUDE, USE, AND RATE SCORES

Responding to the items of the K-test, the instrument for measuring consumer credit knowledge, appeared to be an educational experience for most of the interviewees. A few were embarrassed at their lack of knowledge, answered "I don't know" to a majority of the questions, and excused themselves by saying that their husbands took care of such matters; but most were quite interested and many were anxious to find out, at the close of the interview, which items they had missed. The scores ranged from three to nineteen (out of a possible twenty-four), with a mean¹ of 10.44 and a standard deviation of 3.53. For purposes of analysis, the high-K group was defined as those scoring at least one standard deviation above the mean, i.e., fourteen or more, and the low-K group as those scoring at least one standard deviation below the mean, i.e., seven or less. The number of women scoring in each category is shown in Table II.

The range of scores on the Attitude Scale was zero to eleven, with mean of 6.1 (see Table III). Categories of this characteristic used in analysis were: moderate or neutral attitude, scores five to

¹In comparison, the mean K-score for the five hundred farmers in the Spitze-Romans study was 7.5 out of a possible 20, with a range of zero to twenty. Romans, op. cit., p. 167.

seven; attitude favoring credit use, scores zero to four; and attitude opposing credit use, scores eight or more.

TABLE II
SCORES OF A SELECTED GROUP OF KNOXVILLE WOMEN
ON CONSUMER CREDIT KNOWLEDGE TEST, 1960*

K-Score	Number of Women
3 Low	1
4	2
5	4
6	6
7	11
8 Moderate	8
9	10
10	13
11	8
12	6
13	9
14 High	9
15	5
16	2
17	3
18	2
19	1
Total	100

*Possible score, 24.

The results of the computation of use scores (see pages 34-35) showed that thirty-nine of the respondents scored zero; that is, they had used no credit of the type considered in this study during the previous year. It might be noted here that thirty-day charge accounts, on which no interest is paid, and real estate loans were excluded. The mean use score, much affected by this large number of non-users,

TABLE III
 SCORES OF A SELECTED GROUP OF KNOXVILLE WOMEN
 ON CONSUMER CREDIT ATTITUDE SCALE, 1960

Attitude Score	Number of Women
0 Favoring	1
1	2
2	1
3	3
4	7
5 Moderate	18
6	28
7	20
8 Against	14
9	3
10	1
11	2
Total	100

was 1.71. Of the sixty-one who had used credit, the mean use score was 2.8. The low-use group was defined as those having a zero score and the high-use group as those scoring three or more. The distribution of use scores follows:

Credit Use Score	Number of Women
0	39
1	17
2	18
3	10
4	5
5	4
6	2
7	4
8	1

The rate scores, representing the interest rates paid by the respondents (see pages 35-36), were high. To many of these credit users

who thought they were paying "the standard 6 per cent," they would be shockingly high. The range was from 11.5 per cent to 32 per cent, with a mean of 15.32 per cent. The median rate score was 13.5 per cent, and the mode was 12 per cent. In comparison, a median of 11 per cent was reported in Consumer Instalment Credit, Part IV, but these loans were all on new cars, loans for which are consistently lower than for used cars and other types of loans.²

In the present study the high-rate group was defined as the upper 20 per cent, or those paying 18 per cent interest or more, while the low-rate group paid 12 per cent or less. (Due to the large number in the 12 per cent category, this latter group was 30 per cent of the total.) The distribution of rate scores is shown in Table IV.

TABLE IV
INTEREST RATES PAID BY A SELECTED GROUP OF KNOXVILLE
WOMEN ON CONSUMER CREDIT USED, 1960

Rate Score (in per cent)	Number of Women
11.5	1
12	23
13	7
13.5	2
14	2
15	8
16	2
16.5	2
17	1
18	2
20	2
21	2
22	1
24	3
26	1
29	1
32	1

²Consumer Instalment Credit, Pt. IV, op. cit., p. 4.

B. HYPOTHESIS 1: RELATION OF KNOWLEDGE AND CREDIT USE, RATE, AND ATTITUDE

The first hypothesis to be tested in this study stated that levels of credit knowledge are not associated with (a) extent of use of credit, (b) interest rates paid, or (c) attitudes regarding credit use. The chief tools used in analyzing the data were the Pearson product moment correlation coefficient, the t test for significance of difference between a sample mean and the population mean using formula³

$$t = \frac{\bar{X} - \mu}{\frac{s}{\sqrt{n}}}$$

and the t test for significance of difference between two sample means using formula⁴

$$t = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{\frac{(n_1-1)s_1^2 + (n_2-1)s_2^2}{n_1 + n_2 - 2} \left(\frac{1}{n_1} + \frac{1}{n_2} \right)}}$$

In these formulas $\bar{X}$ = the sample mean of the raw scores,
 μ = the population mean,
 s^2 = the variance of the sample scores,
 s = the standard deviation of the sample scores, and
 n = the number of respondents in the sample.

Hypothesis 1a can be accepted. There seems to be no consistent relationship between the level of knowledge and the extent of credit use. The correlation coefficient of .06 was of no significance. The mean use scores of the high knowledge group and the low-K group were 2.27 and 1.58, respectively, the difference of .69 not being significant.

³Dixon, Wilfrid J., and Frank J. Massey, Jr., Introduction to Statistical Analysis (New York: McGraw-Hill Book Company, Inc., 1957), p. 115.

⁴Ibid., p. 121.

Likewise, when the high-use group and the low-use group were compared as to knowledge, mean K-scores were 10.6 and 10.2 with an insignificant difference of .4. It is interesting to note, however, that these differences, though not statistically significant at a recognized level, were all in the same direction, with those possessing higher knowledge being the greater users of credit. This tendency also held in most cases when attitude was constant and when age was constant.

One might speculate about the reasons for the above tendency if it is not chance. Is it that those with greater understanding of credit are less afraid to use it or see greater benefits to themselves as a result of its use? Or do those who happen to choose to use greater amounts of credit increase their knowledge because of the experience?

Hypothesis 1b can be rejected since there was a relationship discernible between high knowledge and lower interest rates. The high rate group, with mean K-score of 8.46, differed from the population mean of 10.44 at the 5 per cent level of significance. When the high-K and low-K groups were compared as to rates paid, the scores were 13.8 per cent and 17.5 per cent, respectively, and this difference of 3.7 per cent was significant at the 2 per cent level. The correlation coefficient was not statistically significant, but the relation was in the same direction as the measures above. When attitude was held constant in the moderate or neutral range, the high-K and low-K groups still showed a difference of 2.6 per cent in rate scores, with 14.5 per cent and 17.1 per cent, respectively,

but this difference was not great enough to be significant at a recognized level.

This relationship of high knowledge and lower interest rates was also reported by R.G. Spitze in his study of five hundred Tennessee farmers. "The knowledge scores for those farmers paying the lower interest rates were substantially higher than for those paying the highest rates."⁵

Hypothesis 1c can be accepted; i.e., knowledge levels and attitudes regarding credit show no significant relationship. The correlation coefficient of $-.08$ is of no significance, and the mean attitude score of the high-K and low-K groups showed only .2 difference. The mean K-scores of those favoring credit and those in opposition, 11.2 and 9.0 respectively, showed no significant difference. Likewise, the mean K-scores of those with moderate attitudes and those with extreme attitudes, 10.71 and 9.91 respectively, revealed no significant difference. Here again, though, the differences were all in the same direction with higher knowledge being associated with attitudes favoring credit.

It is also interesting to note that the low-K group tended to hold more extreme attitudes (in both directions) than the high-K group, producing a mean about the same, as indicated above. This is shown in the variances of the two groups, which were 4 for the high-K and 6.17 for the low-K. A similar relationship was found between

⁵R.G. Spitze, op. cit., p. 43.

attitude and education, with 40 per cent of the low-education group holding extreme attitudes either for or against credit while only 23 per cent of the high-education group fell into these categories. The mean A-scores of the two groups were about the same (6.28 and 6.0). Romans also reported that "little variation in attitudes could be explained by educational attainment."⁶

C. HYPOTHESIS 2: RELATION OF KNOWLEDGE AND SELECTED CHARACTERISTICS OF THE WOMEN

The second hypothesis to be tested in this study stated that levels of credit knowledge are not associated with (a) general educational level, (b) socioeconomic status, (c) number of years married, (d) gainful employment (amount and type), and (e) degree of cooperative family planning in the use of credit.

Hypothesis 2a must be rejected. A correlation coefficient of .51 between credit knowledge and educational level was significant well beyond the 1 per cent level, showing a positive relationship between high-K and higher educational levels. The high-K and low-K groups had mean educational levels of 3.4 and 4.8 respectively, the difference of 1.4 being significant beyond the 1 per cent level. (As indicated earlier, higher educational levels bear the lower scores.) When K-scores were compared for those with education below high school graduation and those having two or more years of college, the scores of 8.1 and 12.1

⁶Romans, op. cit., p. 67.

showed a difference with a significance level well beyond 1 per cent.

This relationship was also found by R.G. Spitze. His data show increasing mean K-scores from 5.1 to 14.3 as educational levels progress from 0-3 years of schooling completed to college degrees.⁷

Hypothesis 2b must also be rejected. The correlation coefficient of .32 was significant at the 1 per cent level indicating a positive relationship between high levels of credit knowledge and higher social status. The mean K-score of the combined upper and upper-middle social classes was twelve, while that of the two lowest groups was nine. The difference was significant at the 1 per cent level. This, of course, may be influenced by the fact that social status is partially determined by educational level.

Hypothesis 2c can be accepted. The correlation coefficient for K-scores and number of years married was $-.09$, far from a significant level. A slight positive correlation between knowledge and age was noted ($.17$), with a significance level between 5 and 10 per cent. The relation showed the younger ages to be associated with higher knowledge levels. This could be related to educational levels since the younger groups tend to have higher education. When the mean K-score of those under thirty years of age (11.4) was compared with that of those fifty and over (9.4), the difference was significant at the 5 per cent level. Again the younger group had greater knowledge. This is in contradiction to Romans' findings:

⁷R.G. Spitze, op. cit., p. 32.

Age appeared to have very little effect, direct or indirect, on farmers' knowledge of credit sources. What little it did have was positive in that older farmers had slightly more awareness of credit sources than younger farmers.⁸

Hypothesis 2d can be accepted as regards number of years of gainful employment since the correlation coefficient was an insignificant .07, but regarding type of employment, the results were otherwise. A slight difference in mean K-score (.5) was noted between those who had worked and those who had had no work experience outside the home, but the significance level was low, not quite 10 per cent. However, when the mean K-score of those in occupational types one to three was compared with that of those in occupational types five and six (see page 23), the difference was significant beyond the 1 per cent level. The scores were 11.9 and 8, respectively. Since the type of occupation one engages in is closely related to his educational level, it is possible that this difference can be explained by the difference in education.

Hypothesis 2e can be accepted; i.e., there was no constant relationship between knowledge and cooperative planning in the use of family income. The mean K-score for the women whose husbands made the decisions (those who answered "husband alone" to one or more of items 17, 18, and 19 in the questionnaire) was 10.25, while that of the women who participated in the decisions was 10.8, the difference being far from significant. It might be noted here that of the forty-one living with husbands and using credit during the previous year, twenty-one had

⁸Romans, op. cit., p. 108.

participated in decisions regarding its use. Similarly, Wolgast found that "both husbands and wives most frequently report that each of the functions [regarding handling of money] . . . is a joint endeavor." She further states that "where this is not so, the wife is somewhat more likely than the husband to assume the major role,"⁹ while the present study found the husband alone making one or more of the following decisions: whether to buy items of large expenditure, whether to use cash or credit, or what source of credit to use.

D. SOME OTHER RELATIONSHIPS ANALYZED

Some other relationships not mentioned in the hypotheses were also tested. A comparison of rate scores was made for the group which participated in credit decisions and the group which did not. The participating group had a mean rate score of 14.14 per cent. For those women whose husbands decided which source of credit to use (item 19 in questionnaire), the mean rate score was 13.87 per cent. When the husband alone decided both whether to use credit or pay cash and the credit source, the mean rate score was 13.2 per cent. If the husband also decided whether to make the purchase, the mean rate score was 15.06 per cent. These relationships were neither consistent nor significant.

Such results could not logically lead one to conclude that co-operative planning among family members regarding the use of credit is an unwise procedure. As noted above, the K-scores of the women whose

⁹Elizabeth H. Wolgast, "Do Husbands or Wives Make Purchasing Decisions?" Journal of Marketing, 23:157, October, 1958.

husbands made the decisions were not significantly different from those who participated in the decisions. Hence, one might suppose that they could have been reasonable participants, and the possibility exists that the decisions could have been improved thereby, for as Wolgast found, "such differences as do appear between husbands' and wives' plans suggest that the wives' plans are slightly better thought out than the husbands'."¹⁰ If the K-scores of the husbands were known, some more definite conclusions might be drawn.

In this connection, it is interesting to note that the women who were not living with husbands (were either widowed, divorced, or had never been married) had a mean rate score of 18.07 per cent, a difference from the mean of those with husbands (14.07 per cent) which is significant well beyond the 1 per cent level. The mean K-score of those living alone was 10.26 as compared to 10.52 for those with husbands. One might then speculate as to whether this higher interest rate was due to the lack of a husband's counsel, a lack of security and accompanying higher risk to the lender, or to some other cause.

An examination was made of the relationship of attitudes and credit use, and a significant correlation ($-.31$, 1 per cent level) was found between attitudes favoring credit and high credit use. The mean use score of the credit-favoring group (2.93) and the credit-opposing group (1.73) also showed a difference which is significant beyond the 5 per cent level.

¹⁰Ibid., p. 158.

It was thought that women who were forced to manage their own financial affairs might have greater knowledge of credit than those who could depend upon their husbands for help, but the difference was very slight, and in the other direction. The mean K-score of the women who were living with their husbands was 10.52 while that of the women living alone was 10.26.

To check the suggestion that older persons are more opposed to credit, age and attitude were correlated. The coefficient was in the direction suggested but far from a significant level. Slight support for the suggestion was found when the "favoring" and "opposing" attitude groups were compared as to age and the latter showed a mean age five years older, but this difference was still of very low significance (20 per cent level). Since attitude and use were found to be highly correlated, the comparison of age and use is of interest here. The under-thirty group had a mean use score of 1.95 while the fifty-and-over group scored 1.08. This difference was of very low significance (about 15 per cent level), but other studies have also reported greater use by younger age groups, e.g., Kobcak.¹¹ In the present study, the use score of the thirty to forty-nine age group fell between the other two at 1.89. Katona also reported decreasing use of installment buying with increasing age. His data showed that 52 per cent of those under thirty-four had made installment purchases, while only 19 per cent of the 55-64 age group and 1 per cent of those over sixty-five

¹¹Kobcak, op. cit., p. 34.

had done so. His data were based on "representative urban samples, exclusive of self-employed people."¹²

When mean rate scores were computed for the three age groups, it was found that the under-thirty and the fifty-and-over groups paid about the same rate, 17.84 per cent and 17.75 per cent, but the thirty to forty-nine age group paid only 13.7 per cent. The difference between this group's rate and that of the combined younger and older groups was significant beyond the 1 per cent level. Perhaps the greater security possessed by this middle-age group enables them to obtain low risk, and consequently lower rate, loans.

An examination of the data regarding home economics education of the respondents revealed no outstanding advantage for those who had had home economics courses in high school. Comparisons were made of the group of thirty-eight who had had two or more years of high school home economics (but none in college) with the group of twenty-nine who had had none. These differences were noted:

	<u>Home Economics Group</u>	<u>No Home Economics</u>
Mean K-score	10.1	9.58
Mean use score	1.55	1.17
Mean rate score (in per cent)	15.66	15.92

The slight differences in K-scores and rate scores were in favor of the home economics group, but they were far from significant and could be

¹²Consumer Instalment Credit, Pt. II, Vol. 1, op. cit., pp. 461 and 476.

accounted for by the slightly higher educational level of this group. The use score is a little higher for this group, too, but not at a significant level.

Further analysis of the data, with attention to individual items of the data-gathering instruments, will be presented in the next chapter.

CHAPTER IV

ANALYSIS OF THE DATA (CONTINUED)

A. ITEM ANALYSIS OF THE K-TEST

Colston E. Warns, president of the Consumers Union of the United States, Inc., in an address before the Illinois Home Economics Association in November, 1960, said that "consumer information in the important field of credit is at low ebb."¹ The results of this study provide some support for Dr. Warns's statement. The mean knowledge score was 10.44 (out of possible 24) for the one hundred respondents. Two-thirds of the items were missed by over half of the women, and no item was answered correctly by more than 85 per cent. The answer most frequently given was a wrong one for seven items (nos. 5, 10, 11, 13, 16, 17, 22).

The twenty-four items in the K-test might be roughly divided into four categories according to type of ability needed: (1) to compute interest and rates, (2) to recognize varying rates charged by credit sources, (3) to comprehend some practices (other than rates charged) of credit sources, and (4) to understand some of the relations of government policy and consumer credit.

The first category seemed to be the most difficult for this group of women. Some appeared to be frightened at the mere sight of figures and made no attempt to compute. The mean number answering an item in this group correctly was 26.3. Of the six items (10, 11, 12, 16, 17, 20),

¹Illinois Home Economics Association, Newsletter, 37:6, December, 1960.

only one was answered correctly by over half of the respondents. That one, item 20, involved the very simplest computation; furthermore, the correct answer was 6 per cent, and since many still cling to the "standard 6 per cent" as a proper rate of interest, it is possible that some who were unable to compute chose that as a "reasonable" answer. Even so, only sixty-four answered correctly while thirteen of the remainder answered 12 per cent, no doubt being confused by the fact that twelve dollars interest was paid on the two hundred dollars.

R.G. Spitze found that "only 8 per cent of the farmers having loans indicated that they had ever computed their own rates. Of these, 21 per cent gave a rate in error."²

Item 12, which required computation of interest in dollars rather than rate, was answered correctly by forty-five. Item 16 which asked the rate charged when "\$50 for 30 days costs \$1," as advertised by a loan company, and item 11 which required recognition that the rate increases if the interest dollar cost remains the same while down payment increases, were each answered correctly by twenty of the women. In some cases a respondent was able to compute the correct rate of 24 per cent for item 16 but was so shocked by it that she would give an answer such as, "I got 24 per cent but I know that can't be. Those loan companies do charge high rates though; I'll guess 10 per cent."

Items 10 and 17, which required the knowledge that repaying a loan in monthly payments essentially doubles the true annual rate

R.G. Spitze, op. cit., p. 25.

charged, were answered correctly by only five and four, respectively. Many who asked for explanations after the interview were outraged that the lender had told them he was charging 6 per cent while really collecting about 12 per cent by requiring monthly repayment. On both of these items the answer most frequently given (by sixty-four and forty-nine, respectively) was 6 per cent, while about one-fifth admitted that they "didn't know."

The second category, that requiring recognition of varying rates charged by credit sources, was apparently the easiest for these women. It included items 4, 6, 9, and 22, and in this group the mean number answering an item correctly was 52.5. In item 4, sixty-two of the respondents recognized that bank rates are sometimes lower than those of instalment dealers, but fifteen thought they were usually higher. In item 6, seventy-five women knew that loan companies have higher finance charges than instalment retail dealers, but fifteen thought they were about the same.

In item 9, forty-two interviewees recognized that credit unions charge lower rates than the other lenders listed, but almost as many (34) thought instalment dealers were the lowest. This error is less serious than some of the others since some instalment dealers and some credit unions do charge about the same rate. However, these would be the upper limits of the credit unions and the lower limits of the instalment dealers.

Regarding item 22, thirty-one women recognized correctly that the least expensive source of credit is a loan on one's insurance policy, but a greater number (34) thought instalment dealers would charge lower rates. This opinion regarding the "low" rates of instalment dealers seemed to be one of the greatest misconceptions encountered.

Category three, concerning practices (other than rates charged) of credit sources, contained half the items in the test, and the mean number answering an item correctly in this group was 48.6. Eighty-five women knew, in item 1, that if they failed to meet their payments on an instalment purchase, the merchandise would be picked up without refund of previous payments, but nine thought the dealer would give them a cheaper model which their payments would cover. Eighty-five respondents also recognized, in item 8, that cash and charge customers buying the same item pay the same price. This was the only item on which no one answered "I don't know," although some really did not know, seven answering that the cash customer would pay less and eight that the charge customer would pay a carrying charge at the end of the month.

In item 2, forty-four answered correctly regarding who could borrow from a credit union, but seven erred in thinking that anyone could secure such a loan, and others (19) thought that members had to belong for a year before borrowing or (26) that anyone recommended by a member could obtain a loan. In item 3, fifty-one knew that stores price their merchandise to cover the cost of thirty-day charge account service, but a sizable number (22) thought they added a handling charge

to the monthly bill or (17) that they charged extra if the bill ran over a given amount.

Only fifteen women knew what the term "discount rate" of interest meant (item 5). Fifty-eight thought it meant that the rate would be reduced if they repaid within ninety days, and twenty-three responded with "I don't know."

In item 13, twenty-nine respondents answered correctly that their payments were refunded if they could not complete payment on a layby item, but nearly twice as many (56) thought the store kept the payments. Since most stores operate on the policy that these payments are refunded to the customer on demand only, these women actually did lose their payments by not asking for their refund.

In item 15, forty-six interviewees selected the correct statement that is not included in a conditional sales contract, but forty-four others obviously did not "read the fine print" as some admitted. Nineteen did not know that they must assume responsibility for the merchandise while they are paying for it, thirteen did not know that they could not sell the merchandise until they had made the last payment, and twelve did not know that if they were late in making a payment, all payments became due immediately.

In item 18, fifty-eight women suspected that an automobile dealer pressuring them to finance at a particular place would be getting a kickback on the finance charges, but twenty-two thought the dealer would have arrangements with a finance company to save the customer money.

In item 19, forty-seven answered correctly regarding the considerations influencing rates charged by banks, but twenty-two thought the size of the loan made no difference, fifteen thought the collateral offered was of no importance, and nine did not think the credit rating of the borrower was considered.

In item 23, twenty-two respondents failed to recognize that the type of lending agency affected the rate paid on an automobile loan, and twenty-one did not know that higher rates must be paid on loans for older cars. Thirty-six answered correctly.

In item 24, only thirty-three knew that a loan from a pawnbroker need not be repaid if the borrower does not wish.

Category four had two items (7 and 14) regarding the relation of the Federal government to consumer credit. Slightly less than half of the respondents (42 and 49) answered these items correctly.

Table V summarizes the answers given on the entire K-test.

B. CREDIT SOURCES

In order to examine the items in the K-test in another manner, those items dealing with definitions and computations were omitted and the others considered according to source of loan. In this way it seemed that charge account credit was best understood and credit unions least understood of the sources included, as indicated below:

<u>Credit Source</u>	<u>Mean Number Correct Answers</u>
Charge accounts	68
Instalment dealers	57
Loan companies	51
Banks	47
Credit unions	43

TABLE V
ANSWERS CHOSEN BY A SELECTED GROUP OF KNOXVILLE WOMEN
ON CONSUMER CREDIT KNOWLEDGE TEST, 1960*

Item	a	b	c	d	e
1	0	<u>85</u>	3	9	3
2	7	<u>44</u>	16	19	<u>14</u>
3	22	<u>51</u>	17	4	6
4	8	<u>15</u>	<u>62</u>	8	7
5	58	3	1	<u>15</u>	23
6	<u>75</u>	3	1	15	6
7	9	6	<u>42</u>	12	31
8	7	0	<u>85</u>	8	0
9	34	<u>42</u>	5	3	16
10	64	8	<u>5</u>	4	19
11	3	<u>41</u>	<u>20</u>	27	9
12	24	<u>45</u>	10	3	18
13	56	<u>29</u>	1	3	11
14	7	<u>49</u>	15	9	20
15	13	<u>46</u>	19	12	10
16	13	19	25	<u>20</u>	23
17	49	18	<u>4</u>	5	24
18	22	1	11	<u>58</u>	8
19	22	15	<u>47</u>	9	7
20	<u>64</u>	13	10	2	11
21	<u>14</u>	<u>55</u>	13	5	13
22	34	30	0	<u>31</u>	5
23	22	21	7	<u>36</u>	<u>14</u>
24	<u>33</u>	<u>14</u>	4	27	22

*Figures represent number of women selecting each answer. The correct answer is underlined in each instance.

The two items regarding thirty-day charge accounts (items 3 and 8) were answered correctly by fifty and eighty-five, respectively. These items have been discussed on page 55.

Twenty-one of the interviewees (or their husbands) belonged to credit unions and four others were eligible for such membership, but of the remainder many had never heard of a credit union. Some confused them with loan companies. Even among members there were some who were not sure who could be borrowers (item 2), and four of these members did not recognize their credit unions as less expensive sources of credit than instalment dealers (item 9). Of the twenty-one members, six had obtained credit union loans during the past year, but eleven others had bypassed their union and used other sources of credit. Some of these doubtless did not realize that the union could have saved them money, but others made such comments as, "Yes, I know the credit union is cheaper, but mine requires a co-signer, and I'd rather pay higher rates than ask a friend to sign a note for me." The above credit union loans were secured for buying dentures, house improvements, cars, and vacations.

Banks, too, are rather misunderstood by these respondents; items 4, 19, and 22 were answered correctly by only sixty-two, forty-seven, and thirty-one women, respectively. In item 4, eight interviewees thought a bank loan would be an unreasonable way to finance a television set because so much "red tape" would be involved, and another eight thought banks would not lend for such purposes. Fifteen others thought bank rates higher than instalment dealers.

As reported on page 57, less than half of the respondents were aware of the determinants of bank rates for personal loans (item 19). In item 22, thirty-four women again said that bank rates were higher than instalment dealers. Another thirty erred in favor of the banks by saying that bank rates were lower than loans on their insurance policies.

Twenty-two of the interviewees had used bank loans during the past year for the purchase of automobiles, home improvements, appliances, boats, stereo sets, and the like. Most paid about 12 per cent.

Loan companies seemed to be slightly better understood although the understanding was sometimes vague as indicated in the comment mentioned earlier, "I know those loan companies charge high rates; I'll guess 10 per cent." In item 22, however, not a single respondent checked loan companies as the least expensive source of credit listed. Fourteen women overestimated the length of time usually allowed for repayment of loans from such sources (item 21), and eighteen others thought that loan companies charged the lowest rate of the sources listed, but three others made the greater error of checking pawnbrokers. In item 6, four interviewees thought finance charges would be less at loan companies than at instalment dealers and fifteen others thought they would be about the same, but seventy-five recognized that they would charge more.

Nine women (or their husbands) in this group had actually borrowed from loan companies during the previous year. Some of these had learned about the high rates through hard experience. As one put it, "I've

learned my lesson." She had financed a car, a washing machine, and a clothes dryer at a loan company and had been especially incensed when she had become able to pay off the loan and found that early repayment was not permitted. Others reacted differently. One widow, a retired mill operative, said, "Mr. ___ at ___ loan company is always so nice. I can always get money from him when I need it—like when I wanted to go to New Orleans to visit my daughter." Her charges had amounted to about 40 per cent.

The general understanding regarding instalment dealers was slightly better than that concerning the previously mentioned sources of credit, although there was still a very prevalent notion that instalment dealers charge "the standard 6 per cent." Items 1, 4, 6, 9, 15, and 22 dealt with this source. In item 1, three women thought these dealers would return their payments if they picked up merchandise not paid out, and three answered "I don't know." But, as noted earlier, eighty-five answered correctly and the other nine expected a cheaper model in return for the payments they had made. In item 22, as already pointed out, the answer most frequently given was a wrong one stating that instalment dealers were the least expensive source of credit listed, while actually two other sources charged lower rates. Here, again, some instalment dealers and some banks may charge the same rates, but on the average instalment dealers' rates will be higher. The other items in this group have been discussed earlier in this chapter.

Thirty-eight of the women had bought at least one piece of merchandise on the instalment plan during the past year. Included in these instalment contracts were such diverse items as cemetery lots and markers, silverware and jewelry, furniture and appliances, automobiles and tires, awnings and other home improvements, encyclopedias, military uniforms, lawn mowers, boats, and home furnishings. The charges ranged from 12 to 21 per cent.

Since automobile loans are a high proportion of instalment debt, nationally as well as in this investigation, the source of these loans is worth noting separately. For all cars bought by families represented in the present study, the following sources were used: dealer, one; bank, six; credit union, three; and loan company, seven. For new cars the sources were: dealer, one (11 per cent of the total); bank, three (33 per cent); and loan company, five (55 per cent). The Federal Reserve System study showed these sources for new cars: dealer, 3 per cent; bank, 41 per cent; credit union, 4 per cent; and loan company, 47 per cent.³ When income groups were analyzed separately it was found that the lower income groups used loan companies considerably more often and banks less often than other groups.⁴ When the data were analyzed by region, it was noted that the Southern consumers used loan companies more often and banks less often than other regions. Some of these differences were as great as 15 and 20 per cent.⁵

³Consumer Instalment Credit, Pt. IV, op. cit., p. 48.

⁴Ibid., p. 50.

⁵Ibid., p. 51.

In order to test whether users of these various types of credit had greater knowledge concerning the type they had used than had the non-users, K-test answers were compared. The percentage of instalment buyers answering correctly those items relating to instalment dealers was compared to the percentage of the entire sample interviewed. Similar comparisons were made for the other types of credit sources. No differences large enough to be significant at a recognized level were observed, but in all cases borrowers did show slightly greater knowledge. Likewise, the mean total K-score for all borrowers was only slightly higher than for non-borrowers, 10.6 and 10.2. Romans found a greater difference, with borrowers scoring one to three points higher than non-borrowers on his twenty-point knowledge test.⁶ He also found Negroes with higher K-scores than whites, and since their educational level was lower, the higher knowledge was attributed to greater use of credit.⁷

Twenty-nine of the interviewees answered Yes to the question: "Do you ever use instalment credit when you could pay cash?" Seventeen of this group said their reason was that they wished to keep an emergency fund in the bank, and four others said they would get better service on an appliance if it were not paid for in cash. Three did not wish to disturb investments, two used instalment buying to establish a

⁶Romans, op. cit., p. 114.

⁷Ibid., pp. 111-12.

credit rating or for convenience and one said it helped her keep to her budget plan. Katona's findings were similar. He reported one overwhelming argument in favor of instalment buying: it would be impossible to purchase many important things without it. Some added that it is a good thing to use the goods while paying for them. Some did not wish to touch reserve funds or felt that instalment payments forced them to budget carefully and save regularly. Others thought it helped establish credit or that they got better service on goods not paid for in cash.⁸

When asked where they would seek credit for the purchase of an appliance, fifty-three of the respondents preferred the dealer. Others were as follows:

<u>Credit Source</u>	<u>Number of Women</u>
Dealer	53
Bank	32
Credit union	10
Relative or friend	2
Loan company	2
Insurance company	1

Most of these women gave "convenience" as their reason or one of their reasons for preferring the dealer. Two thought they would get better service on the appliance if the dealer financed it, and of the nine who chose their credit source by "habit" some chose the dealer. Romans also reported that "the main attributes of dealer instalment credit are its convenience and the creation of bargaining power with

⁸Consumer Instalment Credit, Pt. II, Vol. 1, op. cit., pp. 455 and 473.

the seller to keep the merchandise involved in good repair."⁹ Of the thirty-eight who chose their source because they thought it charged the lowest rate, a few used dealer financing, but most of this group borrowed from banks or credit unions. Their reasons are summarized in Table VI.

TABLE VI
REASONS FOR CHOICE OF CONSUMER CREDIT SOURCE GIVEN
BY A SELECTED GROUP OF KNOXVILLE WOMEN, 1960

Reason	Number of Women
Convenience (in location, procedures, etc.)	46
Lowest rate	38
Habit	9
Reliability of source	4
Influence of friend	3
Terms of repayment	2
Better service on appliance	2
"Dealer is fair and aboveboard" or "We should support our dealers"	2
"Bank is more respectable"	1
"I am not embarrassed to ask for credit there"	1
"Don't know any other source"	1
"I don't know"	6

In the reasons given by farmers in the Spitze-Romans study for choice of source for production credit, personal relationships loomed rather more important than in this study, perhaps due to the rural-urban factor. The farmers often listed "friendliness of the personnel" as their reason for seeking credit at a particular source.¹⁰

⁹Romans, op. cit., p. 101.

¹⁰Ibid., p. 172.

When asked where they would consider trying to obtain a loan if they needed cash, the women responded as follows:

<u>Source</u>	<u>Number of Women</u>
Bank	80
Relative or friend	37
Credit union	20
Insurance company	17
Loan company	5
Don't know	1
Own savings account	1

They were encouraged to indicate as many sources as they thought they would consider. Forty-four women named only one source, forty-nine named two sources, and only seven named three or more. The mean K-score and use score were slightly higher for those who named two or more sources than for those who named only one, and their mean rate score was slightly less. This might be compared with Romans' finding regarding deliberation. In his multivariate correlation and regression analysis, he found that "directly, [deliberation] accounted for slightly more than 20 per cent of the variation in knowledge scores."¹¹ Also "an increase of one point on the five point deliberation scale would cause an increase of 1.6 points on the twenty-point knowledge scale."¹² He also reported that "highly deliberative farmers paid lower interest charges than farmers with little deliberation."¹³

The respondents of the present study were also asked which of the sources they had considered would be the one most likely to be used to secure needed cash. The results are shown below:

¹¹Ibid., p. 108.

¹²Ibid., p. 108.

¹³Ibid., p. 127.

<u>Source</u>	<u>Number of Women</u>
Bank	54
Relative or friend	26
Credit union	14
Insurance company	3
Loan company	1
Own savings account	1
Don't know	1

It is interesting to note here that forty-two of Romans' respondents knew no source.¹⁴

These choices and the reasons behind them are doubtless influenced by both the knowledge and the attitudes of the respondents. The latter will be considered in the next section.

C. ITEM ANALYSIS OF THE ATTITUDE SCALE

If a general statement regarding attitude were required from this study, it might be that the respondents do not see the use of credit as a mark of either a good or a poor home manager, that they are slightly more opposed than in favor of credit but accept it in the case of necessities while being much opposed to the purchase of "luxuries" without cash, that credit is convenient though costly, and that while it is not a moral issue, people are using credit too much.

Two-thirds of the interviewees scored in the moderate range (five to seven) on the combined attitude scales, while twenty seemed to oppose credit use (scoring eight to eleven), and fourteen were in favor of it (scoring four or less).

¹⁴Ibid., p. 115.

One question in the Spitze-Romans study dealt with consumer credit: "Do you believe that a farmer is justified in using consumer credit; that is, should a farmer borrow money for things to be used in the home?" Forty-five per cent of the farmers answered Yes or a qualified Yes, indicating willingness to use such credit under certain circumstances if no mortgage were involved.¹⁵

Items 3, 4, 6, and 10 (see Appendix D) might be thought of as dealing with "luxuries," while items 2, 14, and 15 are concerned with goods and services more generally considered "necessary" for modern living. For the luxury items, the use of credit was condemned by 61 per cent, 91 per cent, 56 per cent, and 85 per cent of the respondents, respectively. For the more necessary items, credit use was favored by 89 per cent, 81 per cent, and 90 per cent. (See also the discussion under item 4 on page 70.)

Only four of the women agreed with the statement in item 1, that "using credit is morally wrong unless necessary to save life," and three were undecided or neutral. Of the four who agreed, three had a zero use score, but the fourth, having bought clothing and an automobile on credit, scored five. She apparently misunderstood the statement she agreed with or else her thoughts and actions were quite inconsistent. The use scores for the neutral respondents were zero or one.

¹⁵Ibid., p. 78.

Katona reported 11 per cent opposed to borrowing on moral grounds,¹⁶ and Romans found less than 2 per cent.¹⁷ This difference is surprising and may be due partly to a difference in the wording of the questions on which the analysis was based.

Eighty-nine of the interviewees agreed that buying on time is all right for necessities (item 2). Katona found 51 per cent of his respondents saying that "it's a good idea to buy things on the instalment plan" in August 1956, and only 33 per cent saying that "it's a bad idea." Higher percentages favoring instalment buying were found in middle income groups (\$4,000 to \$10,000) and lower percentages in the upper and lower income brackets.¹⁸

Many commented that food, though a necessity, should not be bought on credit "because cash stores are so much cheaper." Perhaps if the scale were used again, food should be eliminated from this item. Only two of the women reported buying any substantial amount of their food on credit, but nineteen had bought clothing on revolving charge accounts, and fifteen had bought appliances using credit. Eleven of these had been financed by the dealers, three by banks, and one by a loan company. Ranges, refrigerators, laundry equipment, sewing machines, vacuum cleaners, and lawn mowers were included.

¹⁶Consumer Instalment Credit, Pt. II, Vol. 1, op. cit., p. 455.

¹⁷Romans, op. cit., p. 75.

¹⁸Consumer Instalment Credit, Pt. II, Vol. 1, op. cit., pp. 454 and 472.

In the Illinois study, Ferber reported that 23 per cent of major clothing purchases were made with use of credit and 43 per cent of appliances were so purchased.¹⁹

Sixty-one women agreed with item 3: "If you don't have cash for new clothes or a new washing machine, use the old ones until you do." Five remained neutral on this point, but thirty-four disagreed. Their action in this regard is discussed above.

Ninety-one women disagreed with the use of "Vacation now—Pay later" plans in item 4, while five agreed and four were neutral. Many checked the "strongly disagree" column, and comments such as, "If you can't pay for a vacation, better stay at home," were frequent. Three persons had actually borrowed for a vacation trip, but these were not among the five who had agreed with the statement. Perhaps if it had read "Vacation now—Pay later" plans may be used . . . rather than that such plans should be used, these persons would have agreed. Those who agreed with the statement had commented, "Yes, a person needs a vacation." It might be that those families had never had a vacation trip and felt the need strongly enough to warrant the use of credit.

Credit use for other recreation besides vacations was also reported. Two had purchased boats for recreational purposes, and nine others had used credit for television sets (or tubes) and stereo which might also be considered recreational. The mean attitude score for these eleven and the three who borrowed for vacation trips was 4.42,

¹⁹Ferber, op. cit., p. 17.

as compared with the population mean of 6.1. This difference is significant beyond the 1 per cent level.

Seventy-eight of the respondents disagreed with the statement that "people with low incomes cannot afford to use credit" (item 5), and many added the comment, "They're the ones who have to." Seventeen recognized that families with limited incomes might need other goods and services more than credit services and agreed with the statement, while five remained undecided or neutral.

Item 6, "If you can't afford something your family wants, like a TV, use credit to get it," brought forth more difference of opinion. Fifty-six disagreed, saying, "You can do without TV," or "No, if you can't afford it, you'd better not try to buy it." Thirty-eight agreed and six were neutral. As already indicated, nine had actually bought television sets or stereo, six of these having been financed by the dealer, and three by banks.

Items 7, 12, and 13 were designed to see whether the women thought the use of credit indicated good or poor management. Disagreements by ninety, seventy-eight, and eighty-six, respectively, show that they did not associate such use with either. Some remarked, "No, good managers don't necessarily use lots of credit," or "Families who use credit may be poorly managed, but they aren't always," or "It depends on how they use the credit." Romans reported that "38.8 per cent of the farmers thought non-borrowers were better managers, 23 per cent thought borrowers were, and 35 per cent thought that either one may be the better manager, depending on the circumstances."²⁰ Of course,

²⁰Romans, op. cit., p. 76.

this was production credit, and the views might have been different for consumer credit.

Eighty-nine interviewees thought credit cards were an important convenience for consumers (item 8). Five were neutral on this point, and of the six who disagreed, some said, "They encourage you to spend too much."

Eighty-seven of the women thought "too many people are using too much credit nowadays" (item 9). (For actual amount of credit now being used, see Chapter I.) In order to test whether the remaining thirteen (six who disagreed and seven who were neutral) had used credit more than the rest, the mean use score of this group was compared with the population mean. This mean of 1.84 was higher than the population mean of 1.71, but the difference was far from significant.

Eighty-five respondents disagreed with item 10 that "there is no point in driving an old car when you can get a new one on time." Some remarked, "There might be a tremendous point in it!" Nine agreed and six were neutral. Seventeen of these families had actually borrowed to buy a car during the past year, nine of them purchasing new cars.

In item 11, ninety-two women agreed that "it is nearly always better to pay cash than to buy on time." Of the four who disagreed and the four who were neutral, some remarked, "Well, not always; you can get better service on appliances if they aren't paid for," or "Sure, if you have it, but it's not always best to wait that long for something you need."

Education seemed to be considered a "necessity" by this group since eighty-one agreed with item 14, that "it is wise to go into debt if necessary to give children a good education." However, not one family had borrowed for this purpose although eleven had children of college age (17 to 21) and ten of these had agreed with the item, one being neutral. One had secured a loan for the education of the husband. A few of the nine who disagreed said, "They can work their way through." One of the neutral ten commented, "It depends on the child. I don't think mine are smart enough to need college."

Housing was another family need for which credit was deemed permissible by this group. Ninety women disagreed with item 15, that "families who rent until they can buy a home for cash are wiser than those who buy with mortgages." Many of them seemed to feel that paying rent was "pouring money down the drain," or that they wished to buy a home while they were young in spite of the interest cost. Six agreed with this item and four were undecided or neutral.

The responses of the interviewees to the Attitude Scale are summarized in Table VII.

TABLE VII
 RESPONSES OF A SELECTED GROUP OF KNOXVILLE WOMEN TO ITEMS
 OF ATTITUDE SCALE REGARDING CONSUMER CREDIT, 1960

Item (As Indicated in Appendix D)	Agree (Number of Women)	Disagree	Neutral
1	4	93	3
2	89	5	6
3	61	34	5
4	5	91	4
5	17	78	5
6	38	56	6
7	5	90	5
8	89	6	5
9	87	6	7
10	9	85	6
11	92	4	4
12	12	78	10
13	7	86	7
14	81	9	10
15	6	90	4

CHAPTER V

IMPLICATIONS FOR ADULT EDUCATION

W.W. Pate, writing in Adult Leadership, said that "adult education in economics is probably more lacking than in other areas of daily living."¹ The results of this study would help substantiate his claim, and the implications for adult education are fairly clear. Many people are using credit (61 per cent in this study), and women are participating in decisions regarding its use. Thirty-one per cent were living alone, and of the sixty-nine with husbands, forty-five helped decide whether to use credit and thirty-two helped decide which credit source to use. Their knowledge regarding consumer credit is meager; the mean K-score was 10.44 out of a possible 24. Increased knowledge results in wiser use of credit as measured by interest rates paid (see page 42).

The problems for adult education, then, are how to provide opportunities for women to increase their knowledge and how to motivate some to want more knowledge, since one-third of these respondents answered No to questionnaire item thirty-nine: "If you had more knowledge of credit than you now have, would it be of any advantage to you?" Of this group who indicated no desire for more knowledge of credit, twenty-two were participating with their husbands in decisions regarding its use, and eleven others were making such decisions alone. Their mean K-score was about the same as the mean for the entire group.

¹W.W. Pate, "Economic Misconceptions," Adult Leadership, 7:101, October, 1958.

Of the interviewees in this study, sixty-six expressed the feeling that more knowledge of credit would be of some advantage to them. Two-thirds thought increased knowledge would enable them to choose credit sources more wisely or to save money. Their reasons are summarized in Table VIII.

TABLE VIII
REASONS GIVEN BY A SELECTED GROUP OF KNOXVILLE WOMEN FOR
DESIRING MORE KNOWLEDGE OF CONSUMER CREDIT, 1960

Reasons	Number of Women
Could choose credit sources more wisely	27
Might save money	13
Could understand rates being charged	9
Any knowledge is valuable	9
Might need more knowledge if circumstances changed (i.e., get married, husband change job, be left widow, etc.)	9
Might manage better or get discounts for cash if understood the whole matter	5
Could understand terms used, etc.	3
Could advise others or understand their problems	2
Might use less credit	3
Might use more credit	1
Would feel more secure	1
I don't know	6

(Total not 100 since some gave several reasons
and some did not wish more knowledge)

In the Engelbrecht study, nineteen of the twenty-one homemakers felt no need for, or expressed little confidence in, "outside" sources of information in at least one of the thirteen homemaking subject areas. Money management was second only to time and energy management in number of times mentioned, with eleven homemakers unconcerned about need for help in this area.²

The respondents were also asked, in the present study, where they thought they might get more consumer credit knowledge. About half of them (49) seemed to have no idea where to turn for help. Hence, part of the job of adult education is to publicize programs available to such women. Those who did have some ideas concerning sources of information mentioned those sources shown in Table IX. Engelbrecht's homemakers mentioned twenty-seven sources for all areas of homemaking with magazines leading the list, followed by friends, books, specialists, dealers, cookbooks, commercial bulletins, government bulletins, newspaper articles, and husbands.³

Near the close of the interview with the Knoxville women a series of questions regarding possible sources of information was asked (see Appendix F, items 41 to 49). The respondents were asked to answer No to the questions unless they felt rather sure that they could and would make the necessary effort to make actual use of the sources mentioned. The responses are given in Table X.

²Engelbrecht, op. cit., p. 74.

³Ibid., p. 50.

TABLE IX
POSSIBLE SOURCES OF CONSUMER CREDIT INFORMATION MENTIONED
BY A SELECTED GROUP OF KNOXVILLE WOMEN, 1960

Sources of Information	Number of Women
Credit agencies (especially banks)	18
Books or libraries	17
Courses at the University of Tennessee	13
Adult Education Center	8
Magazines	6
Better Business Bureau	4
Neighbors and friends or relative other than husband	4
Husband	3
Newspapers	3
Government publications	3
Credit bureau	3
Television	1
Advertising	1
Lawyer	1
Experience (i.e., try some sources and learn)	1
Maryville College	1
Business college	1
Correspondence courses	1
Interviewer	1
(Total not 100 since some mentioned several sources and some could not suggest any)	

TABLE X
 RESPONSES OF A SELECTED GROUP OF KNOXVILLE WOMEN TO QUESTIONS
 REGARDING SOURCES OF INFORMATION ON CONSUMER CREDIT, 1960*

Item	Yes	Undecided**	No
Local newspapers	64	13	23
Television	50	4	46
Book (to be purchased)	39	5	56
Radio	29***	2	69
Adult Education Center	19****	5	76
Public lecture	19	7	74
Library	16	5	79
University of Tennessee	3	0	97

*For specific question regarding each source, see Appendix F.

**This category includes such answers as "probably," "yes, maybe," etc.

***Eleven of these reported owning FM sets and thus could receive broadcasts from the University of Tennessee station. (The total number reporting ownership of FM sets was twenty-seven.)

****Some added reservations concerning time they would be able to attend, etc.

It would seem from these results that a public school adult educator interested in this problem would do well to include a course in consumer credit, or a home management course which contained this information, in the curriculum of the Adult Education Center. However, this should be only a beginning. If over three times as many women will read a series of newspaper articles on this subject as will attend a class, then a staff member in adult education might well be delegated to write such a series. Newspaper coverage of other educational activities might also add to their effectiveness. For example, if over one-third of the women expressed willingness to buy and read an inexpensive book on consumer credit, such a book⁴ should be found, displayed, and made available for purchase. Such a display could be arranged at the Adult Education Center and then photographed for inclusion in a newspaper account of this activity.

The cooperation of the public library could probably be secured, both to publicize their own books on this subject and to display and sell the above-mentioned book. Some libraries also sponsor lectures. Sixteen women in this study indicated a willingness to go to the library for help, and nineteen said they would attend a public lecture, though some did make reservations concerning the time that they would

⁴An example of such a pamphlet is: Wallace P. Mors, Consumer Credit Facts for You, Educational Pamphlet No.1, published in 1959, available for thirty cents (lower rates on quantities of ten or more) from Bureau of Business Research, Western Reserve University, Cleveland 6, Ohio.

be able to attend or mentioned some transportation problem that would have to be solved.

Such a public lecture or forum could be a joint effort of the school, the library, a bank, and perhaps other interested institutions. If it were well planned and presented, it might be televised for a wider audience.

Nearly one-third of the respondents in this study were interested in a radio course, and one-half said they would regularly watch a television series on consumer credit. Here, again, is opportunity for cooperation between institutions. The adult education staff should be able to provide information for such a series or course. Careful preliminary planning and publicizing could insure a larger audience than might otherwise receive the programs.

Regardless of the manner in which information is to be made available, the question arises as to the content of the courses, articles, or programs. From observing the results of the K-test, one might conclude that the first need is for some help in the arithmetic of interest rates. Along with this, an instructor might begin to dispel the fiction of the "standard 6 per cent," "low bank rates," and the "low rates" of instalment dealers. It might be pointed out that the average rate paid by those interviewed for this study was 15 per cent, the lowest was 11.5 per cent, and some paid up to 40 per cent in individual transactions. With this knowledge, students might begin a serious study of the various sources of credit available to them, the

rates charged by each, and the reasons for different rates—sometimes within the same agency.

Consumers need to understand the "finance charges" in addition to what the lender calls interest and to be able to combine and compute the real rate they are paying. They need to know what effect the monthly repayment plan has on the true annual interest rate, and they need explanations of such terms as "discount rate" and "kickbacks." Romans drew similar conclusions:

Education [for farmers] on interest rates should emphasize the effects of interest discounting procedures, service charges, installment repayment plans, and cash discounts. . . . Farmers should be educated on how to calculate interest rates and also to the need to calculate interest themselves before taking a loan.⁵

Instructors might well give their students some experience with instruments such as the conditional sales contracts used by installment dealers. The importance of "reading the fine print" could be stressed and explanations given regarding this fine print. Students could be encouraged to investigate the policies of stores where they exercise layby privileges so that payments would not be unnecessarily lost. They might also be interested in legislation regarding consumer credit.

Wallace P. Mors challenged adult educators when he said:

Many installment sellers say that customers are interested in dollar costs but not in percentage rates. Legislative reports show very clearly that greater interest in percentage rates would save consumers considerable money and worry. Here is a challenge in consumer education.⁶

⁵Romans, op. cit., p. 154.

⁶Mors, op. cit., p. 21.

Even with additional information, however, some people will not improve in their use of credit until they can somehow be led to change their outlook regarding its respectability. As long as a person feels in disgrace for needing to seek credit or feels that the lender is doing him a favor, he will not shop for credit. Robert W. Johnson also encouraged shopping for credit with this statement:

When consumers seek credit they need to know what they are buying, what they are paying, and they need to care enough and know enough to shop for credit. Only with proper education can consumers make worthwhile savings in their use of credit.⁷

This intelligent shopping for credit is the result an educator seeks in providing information and experiences for students. When a person can hold his head high and enter a credit agency with the attitude that he is doing the agency a favor by "buying" his credit there, then he will be able to seek and evaluate information from many agencies before deciding on where he will borrow. Hoskins and Coles comment upon the shopping aspect of credit use in their report of credit charges for automobile loans:

When all the price arrangements have been agreed upon by the dealer, the prospective buyer may, by shopping about, be able to secure a loan at a more advantageous rate and pay the dealer cash. Thus he may secure a discount on the price of the car as well as pay a lower finance charge than that offered by the dealer. . . .

Almost four-fifths of the families could have saved \$8 to \$4.39 by [shopping]. . .⁸

⁷Robert W. Johnson, "What Cost Consumer Credit?" Journal of Home Economics, 49:418, June, 1957.

⁸Hoskins and Coles, op. cit., p. 40.

Changing of attitudes cannot be accomplished quickly, but class discussions, exchange of views with instructors and fellow students, talks by lenders who will express this point of view, and reading articles which present facts about consumer credit should make a beginning. Romans observes:

A discussion of attitudes has a place [in a farm credit education program] in pointing up the need for credit knowledge and in orienting farmers' deliberative processes along desired lines. Such a discussion should limit itself to those negative attitudes which do not appear to function for economic betterment. . . .

The conflict to spur deliberation should be created indirectly through showing the pragmatic results of alternative actions and through furnishing new knowledge to supplement existing beliefs; and not through attempting to indoctrinate farmers with attitudes which are foreign to them.⁹

This study of Knoxville women might also have some implications for secondary education. If the average knowledge score for these respondents was 10.44 out of a possible 24, and if their average educational level was high school graduation, it seems reasonable to suggest that more attention might be given in high school to interest rate computation, comparison of rates of different credit sources, examination of credit contracts, and other topics which might help consumers make wiser use of credit. Since increasing numbers of young people are getting married while still in high school or soon after graduation, and since the younger age groups use credit most, one could assume that knowledge of credit gained in high school might be put to rather immediate use. In Wells' study of the financial

⁹Romans, op. cit., pp. 158-59.

management practices of young families, she found that three-fifths of the couples owed debts at the time of marriage and that five years later they had assumed larger debts to more numerous sources.¹⁰

Consumer credit information could be made available to high school students in a variety of courses, e.g., math and economics. It may be, however, that more future wives and mothers can be reached through the home economics courses, and home economists might well give thoughtful consideration to spending less time on the skills of sewing and cooking and more to other important areas of family living, such as consumer credit.

¹⁰Helen L. Wells, "Financial Management Practices of Young Families," Journal of Home Economics, 51:439,443, June, 1959.

CHAPTER VI

SUMMARY AND CONCLUSIONS

This study was an investigation of knowledge concerning consumer credit possessed by a selected group of women, and of how their level of knowledge is related to (a) their attitudes concerning credit, (b) the extent to which they use credit, (c) the sources used and corresponding interest rates paid, and (d) selected characteristics of the women.

The study proceeded with the following null hypotheses:

- (1) Levels of credit knowledge are not associated with (a) extent of use of credit, (b) interest rates paid, or (c) attitudes toward credit.
- (2) The level of credit knowledge is unrelated to the woman's (a) general educational level, (b) socioeconomic level, (c) number of years married, (d) gainful employment (amount and type), and (e) cooperative planning in the use of family income.

Certain terms, the meanings of which were crucial to the understanding of the study, were defined: consumer credit, knowledge, attitude, value, and adult education. Related literature was reviewed.

A. SUMMARY OF PROCEDURES

The data for this study were secured by interviewing one hundred women, a random sample of those living within the city of Knoxville, Tennessee, who had attended one or more home economics classes at the Knoxville Adult Education Center during the 1959-60 school year.

This sample was described in terms of age, marital status, educational level, years and types of gainful employment, and socioeconomic status.

A twenty-four item knowledge test was constructed with multiple-answer statements and validated by means of pre-tests with groups of women and reactions from a jury of faculty members. An attitude scale was also constructed with sixteen statements for and against credit and a five-point scale ranging from "strongly agree" to "strongly disagree." A third instrument used in the interviews was a questionnaire for securing personal data and credit use information. Copies of these instruments are included in the Appendices. All interviews were made by the investigator during May and June, 1960.

A credit use score was computed for each subject by using her answers to certain items of the questionnaire. The rate score was the average rate of interest paid by the respondent on the credit she had used. The socioeconomic status was determined by means of McGuire and White's revision of the Warner scale. The knowledge score (K-score) was the number of items the respondent answered correctly on the test, and the attitude index or score was the total score obtained by counting the agreements and disagreements of the respondent on the odd and even scales comprising the whole instrument.

The principal statistical tools used to test the hypotheses were the Pearson product moment correlation coefficient, the t test for significance of difference between a sample mean and the population mean, and the t test for significance of difference between two sample means.

B. SUMMARY OF ANALYSIS

The K-scores ranged from three to nineteen (out of possible twenty-four), with a mean of 10.44 and a standard deviation of 3.53. The range of scores on the attitude scale was zero to eleven, with mean of 6.1. Regarding use of credit, thirty-nine respondents scored zero (i.e., no credit use), and the remaining respondents scored from one to eight, with a mean use score for the entire group of 1.71, and a mean for the sixty-one who had used credit, 2.8. The rate scores ranged from 11.5 per cent to 32 per cent, with a mean of 15.32 per cent, a median of 13.5 per cent, and a mode of 12 per cent.

Hypothesis 1a was accepted; i.e., there seemed to be no significant relationship between the level of knowledge and the extent of credit use. It was interesting to note, however, that though the differences were not statistically significant, they were all in the same direction with those possessing higher knowledge being the greater users of credit. Attitude, on the other hand, did show a significant relationship with use of credit.

Hypothesis 1b was rejected. Those with low knowledge scores paid significantly higher rates of interest than those with high knowledge scores (17.5 per cent and 13.8 per cent).

Hypothesis 1c was accepted since the differences in attitudes of high and low knowledge groups were not statistically significant. Here, again, however, all of the tests used to examine these relationships showed differences in the same direction with higher knowledge

being associated with attitudes favoring credit. It was also interesting to note that the low-K group tended to hold more extreme attitudes in both directions than the high-K group.

Hypotheses 2a and 2b were rejected; those with higher educational levels or higher socioeconomic status scored significantly higher on the knowledge test.

Hypothesis 2c was accepted. The correlation between K-scores and number of years married was near zero. A slight positive correlation between knowledge and age was noted, showing younger ages to be associated with higher knowledge levels, with significance level between five and ten per cent.

Hypothesis 2d was accepted in regard to number of years of gainful employment since this correlation was also near zero, but regarding type of employment it was rejected. Those in professional type occupations had significantly higher mean K-scores than those in semi-skilled and unskilled occupations. This, of course, is related to educational level.

Hypothesis 2e was also accepted since no consistent nor significant relationships between K-scores and extent of cooperative planning in the use of family income were noted.

Some additional relationships not mentioned in the hypotheses were also tested. No significant relationship was found between rate scores and cooperative planning. Women not living with husbands paid significantly higher interest rates than those with husbands (means, 18.07 per cent and 14.07 per cent), although their K-scores were about

the same. Age and attitude were correlated in the direction of older ages and opposition to credit, but the coefficient was far from a significant level. The use scores decreased with increasing age, but these differences, too, were not statistically significant. The rate scores for the younger and older age groups were about the same, but the middle age group (30-49) paid 4 per cent less, a very significant difference. An examination of the data regarding home economics education of the respondents revealed no outstanding advantage for those who had had home economics courses in high school.

The item analysis of the K-test indicated that the most difficult category of items was that concerned with interest and rate computation; the easiest, that involving recognition of varying rates charged by credit sources. Even in the latter group, however, only a little over half of the women answered correctly. Two other categories, comprehension of some practices (other than rates charged) of credit sources, and understanding some relations of government and consumer credit, fell into intermediate positions regarding difficulty for the respondents. The interviewees were inclined to underestimate rate charges, many still believing that most sources charge "the standard 6 per cent." Very few understood the meaning of "discount rate" or the effect on true annual rate of a monthly repayment plan. Less than half of the respondents were aware of the provisions of conditional sales contracts or the layby policies of the stores they patronized. In short, the women's knowledge was rather meager. Two-thirds of the items were

missed by over half of them, and no item was answered correctly by more than 85 per cent. The answer most frequently given was a wrong one for seven items.

When the items in the K-test were examined according to credit sources, it was observed that credit unions seemed to be least understood by these respondents, then banks, loan companies, instalment dealers, and last, or best understood, charge accounts. It was found that users of credit sources knew slightly more about them than non-users, but the differences were not statistically significant. Nearly one-third of the interviewees said they used instalment credit when they could pay cash, and their reasons were given. Over half of the women preferred the dealer as a credit source when purchasing an appliance, and about one-third of them, the bank. Reasons for their preferences were listed. For a cash loan, 54 per cent were most likely to go to a bank, and most of the others would choose a relative or friend or their credit union.

On the Attitude Scale, two-thirds of the respondents scored in the moderate range, while twenty (i.e., 20 per cent) seemed to oppose credit use and fourteen were in favor. An item analysis showed that they did not see the use of credit as a mark of either a good or a poor home manager, but in general they thought people are using credit too much. Only four, however, thought that using credit is morally wrong. Most respondents accepted the use of credit in the case of necessities, while many were opposed to such use for "luxuries." They liked the convenience of credit even though it proved costly.

C. CONCLUSIONS

The problems for adult education implied by this study seem to be (1) how to provide opportunities for women to increase their knowledge of consumer credit, and (2) how to motivate some to want more knowledge, since one-third did not believe additional knowledge would be of any advantage to them. The reasons expressed by the other two-thirds for wanting more information were given, and the sources where they thought they might get help were listed. Specific questions regarding eight sources of information were asked: newspapers, television, books (to be purchased), radio, Adult Education Center course, public lecture, library, and the University of Tennessee. The women's answers revealed almost no interest in University courses, 15 to 20 per cent were interested in library sources, lectures, and adult education courses, 30 to 40 per cent were interested in radio programs or books they were willing to purchase, and over half of them were willing to watch television programs or read newspaper articles on consumer credit.

Suggestions were made for the content of courses, articles, and programs, based on the results of the K-test. Special emphasis was placed on the need for instruction in the arithmetic of interest rates, explanations of "finance charges," "discount rates," "kickbacks," and other terms, as well as the effect on interest rate of monthly repayment plans and the importance of reading and understanding the instruments involved in credit transactions.

The following conclusions, based on the restricted population of women enrolled in the Knoxville Adult Education Center, emerge from this study and seem to merit further investigation:

- (1) Women make or participate in many decisions regarding credit use.
- (2) Women's knowledge about consumer credit is rather meager; they even lack knowledge of the interest they are paying for the credit they are using.
- (3) Those with higher educational levels have greater knowledge about credit.
- (4) Those with greater credit knowledge pay lower rates for the credit they use.
- (5) The amount of credit that women use is greatly influenced by their attitude toward credit use.
- (6) Those with little knowledge tend to hold extreme attitudes, or, to state the relationship in another way, those with extreme attitudes tend to have low levels of knowledge.
- (7) The majority of women want to learn more about credit.
- (8) About half of them have no idea where to get additional information.
- (9) The preferred ways to get more information, for those women who do have possible sources in mind, are newspaper articles and television programs.

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APPENDICES

APPENDIX A
PRELIMINARY KNOWLEDGE TEST - 50-ITEM

APPENDIX A

PRELIMINARY KNOWLEDGE TEST - 50-Item

1. If you bought the same item at a cash store and a store with charge accounts, you could expect to pay
 - (a) more at the charge account store.
 - (b) the same price at both stores.
 - (c) more at the cash store.
 - (d) less at the charge account store.
 - (e) I don't know.
2. If you are unable to keep up the payments on a TV set you have bought on the instalment plan, the seller will most likely
 - (a) have you arrested for failing to meet the terms of the contract you signed.
 - (b) pick up the set and keep the payments you have made.
 - (c) pick up the set and return to you the payments you have made.
 - (d) pick up the set and give you a cheaper model which costs no more than the payments you have made.
 - (e) I don't know.
3. Credit unions make loans to
 - (a) anyone.
 - (b) any member.
 - (c) anyone recommended by a member.
 - (d) any member who has belonged for a year or more.
 - (e) I don't know.
4. Stores with 30-day charge account services
 - (a) add a handling charge to the monthly bill.
 - (b) price their merchandise to cover the cost of this service.
 - (c) charge for the service only if the monthly bill runs over a certain amount.
 - (d) offer discounts to charge account customers.
 - (e) I don't know.
5. If a friend suggested that you borrow from a bank to buy your TV set instead of buying it on instalment from the dealer, you should consider it
 - (a) ridiculous because banks don't lend for such purposes.
 - (b) poor advice because bank rates are usually higher.
 - (c) good advice because bank rates are sometimes lower.
 - (d) unreasonable because so much "red tape" is involved.
 - (e) I don't know.

6. Stores which offer layaway, or layby, services usually
 - (a) make a small charge for the service each time it is used.
 - (b) make a moderate charge the first time you use it but none later.
 - (c) make no direct charge for the service but price their merchandise to cover this cost.
 - (d) offer discounts to layaway customers.
 - (e) I don't know.
7. If a cash customer and a 30-day charge account customer buy a dress at the same store, you could expect
 - (a) the charge customer to pay a carrying charge at the end of the month.
 - (b) the cash customer to pay less.
 - (c) the charge customer to pay less.
 - (d) both to pay the same price.
 - (e) I don't know.
8. In comparison with instalment dealers, loan companies usually charge for making their loans
 - (a) more.
 - (b) slightly less.
 - (c) much less.
 - (d) about the same.
 - (e) I don't know.
9. The least expensive credit a consumer can use is
 - (a) instalment purchase from dealers.
 - (b) a bank loan.
 - (c) a loan from a finance or loan company.
 - (d) a loan on his insurance policy.
 - (e) I don't know.
10. If you are told that a bank charges a certain "discount rate" of interest, you know that
 - (a) the rate is reduced if you repay the loan within 90 days.
 - (b) the rate is lower than that charged by most other banks.
 - (c) the stated rate is higher than the actual rate because of pre-payment privileges.
 - (d) you must pay the total amount of the interest at the time you secure the loan.
 - (e) I don't know.
11. The rate of interest charged by credit unions is usually higher than
 - (a) dealers offering instalment purchases.
 - (b) none of the lenders mentioned here.
 - (c) loan companies.
 - (d) pawnbrokers.
 - (e) I don't know.

12. If you buy a \$300 refrigerator "on time" with a stated 6 per cent carrying charge of \$18 and pay off the \$318 debt in twelve equal monthly payments with no down payment, you are actually paying an interest rate of
- (a) 6 per cent.
 - (b) about 9 per cent.
 - (c) about 12 per cent.
 - (d) between 18 and 24 per cent.
 - (e) I don't know.
13. If you bought the above refrigerator on the same terms (with \$18 carrying charge, etc.) except that you paid \$25 down, your interest rate would
- (a) exceed the legal limit.
 - (b) decrease slightly.
 - (c) increase.
 - (d) remain the same.
 - (e) I don't know.
14. If you buy a car for \$2650, pay \$150 down, and finance the rest at a true annual interest rate of 10 per cent paying about \$80 per month for 36 months, you will pay about how much in interest on your car?
- (a) \$250.
 - (b) \$375.
 - (c) \$500.
 - (d) \$750.
 - (e) I don't know.
15. A 24 per cent annual interest rate (including fees) charged by a loan company in Tennessee is
- (a) illegal.
 - (b) understandable because of the costs involved in making small loans.
 - (c) legal but higher than most loan companies charge.
 - (d) about the same as other types of lenders charge.
 - (e) I don't know.
16. Credit unions are
- (a) allowed to operate without license.
 - (b) licensed by city or county governments.
 - (c) illegal.
 - (d) chartered by state or federal government.
 - (e) I don't know.

17. When you buy an item such as a range on the instalment plan, the range is actually yours according to the sales contract
- (a) when it is delivered.
 - (b) when you make the last payment.
 - (c) when you sign the contract.
 - (d) when you have paid for over half of it.
 - (e) I don't know.
18. If a relative is willing to lend you money to buy furniture, it is
- (a) illegal.
 - (b) always legal.
 - (c) legal only if interest is charged.
 - (d) legal only if premise of repayment is signed and notarized.
 - (e) I don't know.
19. If you borrowed money by pawning some possession, such as a watch or typewriter, you could expect the pawnbroker to lend you about what part of the actual value of the article?
- (a) one-tenth.
 - (b) one-fourth.
 - (c) one-half to three-fourths.
 - (d) full value.
 - (e) I don't know.
20. An add-on, or open end, clause in a sales contract which you sign when making an instalment purchase is a danger signal to you, the buyer, because
- (a) interest will be added to the purchase price and both must be paid before the item is yours.
 - (b) the cost of insurance is added on so the seller can collect from the insurance company if you fail to pay.
 - (c) the cost of the merchandise, the handling charges, etc. can be added on to the contract after you sign it.
 - (d) anything else you buy at that store before making the final payment on this item will be added to the contract and no item will be yours until you have paid for all.
 - (e) I don't know.
21. Loan sharks are
- (a) allowed to operate without license.
 - (b) licensed by city or county governments.
 - (c) chartered by state or federal government.
 - (d) illegal.
 - (e) I don't know.

22. In deciding upon a place where you will try to borrow money, which of the following would matter least?
- (a) trustworthiness of the lender.
 - (b) what you plan to do with the borrowed money.
 - (c) costs of the loan.
 - (d) what would happen in case you could not repay.
 - (e) I don't know.
23. A balloon clause in an instalment contract is a danger signal to the buyer because
- (a) the last payment is much larger than the others.
 - (b) the first payment is much larger than the others.
 - (c) each payment is a little larger than the one before.
 - (d) the seller's rights are "blown up" and the buyer's rights made unimportant.
 - (e) I don't know.
24. If you put a suit in layby and make weekly payments for a month or so but cannot finish paying for it, the store
- (a) keeps what you have paid.
 - (b) returns to you all you have paid except the service charge.
 - (c) keeps half and returns to you half of what you have paid.
 - (d) returns to you all but your down payment.
 - (e) I don't know.
25. If you have cash to pay for a major appliance and shop carefully for it in Knoxville, you can expect to secure a discount from the regular list price of
- (a) 45 to 50 per cent.
 - (b) about 2 per cent.
 - (c) 5 per cent.
 - (d) 20 to 25 per cent.
 - (e) I don't know.
26. The Federal Government
- (a) exercises no control over consumer credit.
 - (b) exercises certain controls over unfair practices and quantities of consumer credit permitted, according to the state of the national economy.
 - (c) sets a maximum interest rate for consumer credit.
 - (d) determines what interest rate all agencies shall charge for consumer credit.
 - (e) I don't know.

27. In the usual sales contract which you sign when you buy merchandise on the instalment plan, which of the following items is not included?
- (a) You are not allowed to sell the merchandise until you have made the last payment.
 - (b) You must state that you will not be making payments on any other merchandise at the same time.
 - (c) You are required to carry fire insurance to protect the merchandise while you are paying for it, or otherwise assume responsibility for damages.
 - (d) If you are late in making a payment, all payments are due immediately.
 - (e) I don't know.
28. Pawnbrokers are
- (a) illegal lenders.
 - (b) usually licensed by county or state.
 - (c) permitted to do business without license in most states.
 - (d) the same as loan sharks.
 - (e) I don't know.
29. A discount house
- (a) sells new but shoddy merchandise at very low prices.
 - (b) is an undercover operation which saves its members money in an illegal way.
 - (c) is a department store which offers discounts for cash purchases.
 - (d) is a legitimate business selling quality merchandise at substantial discounts.
 - (e) I don't know.
30. What annual interest rate is being charged by the loan company that advertises that "\$50 for 30 days will only cost you \$1?"
- (a) 2 per cent.
 - (b) 6 per cent.
 - (c) 10 per cent.
 - (d) 24 per cent.
 - (e) I don't know.
31. Many banks in the United States are now offering a service to consumers called charge account credit through which
- (a) customers borrow from the bank to pay off their charge account bills.
 - (b) customers establish a certain amount of credit at the bank and can then overdraw their accounts to that extent.
 - (c) member stores accept credit coupons from the bank instead of the usual charge account arrangement.
 - (d) member stores send their charge invoices to the bank and the customer pays the bank at the end of the month.
 - (e) I don't know.

32. Most Knoxville banks are now charging at least a rate of "6 per cent discount, the loan to be repaid in equal monthly payments." This means a true annual interest rate of
- 6 per cent.
 - about 6.5 per cent.
 - about 12 per cent.
 - about 9 per cent.
 - I don't know.
33. If an automobile dealer requires or pressures you to finance your purchase at a particular place, it is most likely an indication that
- he has arrangements with a finance company that will save you money.
 - he is black marketer whom you had better stay away from.
 - he has a friend in the finance business.
 - he gets a kickback on the finance charges which will therefore be correspondingly higher.
 - I don't know.
34. Family A and Family B have equal total family incomes. If Family A pays cash and Family B uses charge accounts, instalment plans, and various kinds of loans for almost everything, which family has more money for buying the goods and services it needs and wants?
- Both have the same.
 - Family A (the cash buyer).
 - Family B (the credit buyer).
 - The family in which both husband and wife work.
 - I don't know.
35. If you pawned some possession and borrowed \$50 from a pawnbroker, you would expect to repay him at the end of 30 days which of the following amounts?
- \$55.
 - \$51.
 - \$50.50.
 - \$50.
 - I don't know.
36. According to the loan company 'Cash you get ' Cash you repay monthly schedule of payments reproduced in the table at right, what rate would you pay for their loans?
- | | 'Cash you get ' | 'Cash you repay monthly | | |
|----------|-----------------|-------------------------|---------|---------|
| | | 24 mos. | 18 mos. | 12 mos. |
| ! \$100 | ! | | | \$ 9.19 |
| ! \$200 | ! | \$ 9.80 | \$12.65 | \$18.39 |
| ! \$300 | ! | \$14.70 | \$18.98 | \$27.59 |
| ! \$500 | ! | \$24.50 | \$31.63 | \$45.99 |
| ! \$750 | ! | \$36.76 | \$47.45 | \$68.98 |
| ! \$1000 | ! | \$49.01 | \$63.27 | \$91.98 |
- between 10 and 12 per cent.
 - between 16 and 24 per cent.
 - between 7 and 9 per cent.
 - 6 per cent.
 - I don't know.

37. If you borrow \$200 at a bank and at the end of one year pay the bank \$212, you have paid interest at the annual rate of
- (a) 6 per cent.
 - (b) 12 per cent.
 - (c) 4 per cent.
 - (d) 24 per cent.
 - (e) I don't know.
38. If you borrow \$200 at a bank, pay the bank \$12 interest at the time you secure the loan thus receiving \$188, then repay the bank \$200 at the end of one year, you have paid interest at the annual rate of
- (a) 6 per cent or less.
 - (b) between 15 and 18 per cent.
 - (c) between 10 and 12 per cent.
 - (d) between 6 and 7 per cent.
 - (e) I don't know.
39. If you borrow \$200 at a bank and repay principal and interest in twelve equal monthly payments of \$17.67 each, you have paid interest at the annual rate of
- (a) 6 per cent or less.
 - (b) between 15 and 18 per cent.
 - (c) between 6 and 7 per cent.
 - (d) about 12 per cent.
 - (e) I don't know.
40. According to the usual sales contract for instalment buying, the seller may pick up and resell the merchandise if the buyer fails to meet his payments. If the resale price does not cover the amount due by the original buyer
- (a) the buyer and seller share the loss.
 - (b) the seller bears the loss.
 - (c) the court must decide who shall pay the difference.
 - (d) the original buyer must pay the difference.
 - (e) I don't know.
41. Automobile loans can be obtained at varying rates of interest. Which of the following does not affect this rate?
- (a) type of lending agency.
 - (b) age and condition of car purchased.
 - (c) amount of down payment and length of repayment period.
 - (d) income of the borrower.
 - (e) I don't know.

42. The Senate is making investigations regarding a bill concerned with consumer credit which will
- (a) crack down on "high raters" with fines and imprisonment.
 - (b) set a higher legal limit on interest rates.
 - (c) require "credit labeling" or statements by lenders informing the public of true interest rates.
 - (d) reduce the amount and kinds of credit available to consumers.
 - (e) I don't know.
43. The above-mentioned bill is sponsored by
- (a) Senator Estes Kefauver of Tennessee.
 - (b) a lobbying group representing lenders.
 - (c) a lobbying group representing consumers.
 - (d) Senator Paul Douglas of Illinois.
 - (e) I don't know.
44. The highest true annual rate (including service fees) charged by any Knoxville bank for a personal loan is now
- (a) about 16 per cent.
 - (b) 6 per cent.
 - (c) between 7 and 10 per cent.
 - (d) about 24 per cent.
 - (e) I don't know.
45. In deciding on rates for personal loans, banks consider all but which one of the following?
- (a) size of loan.
 - (b) collateral offered.
 - (c) age of borrower.
 - (d) credit rating of borrower.
 - (e) I don't know.
46. In order to belong to a credit union which of the following is not a requirement?
- (a) You must pay a small fee when joining.
 - (b) You must be recommended by two other members before applying for membership.
 - (c) You must buy at least one share of the credit union stock.
 - (d) You must belong to the sponsoring organization.
 - (e) I don't know.
47. The majority of loans from pawnbrokers are
- (a) over \$100.
 - (b) between \$50 and \$100.
 - (c) between \$25 and \$50.
 - (d) between \$5 and \$10.
 - (e) I don't know.

48. The usual time allowed for paying off a debt to a loan company is
- (a) over 24 months.
 - (b) 6 to 18 months.
 - (c) 90 days.
 - (d) 30 days.
 - (e) I don't know.
49. A loan from a pawnbroker
- (a) need not ever be repaid if the borrower does not wish to.
 - (b) must be repaid in 30 days.
 - (c) must be repaid in 6 months.
 - (d) is repaid according to verbal agreement between pawnbroker and borrower.
 - (e) I don't know.
50. Revolving check credit at banks means that
- (a) a customer can, by paying interest, overdraw his account to the extent of the credit established.
 - (b) a customer can owe the bank at the end of any month half as much as his average balance during that month.
 - (c) a customer can write checks without charge as long as his balance is over a certain amount.
 - (d) a customer can buy credit coupons at the bank to use in place of checks or cash in paying his bills.
 - (e) I don't know.

APPENDIX B

PRELIMINARY KNOWLEDGE TEST - 35-ITEM

APPENDIX B

SECOND PRELIMINARY KNOWLEDGE TEST - 35-Item

1. If you bought the same item at a cash store and a store with charge accounts, you could expect to pay
 - (a) more at the charge account store.
 - (b) more at the cash store.
 - (c) the same price at both stores.
 - (d) less at the charge account store.
 - (e) I don't know.
2. If you are unable to keep up the payments on a TV set you have bought on the instalment plan, the seller will most likely
 - (a) have you arrested for failing to meet the terms of the contract you signed.
 - (b) pick up the set and keep the payments you have made.
 - (c) pick up the set and return to you the payments you have made.
 - (d) pick up the set and give you a cheaper model which costs no more than the payments you have made.
 - (e) I don't know.
3. Credit unions make loans to
 - (a) anyone.
 - (b) any member.
 - (c) anyone recommended by a member.
 - (d) any member who has belonged for a year or more.
 - (e) I don't know.
4. Stores with 30-day charge account services
 - (a) add a handling charge to the monthly bill.
 - (b) price their merchandise to cover the cost of this service.
 - (c) charge for the service only if the monthly bill runs over a certain amount.
 - (d) offer discounts to charge account customers.
 - (e) I don't know.
5. If a friend suggested that you borrow from a bank to buy your TV set instead of buying it on instalment from the dealer, you should consider it
 - (a) ridiculous because banks don't lend for such purposes.
 - (b) poor advice because bank rates are usually higher.
 - (c) worth considering because bank rates are sometimes lower.
 - (d) unreasonable because so much "red tape" is involved.
 - (e) I don't know.

6. If a cash customer and a 30-day charge account customer buy the same dress at the same store, you could expect
 - (a) the charge customer to pay a carrying charge at the end of the month.
 - (b) the cash customer to pay less.
 - (c) the charge customer to pay less.
 - (d) both to pay the same price.
 - (e) I don't know.
7. If you finance a purchase through a loan company instead of an instalment retail dealer, your finance charges will probably be
 - (a) more.
 - (b) slightly less.
 - (c) much less.
 - (d) about the same.
 - (e) I don't know.
8. The least expensive credit a consumer can use is
 - (a) instalment purchase from dealers.
 - (b) bank loans.
 - (c) loan from a finance or loan company.
 - (d) loan on his insurance policy from the insurance company.
 - (e) I don't know.
9. If you are told that a bank charges a certain "discount rate" of interest, you know that
 - (a) the rate is reduced if you repay the loan within 90 days.
 - (b) the rate is lower than that charged by most other banks.
 - (c) the stated rate is higher than the actual rate.
 - (d) you must pay the total amount of the interest at the time you secure the loan.
 - (e) I don't know.
10. Which lender listed below charges the lowest rate for credit?
 - (a) dealers offering instalment purchases.
 - (b) credit unions.
 - (c) loan companies.
 - (d) pawnbrokers.
 - (e) I don't know.
11. If you buy a \$300 refrigerator "on time" with a stated 6 per cent carrying charge of \$18 and pay off the \$318 debt in twelve equal monthly payments with no down payment, you are actually paying an interest rate of
 - (a) 6 per cent.
 - (b) about 9 per cent.
 - (c) about 12 per cent.
 - (d) between 18 and 24 per cent.
 - (e) I don't know.

12. If you bought the above refrigerator on the same terms (with \$18 carrying charge) except that you paid \$25 down, your interest rate would
- (a) decrease greatly.
 - (b) decrease slightly.
 - (c) increase.
 - (d) remain the same.
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13. If you buy a car for \$2650, pay \$150 down, and pay off the rest at \$80 per month for 36 months, you will pay about how much in interest on your car?
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14. A 24 per cent finance charge (including interest and fees) charged by a loan company in Tennessee is
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15. When you buy an item such as a range on the instalment plan, the range is actually yours according to the sales contract
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16. An add-on, or open end, clause in a sales contract which you sign when making an instalment purchase is a danger signal to you, the buyer, because
- (a) interest will be added to the purchase price and both must be paid before the item is yours.
 - (b) the cost of insurance is added on so the seller can collect from the insurance company if you fail to pay.
 - (c) the cost of the merchandise, the handling charges, etc. can be added on to the contract after you sign it.
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17. A balloon clause in an instalment contract is a danger signal to the buyer because
- (a) the last payment is much larger than the others.
 - (b) the first payment is much larger than the others.
 - (c) each payment is a little larger than the one before.
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- (a) keeps what you have paid.
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 - (c) You are required to carry fire insurance to protect the merchandise while you are paying for it, or otherwise assume responsibility for damages.
 - (d) If you are late in making a payment, all payments are due immediately.
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22. What annual, or yearly, rate is being charged by the loan company which advertises that "\$50 for 30 days will only cost you \$1?"
- (a) 2 per cent.
 - (b) 6 per cent.
 - (c) 10 per cent.
 - (d) 24 per cent.
 - (e) I don't know.
23. Most Knoxville banks are now charging at least a "6 per cent discount rate, the loan to be repaid in equal monthly payments." This means a true annual interest rate of
- (a) 6 per cent.
 - (b) about 6.5 per cent.
 - (c) about 12 per cent.
 - (d) about 9 per cent.
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- (a) he has arrangements with a finance company that will save you money.
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 - (c) Family B (the credit buyer).
 - (d) The family in which both husband and wife work.
 - (e) I don't know.
26. In deciding on rates for personal loans, banks consider all but which one of the following?
- (a) size of loan.
 - (b) collateral offered.
 - (c) age of borrower.
 - (d) credit rating of borrower.
 - (e) I don't know.

27. If you borrow \$200 at a bank and at the end of one year pay the bank \$212, you have paid interest at the annual rate of
- (a) 6 per cent.
 - (b) 12 per cent.
 - (c) 4 per cent.
 - (d) 24 per cent.
 - (e) I don't know.
28. If you borrow \$200 at a bank, pay the bank \$12 interest at the time you secure the loan thus receiving \$188, then repay the bank \$200 at the end of one year, you have paid interest at the annual rate of
- (a) 6 per cent or less.
 - (b) between 15 and 18 per cent.
 - (c) between 10 and 12 per cent.
 - (d) over 6 but less than 7 per cent.
 - (e) I don't know.
29. If you borrow \$200 at a bank and repay principal and interest in twelve equal monthly payments of \$17.67 each, you have paid interest at the annual rate of
- (a) 6 per cent or less.
 - (b) between 15 and 18 per cent.
 - (c) over 6 but less than 7 per cent.
 - (d) 12 per cent.
 - (e) I don't know.
30. According to the usual sales contract for instalment buying, the seller may pick up and resell the merchandise if the buyer fails to meet his payments. If the resale price does not cover the amount due by the original buyer
- (a) the buyer and seller share the loss.
 - (b) the seller bears the loss.
 - (c) the court must decide who shall pay the difference.
 - (d) the original buyer must pay the difference.
 - (e) I don't know.
31. The usual time allowed for paying off a debt to a loan company is
- (a) over 24 months.
 - (b) 6 to 18 months.
 - (c) 90 days.
 - (d) 30 days.
 - (e) I don't know.

32. The Senate is making investigations regarding a bill concerned with consumer credit which will
- (a) crack down on "high raters" with fines and imprisonment.
 - (b) set a higher legal limit on interest rates.
 - (c) require "credit labeling" or statements by lenders informing the public of true interest rates.
 - (d) reduce the amount and kinds of credit available to consumers.
 - (e) I don't know.

33. According to the loan company schedule of repayments reproduced in the table below, what rate would you pay for their loans?

	Cash you get	Cash you repay monthly		
		24 mos.	18 mos.	12 mos.
(a) between 10 and 12 per cent.				
(b) between 16 and 24 per cent.				
(c) between 7 and 9 per cent.				
(d) 6 per cent.	\$100			\$ 9.19
(e) I don't know.	\$200	\$ 9.80	\$12.65	\$18.39
	\$300	\$14.70	\$18.98	\$27.59

34. Automobile loans can be obtained at varying rates of interest. Which of the following does not affect this rate?

- (a) type of lending agency.
- (b) age and condition of car purchased.
- (c) amount of down payment and length of repayment period.
- (d) income of the borrower.
- (e) I don't know.

35. A loan from a pawnbroker

- (a) need not ever be repaid if the borrower does not wish to.
- (b) must be repaid in 30 days.
- (c) must be repaid in 6 months.
- (d) is repaid according to verbal agreement between pawnbroker and borrower.
- (e) I don't know.

APPENDIX C

FINAL KNOWLEDGE TEST

APPENDIX C

FINAL KNOWLEDGE TEST

1. If you are unable to keep up the payments on a TV set you have bought on the instalment plan, the seller will most likely
 - (a) have you arrested for failing to meet the terms of the contract you signed.
 - (b) pick up the set and keep the payments you have made.
 - (c) pick up the set and return to you the payments you have made.
 - (d) pick up the set and give you a cheaper model which costs no more than you payments you have made.
 - (e) I don't know.
2. Credit unions make loans to
 - (a) anyone.
 - (b) any member.
 - (c) anyone recommended by a member.
 - (d) any member who has belonged for a year or more.
 - (e) I don't know.
3. Stores with 30-day charge account services
 - (a) add a handling charge to the monthly bill.
 - (b) price their merchandise to cover the cost of this service.
 - (c) charge for the service only if the monthly bill runs over a certain amount of money.
 - (d) offer discounts to charge account customers.
 - (e) I don't know.
4. If a friend suggested that you borrow from a bank to buy your TV set instead of buying it on instalment from the dealer, you should consider it
 - (a) ridiculous because banks don't lend for such purposes.
 - (b) poor advice because bank rates are usually higher.
 - (c) worth considering because bank rates are sometimes lower.
 - (d) unreasonable because so much "red tape" is involved.
 - (e) I don't know.
5. If you are told that a bank charges a certain "discount rate" of interest, you know that
 - (a) the rate is reduced if you repay the loan within 90 days.
 - (b) the rate is lower than that charged by most other banks.
 - (c) the stated rate is higher than the actual rate.
 - (d) you must pay the total amount of the interest at the time you secure the loan.
 - (e) I don't know.

6. If you finance a purchase through a loan company instead of an instalment retail dealer, your finance charges will probably be
 - (a) more.
 - (b) slightly less.
 - (c) much less.
 - (d) about the same.
 - (e) I don't know.
7. The Senate is making investigations regarding a bill concerned with consumer credit which will
 - (a) crack down on "high raters" with fines and imprisonment.
 - (b) set a higher legal limit on interest rates.
 - (c) require "credit labeling" or statements by lenders informing the public of true interest rates.
 - (d) reduce the amount and kinds of credit available to consumers.
 - (e) I don't know.
8. If a cash customer and a 30-day charge account customer buy the same dress at the same store, you could expect
 - (a) the cash customer to pay less.
 - (b) the charge customer to pay less.
 - (c) both to pay the same price.
 - (d) the charge customer to pay a carrying charge at the end of the month.
 - (e) I don't know.
9. Which lender listed below charges the lowest rate for credit?
 - (a) dealers offering instalment purchases.
 - (b) credit unions.
 - (c) loan companies.
 - (d) pawnbrokers.
 - (e) I don't know.
10. If you buy a \$300 refrigerator "on time" with a stated 6 per cent carrying charge of \$18 and pay off the \$318 in twelve equal monthly payments with no down payment, you are actually paying an interest rate of
 - (a) 6 per cent.
 - (b) about 9 per cent.
 - (c) about 12 per cent.
 - (d) between 18 and 24 per cent.
 - (e) I don't know.

11. If you bought the above refrigerator with a \$25 down payment but still paid \$18 carrying charges and still paid off your debt in equal monthly payments, your interest rate would
- (a) decrease greatly.
 - (b) decrease slightly.
 - (c) increase.
 - (d) remain the same.
 - (e) I don't know.
12. If you buy a car for \$2650, pay \$150 down, and pay off the rest at \$80 per month for 36 months, you will pay about how much in interest on your car?
- (a) \$250.
 - (b) \$375.
 - (c) \$500.
 - (d) \$750.
 - (e) I don't know.
13. If you put a suit in layby and make weekly payments for a month or so but cannot finish paying for it, the store
- (a) keeps what you have paid.
 - (b) returns to you all you have paid except the service charge, if any.
 - (c) keeps half and returns to you half of what you have paid.
 - (d) returns to you all but your down payment.
 - (e) I don't know.
14. The Federal Government
- (a) exercises no control over consumer credit.
 - (b) exercises certain controls over unfair practices and quantities of consumer credit permitted, according to the state of the national economy.
 - (c) sets a maximum interest rate for consumer credit.
 - (d) determines what interest rate all agencies shall charge for consumer credit.
 - (e) I don't know.
15. In the usual sales contract which you sign when you buy merchandise on the instalment plan, which one of the following items is not included?
- (a) You are not allowed to sell the merchandise until you have made the last payment.
 - (b) You must state that you will not be making payments on any other merchandise at the same time.
 - (c) You are required to carry fire insurance to protect the merchandise while you are paying for it, or otherwise assume responsibility for damages.
 - (d) If you are late in making a payment, all payments are due immediately.
 - (e) I don't know.

16. What annual, or yearly, interest rate is being charged by the loan company which advertises that "\$50 for 30 days will only cost you \$1?"
- (a) 2 per cent.
 - (b) 6 per cent.
 - (c) 10 per cent.
 - (d) 24 per cent.
 - (e) I don't know.
17. Most Knoxville banks are now charging at least a "6 per cent discount rate, the loan to be repaid in equal monthly payments." This means a true annual interest rate of
- (a) 6 per cent.
 - (b) about 6.5 per cent.
 - (c) about 12 per cent.
 - (d) about 9 per cent.
 - (e) I don't know.
18. If an automobile dealer requires or pressures you to finance your purchase at a particular place, it is most likely an indication that
- (a) he has arrangements with a finance company that will save you money.
 - (b) he is a black marketer whom you had better stay away from.
 - (c) he has a friend in the finance business.
 - (d) he gets a kickback on the finance charges which will probably be higher accordingly.
 - (e) I don't know.
19. In deciding on rates for personal loans, banks consider all but which one of the following?
- (a) size of loan.
 - (b) collateral offered.
 - (c) age of borrower.
 - (d) credit rating of borrower.
 - (e) I don't know.
20. If you borrow \$200 at a bank and at the end of one year pay the bank \$212, you have paid interest at the annual rate of
- (a) 6 per cent.
 - (b) 12 per cent.
 - (c) 4 per cent.
 - (d) 24 per cent.
 - (e) I don't know.

21. In the majority of cases, loan companies allow how much time for paying off their loans?
- (a) over 24 months.
 - (b) 6 to 18 months.
 - (c) 90 days.
 - (d) 30 days.
 - (e) I don't know.
22. The least expensive credit a consumer can use is
- (a) instalment purchase from dealers.
 - (b) bank loans.
 - (c) loan from a finance or loan company.
 - (d) loan on his insurance policy from the insurance company.
 - (e) I don't know.
23. Automobile loans can be obtained at varying rates of interest. Which of the following does not affect this rate?
- (a) type of lending agency.
 - (b) age and condition of car purchased.
 - (c) amount of down payment and length of repayment period.
 - (d) income of the borrower.
 - (e) I don't know.
24. A loan from a pawnbroker
- (a) need not ever be repaid if the borrower does not wish to.
 - (b) must be repaid in 30 days.
 - (c) must be repaid in 6 months.
 - (d) is repaid according to verbal agreement between pawnbroker and borrower.
 - (e) I don't know.

APPENDIX D

ATTITUDE SCALE

(as presented to respondents)

APPENDIX D

ATTITUDE SCALE

Please place an X in the column which best represents your feeling about each item. If something is not clear, please ask about it. Column 1 represents "strongly agree", column 2 represents "agree," column 3 represents "undecided or neutral," column 4 represents "disagree," and column 5 represents "strongly disagree."

	Col.1	Col.2	Col.3	Col.4	Col.5
	SA	A	N	D	SD
1. Using credit is morally wrong unless necessary to save life.	!	!	!	!	!
2. Buying on time is OK for necessities like food, clothing, and appliances.	!	!	!	!	!
3. If you don't have cash for new clothes or a new washing machine, use the old ones until you do.	!	!	!	!	!
4. "Vacation now—Pay later" plans should be used when a family does not have cash for a vacation.	!	!	!	!	!
5. People with low incomes cannot afford to use credit.	!	!	!	!	!
6. If you can't afford something your family wants, like a TV, use credit to get it.	!	!	!	!	!
7. A good manager never uses credit.	!	!	!	!	!
8. Credit cards are an important convenience for consumers.	!	!	!	!	!
9. Too many people are using too much credit nowadays.	!	!	!	!	!

	'Col.1'	'Col.2'	'Col.3'	'Col.4'	'Col.5'
	!	!	!	!	!
10. There is no point in driving an old car when you can get a new one on time.	!	!	!	!	!
	!	!	!	!	!
11. It is nearly always better to pay cash than to buy on time.	!	!	!	!	!
	!	!	!	!	!
12. The best home managers use lots of consumer credit.	!	!	!	!	!
	!	!	!	!	!
13. Families who use credit are always poorly managed.	!	!	!	!	!
	!	!	!	!	!
14. It is wise to go into debt if necessary to give children a good education.	!	!	!	!	!
	!	!	!	!	!
15. Families who rent until they can buy a home for cash are wiser than those who buy with mortgages.	!	!	!	!	!
	!	!	!	!	!
16. It is foolish not to use credit to improve your level of living.	!	!	!	!	!
	!	!	!	!	!

APPENDIX E
ATTITUDE SCALE
(as analyzed)

APPENDIX E

ATTITUDE SCALES

Even Scale

1. "Vacation now—Pay later" plans should be used when a family does not have cash for a vacation.
2. There is no point in driving an old car when you can get a new one on time.
3. The best home managers use lots of consumer credit.
4. If you can't afford something your family wants, like a TV, use credit to get it.
5. Credit cards are an important convenience for consumers.
6. It is wise to go into debt if necessary to give children a good education.
7. Buying on time is OK for necessities like food, clothing, and appliances.

Odd Scale

1. It is nearly always better to pay cash than to buy on time.
2. Too many people are using too much credit nowadays.
3. If you don't have cash for new clothes or a new washing machine, use the old ones until you do.
4. People with low incomes cannot afford to use credit.
5. Families who rent until they can buy a home for cash are wiser than those who buy with mortgages.
6. Families who use credit are always poorly managed.
7. A good manager never uses credit.
8. Using credit is morally wrong unless necessary to save life.

APPENDIX F

QUESTIONNAIRE

Personal Data and Credit Use

APPENDIX F

QUESTIONNAIRE

1. What courses have you taken at the Adult Education Center?
2. Have you participated in any other educational activities for homemakers, such as PTA study groups, home demonstration clubs, YWCA, Red Cross, etc.?
3. Have you ever taken any home economics in school besides the Adult Education Center? If so, at what level and how many years?
4. What was the last grade of school you completed?
5. Do you work outside your home? If so, what type of work?
6. Have you ever worked outside your home? If so, what type of work?
7. How many years altogether have you worked outside your home?
8. Are you living with your husband?
9. What is your husband's occupation?
10. What was the last grade of school he completed?
11. Do you have any other source of income besides his occupation and yours? If so, what?
12. What are the ages of your children?
13. What is your age?
14. How many years have you been married?
15. If you needed a new appliance or some other item costing \$200 to \$300 and did not have cash to buy it, where would you seek credit for this purchase?
16. Why would you choose this source?
17. Who decides whether such a purchase shall be made in your family?
18. Who decides whether it shall be by cash or credit?

19. If credit, who decides what credit source?
20. Do you and your husband usually agree on matters concerning the use of credit?
21. What items have you bought on the instalment plan during the past year? Where did you make these purchases? What carrying charges did you pay?
22. Do you ever use instalment credit when you could pay cash? If so, why?
23. How many times in the past year have you borrowed money from a bank? What was the amount of each loan? What interest rate were you charged?
24. How many times in the past year have you borrowed money from a loan company? What was the amount of each loan? What interest and other charges did you pay?
25. How many times in the past year have you borrowed money by pawning some possession? What charges did you pay?
26. How many items have you put in layby during the past year and paid off by the week or month? Did you pay a fee for this service? Were you able to pay off each item as planned?
27. Do you belong to a credit union? If so, have you borrowed from it during the past year? What was the amount of each loan? What charges did you pay?
28. Do you buy food for cash or on time? If on time, why do you prefer this method?
29. Do you buy gasoline for cash or on time?
30. Do you buy clothing for cash or on time? If on time, what type of credit do you use? Where do you buy most of your clothing?
31. Do you buy drugs for cash or on time?
32. During the past year did you go into debt for a vacation or other recreation? If so, give amount and type of credit.
33. Do you pay your doctor by cash at each visit, at the end of the month, or two or more months after billing?
34. Before you buy something on time do you find out whether you could buy it cheaper for cash?

35. If you needed cash and had to borrow, what sources would you consider before applying for a loan?
36. Where do you think you would be most likely to get the money? Why?
37. If only one source is considered, why?
38. Do you have any credit cards?
39. If you had more knowledge of credit than you now have, would it be of any advantage to you? If so, how?
40. How or where do you think you might get more such knowledge?

(Please consider the following carefully and do not answer Yes unless you feel rather sure that you could and would make the necessary effort to do the thing mentioned in each question.)

41. If you were informed of a series of ten weekly classes at the Adult Education Center on the subject of credit with the regular registration fee of \$2.50, would you attend?
42. Would you attend a University class on this subject, paying a fee of \$20 or more and receiving university credit?
43. If a local television station presented a series of programs on this subject, would you make it a point to watch regularly?
44. If a local radio station presented a series of programs on this subject, would you make it a point to listen regularly?
45. Do you have an FM radio set?
46. If a local newspaper ran a series of articles on this subject, would you read them?
47. If a bank sponsored a free lecture for the public on this subject, would you attend?
48. If you knew of a book on this subject costing one dollar or less, would you buy it and read it?
49. If you knew of a book on this subject at the public library, would you go check it out and read it?