

AN ABSTRACT OF THE THESIS OF

LAUREL COVINGTON KUBIN for the degree MASTER OF SCIENCE
in FAMILY RESOURCE MANAGEMENT presented on June 5, 1978
TITLE: CONSUMER CREDIT ATTITUDES, KNOWLEDGE AND USE BY HIGH
SCHOOL JUNIORS AND SENIORS IN RIO BLANCO COUNTY,
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The purpose of this research was to study teenagers' consumer credit attitudes, knowledge, and use. More specifically, the objectives were (1) to determine the relationships between the variables attitudes, knowledge, and use, and (2) to compare the use of credit with the independent variables sex, income, employment, spending, saving, and parents' income level.

The researcher administered a questionnaire to high school juniors and seniors in a rural area of Colorado to obtain a sample of 181 students. The questionnaire consisted of (1) a series of positive and negative statements about credit to determine attitude, (2) a test for knowledge about credit, and (3) questions regarding use of credit and demographic information.

Of the 181 students, 52 percent were males and 48 percent were females. Average age was 17 years, with 47 percent of the students being juniors, and 51 percent being seniors. Two percent did not give grade level.

The students reported a mean income of \$26.19 per week with the primary source of income coming from employment outside the home. Eighty six percent of the students had a job the previous summer.

The students spent an average of \$12.88 per week, presumably leaving a sum which could be saved. Only 22 percent reported that they had not saved any amount during the previous year. Further education and an automobile were the most frequently reported goals for saving.

Credit attitude scores ranged from an unfavorable score of 12 to a favorable score of 47 with a mean attitude score of 30. The most favorable score possible was 51. Unfavorable attitudes were held by 36 percent of the students, 30 percent held neutral attitudes, and 34 percent held favorable attitudes toward credit. The students liked credit for its convenience and use in emergencies. They disliked paying the bills when they came due and were wary of the ease of over-spending.

Of a possible perfect score of 34 on the knowledge test, the students' scores ranged from 10 to 30, with a mean score of 22. The students had received their knowledge of credit from a variety of sources, including both formal and informal education. Parents were cited as a source of knowledge by 87 percent of the students. Only 36.5 percent reported learning about credit in the classroom.

Eighty three percent of the students reported having used some form of credit with parents' store charge accounts being the most used form.● Credit was used an average of twice per month by the students. Of the types of credit cards used, the parents' gasoline credit card was the most frequently used. Affirmative responses were given by 39.8 percent of the students when they were asked if their parents approved of their use of credit.

Nine hypotheses in the null form were tested with the rejection level set at .05. Hypotheses not rejected at the .05 level included: (1) no relationship between attitudes and use of credit, (2) no relationship between knowledge and use of credit, and (3) no relationship between use of credit and the variables sex, income, employment, savings, or parents' level of income.

A positive relationship was found between knowledge and attitude toward credit. A significant positive relationship was also found to exist between teenage use of credit and spending.

CONSUMER CREDIT ATTITUDES, KNOWLEDGE AND USE
BY HIGH SCHOOL JUNIORS AND SENIORS
IN RIO BLANCO COUNTY, COLORADO

by

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I. INTRODUCTION

Americans have become increasingly reliant on consumer credit for the satisfaction of many of their wants and needs. Teenagers are no different from the average adult in wanting to satisfy their desires immediately rather than waiting until they have the resources accumulated to pay for their purchases with cash. Katona (1971) has demonstrated through his research that the willingness to borrow against future income rather than save for future purchases is a unique characteristic of American society.

The more than 21 million teenagers between the ages of 15 and 19 have tremendous purchasing power. Earning most of their income themselves, they have a weekly average of \$22 each in discretionary income (Survey of Teenagers Finds Big Spending Power, 1978). A recent Rand Youth Poll found teenagers spending a record \$28.7 billion during 1977 for automobiles and televisions as well as other smaller items.

Research has shown that attitudes toward the use of consumer credit have become more and more favorable. A 1976 Youth Survey found that two in three young people want to enjoy the present even if they have to incur debt to do so (American Council of Life Insurance, 1976).

The temptation to use credit to satisfy desires is ever present. Businesses realize the impact that teenagers have on the economy through their own spending as well as the influence they have over their parents' spending. In the mid 1950's, special credit plans for teenagers were started. Since then, it has become easier for teenagers to obtain credit, either through use of their own accounts, or by using their parents' credit cards or accounts. The temptation to have one's own credit account is great when the question "Is this charge or cash?" is so frequently heard at the cash register.

Corresponding to the increase in use of consumer credit is the rising bankruptcy rate. Nationwide, the bankruptcy rate increased 314 percent between 1954 and 1974, or at an average rate of 15.7 percent per year. Colorado, having a higher than average bankruptcy rate, had an increase of 800 percent during these same years (Tables of Bankruptcy Statistics, 1954, 1974).

The National Foundation for Consumer Credit estimates that 6 in 100 families are in serious financial trouble as a result of credit misuse. Within the 18 to 24 year age group, about one in four may be overextended in their use of credit, and borrowers from 20 to 24 years of age account for one-fourth of all delinquent loans (Waddell, 1970).

Results from the majority of studies with consumer credit knowledge measurements have indicated that junior

high and senior high school students hold limited knowledge of credit transactions (Abell, 1970; Blair, 1975; Lindsay, 1966). Although previous studies have investigated knowledge about credit in relation to use of credit, little attention has been given to attitudes toward or knowledge of credit as they affect use of credit by the teenage population.

Statement of Problem

Theory provides the assumption that attitude is a determinant of behavior and that knowledge is an outcome of experience. Researchers have found that teenagers are experiencing the use of credit through their own and their parents' credit accounts. However, little research has been conducted to objectively determine the actual relationship between attitude and knowledge about credit and their effects on the use of credit among the teenage population in particular. The frequency of credit use by teenagers, a reflection of attitude toward credit, has not been studied in recent years. Also, the significance of demographic variables related to credit use needs to be researched to determine the possible influence such variables have on credit use.

Objectives of the Study

This study is concerned with attitudes toward, knowledge about, and use of consumer credit by teenagers. The objectives of this study of a sample of teenagers are:

1. To determine attitudes toward use of consumer credit.
2. To obtain information about the use of credit.
3. To compare use of credit with demographic variables.
4. To determine extent of knowledge about consumer credit.
5. To compare attitudes toward credit with knowledge about credit.

Hypotheses

The following null hypotheses were tested:

- I. There is no relationship between teenage use of consumer credit and attitudes toward consumer credit.
- II. There is no relationship between teenage knowledge about consumer credit and use of credit.
- III. There is no relationship between teenage knowledge about credit and attitudes toward credit use.

There is no relationship between teenage use of credit and:

- IV. sex
- V. teenage employment

- VI. teenage income
- VII. teenage spending
- VIII. teenage saving
- IX. parents' level of income

Operational Definitions of Terms

ATTITUDE TOWARD CONSUMER CREDIT: Feeling or state of mind toward the use of consumer credit.

CONSUMER CREDIT: A cash loan or purchase arrangement for goods or services with part or all payments made at a later time.

CREDIT CARD: Identification card or plate which enables the bearer to use a specific charge account.

CREDIT KNOWLEDGE: Recall and understanding of specific credit information as measured by a test consisting of questions about consumer credit concepts and use.

PARENTS' LEVEL OF INCOME: Teenagers' perception of their parents' level of income as compared to the perceived average income within the community in which they live.

STORE CHARGE ACCOUNT: A credit account with a specific retail outlet for which no credit card is needed to make charges under the account name.

USE OF CREDIT: Buying goods or services with a credit card, charge account, installment credit or with cash borrowed from a lending institution. Service

credit includes paying for newspapers, utilities, or professional (legal or medical) fees after the service has been rendered.

Assumptions

This study was conducted on the premise of the following assumptions:

1. Learning is an outcome of experience.
2. Attitudes are factors which affect or determine behavior. Attitudes cannot be observed but they can be inferred from behavior.
3. Opportunities for the use of credit exist in the locale of the study.
4. Respondents will answer the questionnaire completely and truthfully.

Limitations of the Study

1. The sample consists of only those junior and senior class students who attended school on the days the questionnaire was administered.
2. The ability of the students to complete the questionnaire was based on their recall capabilities.
3. The questionnaire is the only source of data information used for this study.
4. Information about parents' attitudes, parents' use of credit, and family income level was based on the students' perception of these variables rather than direct data from parents.
5. Generalizations are limited by the size, location, and specificity of the sample.

6. Attitudes, knowledge and use are all measured at one point in time, so that the direction of any potential influence is impossible to measure in one study.

II. REVIEW OF LITERATURE

The teenager plays a very significant role in the American economy. Representing approximately ten percent of the total population, there were 21,220,000 teenagers between the ages of 15 and 19 in 1976 (U.S. Census, 1977).

Income

Teenagers earn over half of their disposable income themselves (Dallos, 1978). In 1976, 14 percent of the males and 13 percent of the females between the ages of 16 and 21 were both students and in the labor force (U.S. Census, 1977). Presumably, since the teenagers earn at least part of their own income, they have power to spend it as they wish.

In the scholastic study reported by Paolucci, it was found that teenage income sources are generally as follows: 49 percent from regular allowances, 48 percent from earnings from part-time jobs outside the home, 33 percent in odd amounts given by parents, and 18 percent earned as income from special jobs at home (Paolucci, 1964).

A recent Gallup poll reports that teenagers currently have an average weekly disposable income of \$22 (Survey of Teenagers Finds Big Spending Power, 1978). Because these teenagers' basic sustenance is provided by their parents,

their income can usually be spent for many of the luxuries they desire. Teen income is likened to adult end-of-the-month surplus after all the necessary bills are paid (Helitzer & Heyel, 1970). Even in 1970, the average teenage girl's disposable income (approximately \$19.00 per week) was more than many women living in \$40,000 homes had to spend on themselves (Helitzer & Heyel, 1970). Peer pressure and the desire to be accepted in the adult world influence their use of money to a great degree (Cateora, 1963).

Spending

A recent Rand Youth Poll (1978) found that teenagers in the United States spent a record \$28.7 billion during 1977. This amount represents an increase in teenage spending of \$2.6 billion over 1976 figures.

Cateora (1963) reports the teenage years as being the most expensive age group. They require major portions of the typical family's income for food, clothing and medical care. The amount they spend is only an indicator of their earnings and allowances and is not indicative of the total amount they influence (Cateora, 1963). In addition to the amount at the direct disposal of the teenagers, they influence at least another \$35 billion of adults' disposable income (Troelstrup, 1974).

Credit Availability and Use

Special credit plans for teenagers started in the mid-1950's, making it easier for them to obtain credit (Black, 1961). Teenagers have accessibility to credit through their parents' credit cards and charge accounts as well as having their own charge accounts (Sewalt, 1966; Holyoak, 1972; Reynolds, 1971; Ogle, 1972; Blair, 1975).

Mandell reports that half of all American families use at least one credit card. The primary determinants of credit card use are the income and education of the family as well as the family life cycle stage and the size and location of the community in which the family resides (Mandell, 1972). Younger families, particularly those with children, are more likely to use credit cards than are other groups. These families are also more likely to incur debt on their cards than are other groups (Mandell, 1972).

The findings of Moore and Klein as well as Duvall indicated that young families in the school and teenage stages of the family life cycle had the highest expenses and used credit most frequently. Duvall considered one of these stages to include peer group acceptance as important in determining credit use for both children and adults (Duvall, 1971; Moore & Klein, 1967).

In a 1960 study of teenage credit in Massachusetts, 21 of 52 girls stated they had charge accounts. Thirty seven of this group felt it was "good" for teenagers to have charge accounts because it presented experience in learning to handle money (Eastwood, Higgins, Roberts, and Weeks, 1961).

Sewalt studied 435 girls between ages of 14 and 18 in Texas. She found that use of credit by these girls was principally through the use of their parents' accounts. Both the use of parents' charge accounts and the number of students' personal accounts increased with age (Sewalt, 1966).

In a Utah study, Lindsay reported 57 percent of the teenage girls from a city school were involved in credit purchases, while 30 percent of the county school students studied were involved in credit purchases. Ninety-three percent of the credit users at the city school and 88 percent of the credit users at the county school indicated they were permitted to make purchases on their own and charge these purchases to parents' accounts. Twenty-five percent at the county school reported they had their own charge accounts (Lindsay, 1966).

Benedict (1968) found in her study of 201 teenagers, that 43 percent were using credit, primarily through their parents' charge accounts. In 1970, Abell found 57 percent of the teenagers in her Illinois sample were using credit.

In that same year, Yeary found 70 percent of 98 teenage college girls using their parents' credit accounts. Holyoak found a smaller proportion (38%) of her sample of 285 high school juniors and seniors using credit in 1971. Reynolds, like Sewalt and Yeary, found 71 percent of the 100 teenagers in her sample using credit (1966). Ogle (1972), found that of 606 high school students, 65 percent were using credit, mainly through their parents' charge accounts. Blair studied 90 freshmen, ages 18 and 19, at the University of Nebraska. She found 50 percent of these students using credit cards (1975).

Bruner (1965) and Sewalt (1966) both found that credit use increased with age. Bruner also found a positive relationship between parents' use of credit and teenagers' use of credit (1965).

Credit Use and Sex

Various studies have related contradictory findings about use of credit by sex. Bruner reported that teenage girls are more extensive users of parents' credit than boys (Bruner, 1965). Adams also noted that teenage girls used slightly more credit than boys (1965). Holyoak, however, found over twice as many teenage males had charge accounts as teenage females in her study of 285 teens (1972). Ogle (1972) also found teen males using personal

accounts more frequently than teen females. In Blair's study of college teenagers, 69 percent of the male students as compared to 49 percent of the female students were credit users (1975). Blair (1975) found no difference between teenage male and female attitude, knowledge or use of credit.

Credit Use and Employment

Sewalt found that the more hours a girl worked, the more likely she was to use credit. However, there was no difference between students who worked for pay and those who did not work in the proportion using charge credit (1966).

Credit Use and Income

Other researchers have found positive relationships between income and use of credit (Sewalt, 1966; Lindsay, 1966; Holyoak, 1972). Blair, however, found no relationship between use and income, knowledge and income, or attitude and income (1975).

Teenage Savings

Cateora found that teenagers saw savings as an important ingredient in their consumer profile (1963). Benedict found 62 percent of the teenagers in her survey

had some savings program, with education being the most frequent goal.

In the 1970 Survey of Consumer Finances, Katona stated that saving is infrequent among low income families and among the very young and the old. However, according to the General Mills American Family Report for 1976-77, 38 percent of the youth surveyed felt their parents expected them to save money. Forty nine percent of the minority children felt this expectation (Yankelovich, Skelley, & White, 1977).

Parents' Income and Teenage Use of Credit

Few researchers have examined the relationship between parents' income and teenagers' use of credit. Lindsay (1966) found no relationship to exist between these two variables. Holyoak, however, did find through chi square analysis that there was a significant relationship between parents' level of income and high school teenagers' use of credit (1972).

Attitudes Toward Credit

Generally, attitudes of Americans have become more favorable toward the use of credit. The most striking change over an eight year period studied by the Survey Research Center, was that an increase from 26 percent to 40 percent of those studied felt that it was alright to

borrow to cover living expenses when income declined (Hendricks, Youman & Keller, 1973).

Although attitudes have generally been favorable toward the use of credit, during the 1950's and 1960's researchers report that people were more cautious in using credit during that period than after that time span. Morgan reported in 1967 that young people cited cost as a reason for not buying on credit, and older people cited the risk of buying too much as a reason for not using credit (Hendricks, et al., 1973).

In 1963, Cateora found teenagers to be negative toward credit use. The teens in his sample were cautious in using credit. It has also been found that teenagers like the convenience of credit use, but dislike paying interest and the danger of overspending (Holyoak, 1971).

Teenagers in other studies have expressed positive attitudes toward credit. According to a 1961 study, teenage girls thought that it was a good idea to have their own accounts to learn to handle finances (Eastwood, et al.). Reynolds, in her survey of both male and female teenagers, found this to be true also (1971). Teenagers in other studies felt that credit should become more easily available to them (Abell, 1970; Ogle, 1972). According to a 1976 Youth Survey, two-thirds of all young people wanted to enjoy the present even if they had to

incur some debt to do so (American Council of Life Insurance, 1976).

Cateora (1963) expected to find teenagers reflecting attitudes of their parents. He found that their attitudes were similar, but not significantly so.

In Blair's study of college teenagers, it was found that females held higher mean attitude scores than males, giving them more favorable attitudes toward credit. However, the difference was not significant (Blair, 1975).

Mandell (1972) found that adult Americans were far more likely to use credit cards than to approve of them. In his survey, only 25 percent said outright that it was a good thing to use credit cards, while 41 percent thought that using credit cards was a bad practice.

Attitudes toward credit cards appear to be strongly influenced by age and education. Younger persons have been more likely to think that credit card use is good than have their elders. Also, better educated persons have been more likely to approve of credit cards than have the less well educated (Mandell, 1972).

Two researchers have found that no relationship existed between adult attitude toward consumer credit and use of consumer credit (Blair, 1975; Mandell, 1973). Mandell and Blair also found that no relationship existed between knowledge about consumer credit and attitude

toward consumer credit. Although Blair found that the participants favored the use of consumer credit, credit was not considered useful as a tool to make people budget.

According to the data from a nationwide survey, approval of credit was not affected by knowledge about credit. The combined effect of knowledge of credit, education of the family head, family income, and age of family head explained less than four percent of the total variance of attitude toward credit (Mandell, 1972).

Possibly related to attitudes toward credit use are attitudes toward saving. According to the American Council of Life Insurance, a high proportion of young people, 90 percent, believe that it is important to save money. While this figure has remained practically unchanged since 1970, the proportion who believe in the importance of saving regularly has declined six percent. Younger people, students and young women were more likely than others to believe in the importance of regular savings (American Council of Life Insurance, 1976). Although they felt that saving is important, they were willing to incur debt in order to enjoy life in the present.

The majority of the studies which assess attitudes toward credit are studies of the adult population. Only Blair's 1975 study of college teenagers has attempted

to score teenagers' attitudes toward credit and then compare this score with knowledge or use of credit.

Knowledge About Credit

Results from six studies with knowledge measurements indicated that junior high and senior high school students hold limited knowledge of credit transactions (Abell, 1970; Blair, 1975; Lindsay, 1966; Ogle, 1972; Reynolds, 1971; Yeary, 1970). In another study, by Cateora, responses of 189 Texas junior and senior class students indicated that teenagers approached the use of credit with maturity and knowledge (Cateora, 1963).

In a 1973 Oregon Consumer Literacy Assessment, it was found that students seem to know more about obtaining credit than they do about handling it.

When the students were asked about the availability, sources, and kinds of credit, one-half responded correctly. However, questions about using credit, credit costs, credit laws, and solving credit problems were, more often than not, answered incorrectly (Emerging Trends for Educational Planning Newsletter, 1973, p. 3).

Mandell, in a nationwide survey of 1229 families conducted at the Survey Research Center in 1971, reported that adult consumers have limited knowledge and understanding of the credit market. Multivariate analysis of the data did support a strong and direct relationship between income and education of the family and consumer credit knowledge,

however. In 1966, Lindsay found no relationship between use of credit and knowledge about credit among a teenage sample.

A lack of knowledge about credit would indicate that people might not be aware of the possibility of shopping for credit. The tendency to neither search for information nor shop for credit makes credit an uninformed purchase (Dauten and Dauten, 1976).

Blair (1975) and Mandell (1972) are among the few researchers who have studied the relationships between credit attitude, knowledge and use. These studies have been of older, college teenagers or adult consumers, however.

Importance of Understanding Credit

Herrmann found that teenagers had the values and attitudes of a leisure class, with great emphasis placed on owning the right thing and using it in the right way. Unless they had counseling on financial problems, teenagers tended to bring these attitudes into marriage with them. Despite their conservative attitudes about credit as students, when they married, teenagers did not hesitate to use credit to satisfy their wants in spite of irregular and low wages. Herrmann found their debt loads to be at a dangerous level, leaving little flexibility

in their budgets for unexpected expenses or income decline (Herrmann, 1965).

While most teenagers are not in the market for homes and major appliances, they soon will be. The median age of first brides today is 21.6 years (U.S. Census, 1978). It is at this point of establishing a home and entering the child rearing years of the family life cycle that large debts are incurred by young couples.

According to the most recent Survey of Consumer Finances (1970), more than two-thirds of the families in the 25 to 34 year age group had some outstanding installment debt. Ten percent of the families in this age group and 16 percent of the families with heads under age 25 laid out at least one-fifth of their gross annual income in installment debt payments (Katona, Mandell, and Schmiedeskamp, 1970). Katona, et al., also report that 39 percent of the families with heads under age 25 had ten percent or more of their disposable income committed to repayment of installment credit. Within the 18 to 24 year age group, about one in four may be over-extended in their use of credit. Borrowers from 20 to 24 years of age account for one-fourth of all delinquent loans (Waddell, 1970).

Young newlyweds often expect to have the same lifestyle and household goods that their parents have obtained

over numerous years (Cateora, 1963). Herrmann found that young teenage newlyweds do succumb and use credit, "however recklessly", when confronted with the problems of bringing their desires into reality (Herrmann, 1965, p. 95).

The easy accessibility of consumer credit and the more favorable attitudes toward use of consumer credit is reflected in the amount of consumer installment and noninstallment credit outstanding. From 1965 to 1975 the per capita debt doubled for total installment and noninstallment credit. There was \$178.8 billion in consumer installment credit outstanding at the end of 1976. This is up from \$101.9 billion in 1970. During 1977, installment debt increased to \$223.8 billion (National Consumer Finance Association, 1977). During the last three quarters of 1977, 17.1 percent of consumer disposable income was committed to paying off installment debt (Dodosh, 1978).

Problems Related to Credit Use

Certain problems which exist in American Society today have been directly traced to the misuse of consumer credit. An estimated six in 100 American families are in serious financial trouble as a result of credit misuse (National Foundation for Consumer Credit, 1978).

Corresponding to the increase in consumer credit is the personal bankruptcy rate which has risen 15.7 percent per year over a 20 year period (Tables of Statistics, 1954, 1974). "The imprudent use of credit has led to this increased bankruptcy rate" (Mathews, 1969, p. 74).

The personal bankruptcy rate has become a growing concern to credit grantors, legislators, social workers and members of the legal profession (National Consumer Finance Association, 1977).

The average United States personal bankruptcy rate is 99 per 100,000 population. Colorado, the location of this study, is one of the 26 states with a higher than average bankruptcy rate.

Nationwide, the bankruptcy rate increased 314 percent from 1954 to 1974. Colorado had an increase of 800 percent during these same years. During the 1964 to 1974 period, Colorado had an increase of 38 percent compared to a national increase of 27 percent in the number of bankruptcy cases (Tables of Bankruptcy Statistics, 1954, 1964, 1974). According to the National Foundation for Consumer Credit, nationwide, bankruptcy cases have increased 1700 times in the past 25 years.

Ryan and Maynes found in their study of the excessively indebted that the greatest proportions of debtors in trouble were found among the unmarried, especially the poor and

those under age 25 and over age 65 (Ryan and Maynes, 1969). They also report that some 40 percent of all debtors surveyed in their study were in "some trouble" from too much credit, including 11 percent in "deep trouble" from too much credit.

An outgrowth of the bankruptcy and over-extended use of credit problem has been the establishment of consumer credit counseling services, beginning in the mid-1960's. The National Foundation for Consumer Credit reports that in 1976, credit counselors reported a heavier caseload than ever before. Some 190,000 Americans asked for help in that year.

In Oregon, another state with a very high rate of personal bankruptcy, a study was conducted to determine the causes of debtor problems. Listed as problems by 81 percent of the attorneys, collectors, and credit managers interviewed were: lack of training in budgeting, over-buying, wanting too much, no reserves, not planning for spending, impulse buying, and basing purchases on temporary increases in income (Reed, 1967).

It is easy to understand why people are likely to overuse credit to satisfy their wants and desires. When making purchases, salespeople frequently ask if the payment will be by cash or charge. Product advertising often promotes charge accounts as encouragements for making purchases now with payments later. Holiday advertising for

products may well promote the use of credit for convenience. Travel promotions often encourage use of credit cards rather than cash.

Retailers realize the importance of teenage spending.

The rationale of the promoters is that teenage charge accounts help a youngster to manage his money. But most stores are more anxious to sell than to educate (Troelstrup, 1974, p. 163).

Oppenheim (1966) also reports that researchers recognize the impact of teenage spending. These researchers are devoting much time, money, and effort to help manufacturers, merchants and service concerns with their selections of suitable and profitable items for this wealthy and rapidly expanding group of teenagers.

Marketing researchers not only develop goods and services which appeal to teenagers, they also study consumer attitudes in an effort to find means of developing positive attitudes toward products in order to motivate consumers to purchase those goods and services (Walters and Paul, 1970). Knowing that teenagers use credit for purchases to satisfy wants and needs, there is need for research to determine the relationship between credit attitudes, knowledge and use.

III. METHODOLOGY

This study examined the relationships between high school teenagers' attitude toward, knowledge about, and use of consumer credit. Demographic characteristics of the sample were also examined in relation to the teenagers' use of credit. Data were collected by administering a questionnaire to high school juniors and seniors in Rio Blanco County, Colorado.

The sample consisted of 238 students, 197 of whom were in school when the questionnaire was administered. Seventeen percent of the students were absent for random reasons. There was no one factor operating to bias the sample when all reasons for absenteeism were considered.

This chapter describes: 1) the development of the instrument, 2) sample selection and collection of data, and 3) treatment of the data.

Development of the Instrument

A ten-page questionnaire was developed by reviewing questionnaires utilized in similar studies of teenage credit use. The questionnaire was composed of three sections: credit use and demographic data, a battery of attitude statements, and a knowledge test consisting of true-false and multiple choice questions. The complete questionnaire can be found in Appendices A, B, and C, pages 61-70.

Credit Use-demographic section

Questions were asked to obtain data regarding the teenager's sex, age, grade in school, summer employment, income, spending, and savings. Parents' income level was determined by asking the teenagers how they perceived their parents' level of income in comparison to the average family income within their community. The researcher felt that the perception of income level was as important as the actual amount of a parent's income in possibly influencing a teenager's own use of credit. Also, requesting only the perception of income as compared to the "average" helped provide anonymity for the respondents.

Use of credit was assessed through questions inquiring about the types of credit used, frequency of use, and amount charged on credit accounts.

All respondents were asked about their confidence in using credit and their sources of credit knowledge. Two open-ended questions were included to allow the students to respond about what they liked and did not like about using credit.

Attitude section

Attitude toward credit was measured by an individual's responses to statements in Section II of the questionnaire. Utilizing some of the attitude statements from the instrument

for Laurel Blair's 1975 thesis, a series of 17 statements were evaluated by a panel of personal finance educators at Oregon State University to determine the positive or negative value of each statement. The professionals determined whether each attitude statement expressed a favorable or unfavorable opinion about consumer credit. For validity, only those statements with which all of the professionals agreed were used in the test. The attitude statements on which the panel of professionals were in agreement were assigned a numerical value of "3" for a favorable attitude toward credit, and "1" for an unfavorable attitude toward credit.

The students had the option of agreeing or disagreeing with the statements, or selecting a "can't decide" option. To discourage over-use of the "can't decide" option, it was placed several spaces to the right of the other options rather than placing it between them.

Knowledge section

The knowledge section consisted of 15 true-false questions and 19 multiple choice questions. The questions were cross checked for internal consistency. Questions from the instrument for the thesis of Laurel Blair, University of Nebraska, 1975, were modified for use in the knowledge test.

High school personal finance text books were reviewed for the appropriateness of the questions. A high school personal finance instructor was consulted for wording of the questions.

Knowledge of credit was determined by evaluating the student's responses to this section of the questionnaire. The number of correct responses represented the individual's credit knowledge score, based on one correct answer per question.

Pretest

The questionnaire was pretested with 20 high school juniors and seniors in Albany, Oregon to determine reliability and validity. The students responded to the questionnaire regarding words or phrases which needed clarification. Following the pretest, the use questions were reorganized into a more logical, easy to follow pattern. Some of the attitude statements and knowledge questions were clarified where necessary.

The Oregon State University Survey Research Center director was consulted during the development of the questionnaire regarding the content and flow of the instrument. The Committee for the Protection of Human Subjects reviewed and approved the questionnaire prior to its being administered.

Reliability of attitude and knowledge sections

Ten of the attitude statements in this instrument were contained in the thesis of Laurel Blair (University of Nebraska, 1975) who studied credit attitudes, knowledge, and use of college teenagers. All of the knowledge questions were also used in Blair's thesis. For the purpose of surveying the high school teenagers, the questions were rephrased for age level.

Following a pretest of her instrument, Blair computed a split-half correlation using the Spearman-Brown formula to determine the coefficient of internal consistency. She found the reliability for the knowledge questions and attitude statements to be significant at the .05 level of confidence. No additional test of reliability was done.

Sample Selection and Collection of Data

The population to be sampled consisted of high school junior and senior students. From the population, a sample area of Rio Blanco County, Colorado was chosen. The enrollment of juniors and seniors in the two schools in Rio Blanco County was 238. The principals of the schools assisted in identifying dates and class times when all of the juniors and seniors could be surveyed.

The investigator administered the questionnaire to the students in groups. A verbal as well as written

introduction was given prior to the administration of the questionnaire. The introduction included: purpose of the study, assurance of confidentiality and anonymity, and an assurance that completing the questionnaire or any parts of it was voluntary and in no way affected the student's grades or other school work. See Appendix A, page 61.

Treatment of Data

Data from the questionnaires were coded and tabulated by the researcher. The coded data were then keypunched onto 80-column cards and verified by the Oregon State University keypunch center.

Prior to statistical analysis of the hypotheses, a student's T test was applied to the data to determine difference between the students' credit knowledge, use, and attitudes between the two schools. No difference was found at the .05 level of significance, thereby allowing the subsamples to be combined into one sample.

Two statistical analyses were used to test the hypotheses. The Pearson product moment correlation coefficient was used to determine relationship for hypotheses I, II and III; and chi square contingency tables were used to test independence for hypotheses IV, V, VI, VII, VIII and IX.

All hypotheses were tested in the null form. The .05 confidence level was chosen by the researcher as the criterion for rejection of the null hypotheses.

IV. FINDINGS AND DISCUSSION

This study investigated the relationships between teenagers' attitudes toward, knowledge about, and use of consumer credit. The findings in this chapter will be discussed under the following topics: 1) characteristics of the respondents, 2) teenagers' attitudes toward credit, 3) teenagers' knowledge about credit, 4) teenagers' use of credit, and 5) tests of hypotheses.

Characteristics of Respondents

The sample consisted of 181 high school juniors and seniors from Rio Blanco County, Colorado. Of a population of 238 juniors and seniors in the two schools surveyed, 197 were in attendance when the questionnaire was administered, providing a response rate of 83 percent. Sixteen students did not complete the knowledge section of the questionnaire, leaving 181 questionnaires which could be used.

The sample was composed of 52 percent males and 48 percent females. The mean age was 17 years. Eighty five (47%) of the students were in the junior class, and 93 (51%) were seniors. Three of the students (2%) did not give grade level.

The mean student income per week from all sources was \$26.19 which is \$4.19 higher than the national average. The amount of income ranged from \$0 to over \$100 per week. Mean

income for males was \$33.12 per week as compared to \$17.24 per week for females.

The students received their spendable incomes from a variety of sources. All students had one or more sources of income with the mean being 2.24 sources per individual. Sources of income received by the students are reported in Table 1.

Table 1: Percent of 181 teenage respondents receiving income from specified sources in Rio Blanco County, 1978

Source	Percent*
Earnings from employment outside the home	66.9
Doles	44.8
Personal savings account	32.6
Earnings from work for parents	29.8
Gifts of money	22.7
Regular weekly allowance	14.4
Other sources (friends, trusts, Social Security, etc.)	11.6

* Percentages do not equal 100 because students could check more than one response.

The majority of the students (67%) earned some portion of their income by working outside the home. Eighty six percent of the students reported having had a job or other source of income during the previous summer, including 95 percent of the males and 77 percent of the females.

Earnings from summer jobs ranged from less than \$100 to over \$1000. Mean and median earnings were between \$500 and \$749. The mode for summer earnings, however, was over \$1000. Fourty four percent of the males as compared to two percent of the females earned over \$1000 from a summer job. (Table 2)

Table 2: Amount of 1977 summer earnings for 181 teenagers in Rio Blanco County, Colorado

Range	Number	Percent
Less than \$100	12	6.6
\$100 to \$299	14	7.7
\$300 to \$499	32	17.7
\$500 to \$749	29	16.0
\$750 to \$999	24	13.3
Over \$1000	43	23.8
No reponse	27	14.9
Total	181	100.0

The amount spent per week ranged from \$0 to over \$99. The mean amount spent per week was \$12.88, with a mode of \$5.00. On the average, females spent less per week than the males, \$10.16 as compared to \$15.24, respectively, although they (females) spent a higher mean percentage of their income (59%) than did males (46%).

Seventy eight percent of the students reported saving a portion of their income. The average amount saved during 1977 was between \$100 and \$299. Males were much more likely

to have saved \$300 or more. Fifty one percent of the males had saved this amount, whereas only 18 percent of the females had saved over \$300, a reflection of their lower earnings and/or higher spending. Frequency for the amounts saved are reported in Table 3.

Table 3: Amount of savings during 1977 as recalled in 1978 by 181 high school teenagers in Rio Blanco County

Amount	Number	Percent
None	37	20.4
\$1 to \$99	39	21.5
\$100 to \$299	36	19.9
\$300 to \$499	26	14.4
\$500 or more	38	21.0
No response	5	2.8
Total	181	100.0

The students were saving for a variety of purposes, with further education and an automobile being the most frequently reported goals. Twice as many males (50%) as females (23%) were saving for an automobile. Education was a savings goal for 35 percent of the males and 41 percent of the females. An equal percentage (29%) were saving for clothes. Purposes for savings are reported in Table 4.

Table 4: Percent of 181 high school teenage respondents saving for specified purposes

Purpose	Percent*
Further education	38.1
Automobile	37.0
Clothes	28.7
Because of parents' urging	18.2
No special reason	16.0
A special reason	13.8
High school expenses	13.3

* Percentages do not equal 100 because students could check more than one response.

These findings are similar to the findings of Benedict (1968) who also found the greatest percentage of teenage respondents saving for further education. In Table 4 it is reported that 18.2 percent of these teenagers were saving because their parents urged them to do so. This figure is somewhat less than the 38 percent of youth who felt that their parents expected them to save as related in the General Mills American Family Report.

When the students were asked how they perceived their family's income level as compared to the average income level within their own community, 70.7 percent responded in the "average" category, 34 students (18.8%) responded in the "above average" category, and 16 students (8.8%) responded in the "below average" category. Three students

(1.7%) did not respond. Perceived family income levels are reported in Table 5.

Table 5: Perceived family income level of 181 Rio Blanco County teenagers as compared to the perceived average income within the community of residence

Perceived income level	Number	Percent
Above average	34	18.8
Average	128	70.7
Below average	16	8.8
No response	3	1.7
Total	181	100.0

Teenage Attitudes Toward Credit

The teenagers in this sample were given the opportunity to agree or disagree with a series of 17 attitude statements which had been judged to be either favorable or unfavorable towards credit. Favorable attitudes were given a numerical value of "3" and unfavorable attitudes a value of "1". These values provided an attitude score for each respondent.

Credit attitude scores in this study ranged from 12 to 47, with 12 being an overall unfavorable attitude and 47 being an overall favorable attitude. The mean, mode, and median attitude score was 30. For males, the mean attitude score was 31; for females, it was 29. For those who were credit users, the mean attitude score was

30, whereas the mean score for non-credit users was 28, slightly less favorable. Assuming that the students would have agreed or disagreed with each attitude statement, the total possible range of scores was 17 to 51. However, since the students could select the "can't decide" option, the range of scores could have been 0 to 51.

Credit attitude scores were divided as shown in Table 6, based on the mean score. When frequencies were computed for the attitude scores, the percentages of respondents in each category were nearly equal.

Table 6: Attitudes of 181 Rio Blanco County high school teenagers toward credit by scores as determined through a battery of attitude statements

Attitude	Score	Number	Percent
Unfavorable	12-27	65	36
Neutral	28-33	55	30
Favorable	34-47	61	34
Total		181	100

The attitude statement with which the highest proportion of the 181 students (87%) agreed was that "credit helps people meet financial emergencies". A high proportion (77%) also agreed with the statement that "credit encourages impulse buying". The students showed a high rate (88%) of disagreement with the statement that "no one should use credit". Appendix B, page 66, contains

the attitude statements, their positive or negative value, and the summary of frequencies to each response.

In response to the two open ended questions about what they did and did not like about credit, the typical responses were as follows:

What teenagers liked about using credit--

- "You can get what you need without cash"
- "Access to anything you want"
- "The convenience"
- "Not having to pay with cash right away"
- "Not having to carry so much cash"
- "Take advantage of sales"
- "For emergencies"

What teenagers did not like about using credit--

- "Ease of overspending"
- "Owing more than you can afford"
- "Payments and interest"
- "Using it too much and too often"
- "Paying the bills"
- "Having to keep good records of the receipts
so you can save enough to pay the bills"

When the relationship between credit attitude scores and sex were tested for significance using a 2x3 contingency table, a difference was found at the .05 level of confidence. Table 7 contains an analysis of attitudes toward credit by sex.

Table 7: Chi square analysis of attitude toward credit by sex of 181 high school teenagers in Rio Blanco County, Colorado in 1978

Credit attitude	Sex		Total
	Male	Female	
Unfavorable	26	39	65
Neutral	30	25	55
Favorable	38	23	61
Total	94	87	181

Chi square value = 6.48 with 2 d.f. Significance = .0391

Male attitudes were significantly more favorable toward credit than were female attitudes. Blair, in a study of college teenagers, found females to have higher mean attitude scores than males, but the difference was not significant.

According to the findings, there was no relationship between parents' credit attitude and teenagers' credit attitude at $\alpha = .05$.

Teenage Credit Knowledge

The students responded to a test consisting of 15 true-false and 19 multiple choice questions, each with only one correct answer, in order to determine a credit knowledge score for each individual. Of 34 possible points, the students' scores ranged from 10 to 30. The mean score was 22 with the mode and median scores also being 22 points. The mean score (22) was exactly the

same for males, females, and credit users. The mean score for non-credit users was only one-half of one point lower, 21.5 points.

For use in statistical analysis, the knowledge scores were divided into thirds based on the median score. The divisions are shown in Table 8.

Table 8: Credit knowledge scores for 181 Rio Blanco County teenagers as determined through a credit knowledge test of 34 true-false and multiple choice questions.

	Scores	Number	Percent
Low	10-19	47	26.0
Middle	20-24	80	44.2
High	25-30	54	29.8
Total		181	100.0

Significance of credit knowledge by sex was tested through a chi square test of independence. The findings revealed no relationship between sex and credit knowledge at $\alpha = .05$.

Most of the students were at least somewhat confident that they knew enough about the use of credit for buying goods and services. Only eight percent felt that they did not know enough about credit. Knowledge confidence levels maintained by the students are reported in Table 9.

Table 9: Levels of credit knowledge confidence for 181 high school teenagers in Rio Blanco County

Confidence level	Number	Percent
Confident	68	37.6
Somewhat confident	96	53.0
Not confident	15	8.3
No response	2	1.2
Total	181	100.0

The students reported learning about credit from a variety of sources. One hundred two students (56.4%) had received informal education only. Only eight (4.4%) reported having received no education in consumer credit. Sources of teenage credit knowledge are reported in Tables 10 and 11.

Table 10: Source of credit knowledge by type of education, formal and/or informal, for 181 high school juniors and seniors in Rio Blanco County, Colorado

Type of education	Number	Percent
None	8	4.4
Formal education only	4	2.2
Informal education only	102	56.4
Both formal and informal	66	36.4
No response	1	.6
Total	181	100.0

Table 11: Percentage of 181 teenagers obtaining consumer credit knowledge from specified sources, including both formal and informal educational sources

Source	Percent*
Parents	87.3
Personal experience	48.1
Self taught	36.5
Business class	35.4
Friends	21.5
Bank	21.0
Retail store people	12.2
Home Economics class	5.0

* Percentages do not equal 100 because students could check more than one response.

Although 81 percent of the students realized that it is possible to shop for credit, only 27 percent correctly answered the question about the least expensive source of credit and only 30 percent knew which source of credit was the most expensive. Only 41 percent correctly answered the true statement that "the finance charge for a bank loan is usually lower than for a loan from a finance company."

Two-thirds of the students incorrectly answered "true" to the false statement that "if you use a 30-day account, you pay a service charge." Since most of the store charge accounts in the location of the study are 30-day accounts, and since 16 percent have their own

store accounts and 58 percent use their parents' store accounts, many of the students did not know the basics of the credit they were using.

The knowledge test, with correct answers specified, and a summary of responses to each question can be found in Appendix C, page 67. In general, high proportions of students were aware of the concepts of finance charges, repossession, government regulation of the consumer credit business, cosigning, credit ratings, and service credit.

The concepts of credit unions and credit bureaus were not well understood. Consolidation of bills is another concept of which only 44 percent apparently knew the meaning. Questions about discount on loans, garnishment, and refinancing are others which were frequently answered incorrectly.

Use of Credit

A large majority (82.9%) of the students reported having used some type of credit. Only 17.1 percent reported never having used any form of credit at any time in their lives. This is a larger percentage of users than any other researcher has found when studying a teenage population, perhaps reflecting a nationwide increase in use and acceptance of credit.

Parents' store charge accounts were used by 57.5 percent of the students and parents' credit cards were used by 34.8 percent. As in studies by Benedict (1968), Lindsay (1966), Sewalt (1966), Yearly (1968), Ogle (1972) and Holyoak (1972), parents' charge accounts were the most commonly used source of credit. In Table 12 are reported the types of credit used by teenagers in this study.

Table 12: Percentage of 181 teenagers (94 males and 87 females) using credit through personal or parents' charge accounts or credit cards or lay away

Type of credit	Total Percent	Male Percent	Female* Percent
Parents' store charge account	57.5	54	61
Parents' credit card	34.8	38	31
Lay away	26.0	16	37
Teenager's own store account	15.5	17	14
Teenager's own credit card	.5	1	0
Never used credit	17.1	19	15

* Percentages do not equal 100 because students could check more than one response.

According to an analysis of the relationship between credit use and sex, females are more likely to use lay away than males. A slightly greater percentage of males than females had their own store charge account as reported in Table 12.

The type of credit card used most frequently by the teenagers was the gasoline credit card. Store charge cards and bank credit cards were used to a much lesser extent as reported in Table 13.

Table 13: Credit cards used by 181 teenagers in Rio Blanco County, 1978

Type of credit card	Number	Percent
Gas card	75	41.4
Store card	41	22.7
Bank card	29	16.0
None	36	19.9
Total	181	100.0

Of the 15.5 percent of teenagers studied who had their own store charge account, convenience was the primary reason for opening the account. Holyoak, (1972) also found this to be true. Establishment of a credit rating was the second most frequently mentioned reason for opening an account.

Frequency of Credit Use

Frequency of credit use was determined by asking the students how often they had used credit during the previous three months. It was found that credit was used an average of twice per month. Frequency was divided into those who were non-users, low users, and

high users. The frequency with which the teenagers used credit within the three month period is reported in Table 14.

Table 14: Frequency of 181 high school teenagers use of credit within a three month period in Rio Blanco County

Frequency of use	Category	Number	Percent
Not at all	None	66	36.5
1 to 3 times/month	Low user	75	41.4
4 or more times/month	High user	35	19.3
No response		5	2.8
Total		181	100.0

More females were found to be high users of credit than were males. More males were found to be low users of credit. Frequency of credit use by sex is reported in Table 15.

Table 15: Percentage of 94 male and 87 female teenagers by category of credit use frequency during a three month period

Frequency	Category	Male Percent	Female Percent
Not at all	None	39.1	35.7
1 to 3 times/month	Low user	44.6	40.5
4 or more times/month	High user	16.3	23.8
Total		100.0	100.0

The majority of the teenagers charged less than \$25.00 per month on credit accounts. Only 16 percent charged \$25.00 or more. Of the teenagers who used credit, 22 percent reported that they always paid for their own charges, 41 percent sometimes paid for their own charges, and 18 percent never paid for their own charges.

When asked if their parents approved of their use of credit, 40 percent of the teenagers responded in the affirmative and four percent responded in the negative. The remainder of the sample either did not respond or else reported that they had not used credit during the three months.

Twenty teenagers (11%) reported that their parents did not use credit, 155 (85.6%) reported that they did use credit, and five (.6%) did not know if their parents had used credit. Eighty-two teenagers (45%) responded that their parents approved of the use of credit in general, while 43 teenagers (24%) responded that their parents would use credit in emergency situations only. Only nine teenagers (5%) said that their parents did not approve of credit use for any reason.

Tests of Hypotheses

Hypothesis I: There is no relationship between teenage use of consumer credit and attitudes toward consumer credit.

Hypothesis I could not be rejected at the .05 level of significance. To test the relationship, the Pearson correlation coefficient was determined to be .0486, not significant at the .05 level of confidence (Table 16).

This finding is similar to the findings of Blair, 1975, and Mandell, 1971, who also studied the relationship between use of credit and attitude towards its use. These studies were of college students and adults, respectively.

Table 16: Pearson correlation coefficients for Hypotheses I, II, and III for study of credit attitudes, knowledge, and use by 181 high school teenagers in Rio Blanco County, Colorado

Ho	Correlation	Coefficient	Significance*
I.	Attitude & Use	.0486	.261
II.	Knowledge & Use	.0181	.406
III.	Knowledge and Attitude	.1372	.033

* Rejection level = .05

Hypothesis II: There is no relationship between teenage knowledge about consumer credit and use of credit.

Hypothesis II could not be rejected at the .05 level of significance. As reported in Table 16, the correlation coefficient was determined to be .0181, significant at the .40 level of confidence. Blair, 1975, also found no relationship between use and knowledge of credit among college teenagers.

Hypothesis III: There is no relationship between teenage knowledge about credit and attitudes toward credit use.

Hypothesis III was rejected at the .05 level of significance. A .1372 correlation coefficient showed a relationship between attitude toward and knowledge about credit at the .033 level of significance, as is reported in Table 16. It appears that students with more knowledge about credit have more favorable attitudes toward credit.

Hypotheses IV, V, VI, VII, VIII, IX: There is no relationship between teenage use of credit and:

- IV. sex
- V. teenage employment
- VI. teenage income
- VII. teenage spending
- VIII. teenage saving
- IX. parents' level of income

Hypotheses IV, V, VI, VIII, and IX could not be rejected at the .05 level of significance. Chi square analysis showed no relationship between credit use and sex, credit use and employment, credit use and income, credit use and teenage savings, or credit use and parents' level of income. Appendix D, page 71, contains chi square tables reporting analysis of the hypotheses which could not be rejected.

Blair (1975) also reported finding no relationship between credit use and income. Lindsay (1966) also

reported no relationship between parents' income and teenagers' use of credit. Holyoak (1972), however, reports findings which do not support either of these findings.

Blair (1975) and Bruner (1965) also found no relationship between credit use and sex of respondents.

Hypothesis VII could not be supported and was therefore rejected. At the .05 level of significance, there is a relationship between the amount of money spent and the use of credit. Table 17 contains a chi square analysis of the relationship between credit use and spending level. Those respondents who spent less than the mean amount spent per week, \$12.88, were likely to be low users or non-users of credit.

Table 17: Chi square analysis of credit use by spending level of 181 high school teenagers in Rio Blanco County, Colorado

Use of credit*	Spending level**		Total
	Low	High	
No use	53	13	66
Low use	51	24	75
High use	20	15	35
Total	124	52	176

Chi square value = 6.27 with 2 d.f. Significance = .0435

* Frequency of use within a three month period

** Divided at the mean amount spent per week

Number of missing observations = 5.

V. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

The purpose of this research was to study teenagers' consumer credit attitudes, knowledge and use. More specifically, the objectives were (1) to determine the relationships between the variables attitudes, knowledge, and use, and (2) to compare the use of credit with the independent variables sex, income, employment, spending, saving, and parents' income level.

The researcher administered a questionnaire to high school juniors and seniors in a rural area of Colorado to obtain a sample of 181 students. The questionnaire consisted of (1) a series of positive and negative statements about credit to determine attitude, (2) a test for knowledge about credit, and (3) questions regarding use of credit and demographic information.

Of the 181 students, 52 percent were males and 48 percent were females. Average age was 17 years, with 47 percent of the students being juniors, and 51 percent being seniors. Two percent did not give grade level.

The students reported a mean income of \$26.19 per week with the primary source of income coming from employment outside the home. Eighty six percent of the students had a job the previous summer.

The students spent an average of \$12.88 per week, presumably leaving a sum which could be saved. Only 22 percent reported that they had not saved any amount during the previous year. Further education and an automobile were the most frequently reported goals for saving.

Credit attitude scores ranged from an unfavorable score of 12 to a favorable score of 47 with a mean attitude score of 30. The most favorable score possible was 51. Unfavorable attitudes were held by 36 percent of the students, 30 percent held neutral attitudes, and 34 percent held favorable attitudes toward credit. The students liked credit for its convenience and use in emergencies. They disliked paying the bills when they came due and were wary of the ease of over-spending.

Of a possible perfect score of 34 on the knowledge test, the students' scores ranged from 10 to 30, with a mean score of 22. The students had received their knowledge of credit from a variety of sources, including both formal and informal education. Parents were cited as a source of knowledge by 87 percent of the students. Only 36.5 percent reported learning about credit in the classroom.

Eighty three percent of the students reported having used some form of credit with parents' store charge accounts being the most used form. Credit was used an average of twice per month by the students. Of the types of credit cards used, the parents' gasoline credit card was the most

frequently used. Affirmative responses were given by 39.8 percent of the students when they were asked if their parents approved of their use of credit.

Nine hypotheses in the null form were tested with the rejection level set at .05. Hypotheses not rejected at the .05 level included: (1) no relationship between attitudes and use of credit, (2) no relationship between knowledge and use of credit, and (3) no relationship between use of credit and the variables sex, income, employment, savings, or parents' level of income.

A positive relationship was found between knowledge and attitude toward credit. A significant positive relationship was also found to exist between teenage use of credit and spending.

Conclusions

Findings from this study suggest the following conclusions:

1. Although a high proportion (83%) of the students surveyed are using consumer credit, the frequency of use would suggest that most of the students are using it infrequently. Their own responses indicate that approximately three-fourths of them are aware of the ease of misusing credit.

2. Attitude and knowledge about credit are related. It appears that students who have more knowledge about credit have more favorable attitudes toward it.

3. The teenagers surveyed have limited knowledge about credit. Since only 36.5 percent had received formal education in consumer credit, the schools should consider incorporating credit education as part of the required curriculum to better prepare students to manage their own finances.

4. The findings indicate that when students had more income to spend, they used more credit. Since they have rather sizable discretionary incomes, and since credit is so accessible, teenagers need to know more about shopping for credit. The knowledge test showed that the majority did not know the most and least expensive sources of credit. These teenagers will probably be using credit for many of the major purchases in their adult lives and will need to be aware of the advantages of shopping for credit.

Recommendations for Further Research

The following recommendations are made for further research:

1. Study the parents' actual attitudes toward credit and compare them with the teenagers' attitudes.

2. Survey a group of teenagers in an urban setting using the same or similar instrument, and determine if there is a difference in attitude, knowledge and use of credit between the urban sample and the rural sample as used in this study.

3. Repeat the knowledge test with the same sample and administer it to a new, similar sample as well, to determine if the test itself was a source of knowledge for the students.

4. Develop an instrument to determine attitudes toward saving and compare the attitudes toward saving with the attitudes toward use of credit.

5. Survey the same group one year later to determine change in attitudes and relative change in behavior.

6. Study teenagers' frequency of use over a longer time span to determine if parents' attitudes toward credit are reflected in teenagers' use or non-use of credit.

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APPENDICES

APPENDIX A

Introduction to questionnaire
and
Demographic and use questions

The purpose of this questionnaire is to learn about your use of, knowledge about, and attitudes toward consumer credit.

Juniors and Seniors in Rio Blanco County high schools are being asked to complete this questionnaire. Answering the questions should take less than about 20 minutes of your time. Your responses will be kept confidential. Filling out this questionnaire in no way affects your other classwork or grades. Your responses are essential for the accuracy of the study because there is no substitute for the information you can share.

You do not have to answer questions that you feel infringe upon your privacy. If you have any questions about this study following the completion of the questionnaire, I will be happy to discuss them with you.

CONSUMER CREDIT QUESTIONNAIRE

Please make a check () in or fill in all blanks that apply to you.

____ Male ____ Age
____ Female ____ Grade in high school

1. Where do you get your spending money? Check all that apply.

____ Regular weekly allowance from parents
____ Earnings from work for parents in or around the home, ranch, or farm.
____ Earnings from employment outside the home.
____ Ask parents for money as needed or wanted.
____ Gifts of money.
____ From my savings account.
____ Other (specify) _____

2. Considering income as money you can do with as you wish, how much money do you have as income per week? \$ _____

3. About how much money do you spend each week? \$ _____

4. Did you have a job or other source of income during the summer of 1977?

____ Yes
____ No

5. If you had a summer job, about how much money did you earn?

____ less than \$100	____ \$500 to \$749
____ \$100 to \$299	____ \$750 to \$999
____ \$300 to \$499	____ over \$1000

6. About how much money did you save in 1977 from your earnings or other sources of income?

____ No savings	____ \$300 to \$499
____ \$1 to \$99	____ over \$500
____ \$100 to \$299	

7. If you have a savings account, for what are you saving? Check all that apply.

- ☐ For high school expenses ☐ For a special reason _____
- ☐ For education following high school ☐ For no special reason
- ☐ For my own automobile ☐ My parents urge me to save
- ☐ For clothes

8. As compared to the average income within your community, would you say that your family's yearly income is:

- ☐ above average
- ☐ average
- ☐ below average

9. Do your parents ever use credit cards, store charge accounts, or loans?

- ☐ Yes
- ☐ No ☐ don't know

10. How do your parents feel about their own use of credit?

- ☐ They approve of using it.
- ☐ They approve of using it for emergencies only.
- ☐ They don't believe in using credit.
- ☐ I don't know how they feel about their own use of credit.

11. Have you, yourself, ever used any of the following kinds of credit?
Check all that you have used.

- ☐ A store charge account in your own name alone
- ☐ A store charge account in your parents' name
- ☐ Credit card in your own name
- ☐ Parents' credit card
- ☐ Lay away
- ☐ I have never used credit. (If you have never used credit, you may go on to #19)

12. How often have you used credit during the past 3 months?

- | | |
|--|---|
| <input type="checkbox"/> Not at all. | <input type="checkbox"/> Four times a month |
| <input type="checkbox"/> Once a month | <input type="checkbox"/> Five times a month |
| <input type="checkbox"/> Twice a month | <input type="checkbox"/> More than five times a month |
| <input type="checkbox"/> Three times a month | |

13. About how much do you charge on credit accounts each month?

- | | |
|------------------------------------|--|
| <input type="checkbox"/> None | <input type="checkbox"/> \$25-\$49 |
| <input type="checkbox"/> \$1-\$9 | <input type="checkbox"/> \$50-\$99 |
| <input type="checkbox"/> \$10-\$24 | <input type="checkbox"/> \$100 or more |

14. Check the credit cards you have used in the last year.

- | | |
|---|--|
| <input type="checkbox"/> gasoline | <input type="checkbox"/> Master Charge |
| <input type="checkbox"/> department store | <input type="checkbox"/> Bank Americard (VISA) |
| <input type="checkbox"/> American Express | <input type="checkbox"/> Other (specify) _____ |
| | <input type="checkbox"/> Have not used a credit card |

15. Do you, yourself, pay for the charges you make to charge accounts or credit cards?

- ☐ Always
- ☐ Sometimes
- ☐ Never

16. If you have a store charge account in your own name, why did you open that charge account? Check all that apply.

- | | |
|---|---|
| <input type="checkbox"/> Friend had one | <input type="checkbox"/> To establish a credit rating |
| <input type="checkbox"/> Advertising of the store | <input type="checkbox"/> To make buying easier |
| <input type="checkbox"/> Suggestion from sales person | <input type="checkbox"/> Other (specify) _____ |
| <input type="checkbox"/> Parents suggestion | <input type="checkbox"/> I do not have my own store charge account. |

17. If you opened any credit account in your own name, did the store or credit manager have a conference with you?

- ☐ Yes
- ☐ No
- ☐ I do not have a credit account.

18. Do your parents approve of your use of credit?

☐ Yes ☐ I don't know
☐ No ☐ I don't use credit

19. Do you feel you know enough about the use of credit for buying goods and services?

☐ Yes ☐ Somewhat
☐ No

20. Where have you learned about the use of credit? Check all that apply.

☐ Parents ☐ Home Economics class ☐ Self taught
☐ Friends ☐ Business class ☐ Personal experience
☐ Bank ☐ Store business people ☐ Other _____
☐ I have not learned about the use of credit

21. Have you ever borrowed money from:

☐ bank
☐ savings and loan association ☐ I have not borrowed from any of these sources.
☐ parents
☐ other

22. What do you, or would you, enjoy most about using credit? _____

23. What do you, or would you, enjoy least about using credit? _____

24. If you wanted to know more about using credit, where would you go for information? _____

Read each statement. Circle the answer which best represents your feelings. Circle the CD only if you absolutely cannot decide whether you agree or disagree.
"A" is Agree; "D" is Disagree; " CD " is Can't Decide

	Agree	Disagree	Can't Decide
P 1. People should use charge accounts so they won't have to carry much money when shopping.	100	55	26
P 2. Installment credit helps the consumer obtain merchandise for which he might never save enough cash.	94	48	37
N 3. Money spent on finance charges is money down the drain.	51	92	38
N 4. Businesses offer credit just to make you buy more.	72	94	15
P 5. Credit is a necessity to most people.	112	55	14
N 6. No one should use credit.	6	160	8
P 7. Credit is useful because it makes people budget.	78	80	22
P 8. Credit provides an opportunity to raise one's level of living.	74	87	20
N 9. Using credit means tying up future income for today's spending.	108	48	24
N 10. Using credit may result in loss of merchandise or income.	90	58	31
N 11. Credit encourages impulse buying.	140	34	6
P 12. Credit helps people meet financial emergencies.	158	10	13
N 13. Credit is too convenient.	96	62	19
P 14. Credit is a type of forced savings.	60	88	32
N 15. A person should save his or her money and buy what he or she wants later with cash.	92	51	36
N 16. There is too much consumer credit for the public good.	87	66	28
P 17. A person should enjoy the good life now, even if it means borrowing against future income.	47	112	20

*indicates positive or negative value of attitude statement

Knowledge Test
from questionnaire administered to
181 high school teenagers in Rio Blanco County, Colorado

	True	False
1. Obtaining credit depends on the financial security the consumer offers.	105*	17
2. Knowing the cost of credit does not contribute to using credit intelligently.	106	71*
3. It is possible to shop around for credit.	147*	30
4. The Federal and State governments have laws that govern the consumer credit business.	160*	19
5. On a revolving charge account monthly bill, you <u>cannot</u> pay more than the minimum payment due.	52	122*
6. A creditor must tell you the Annual Percentage Rate and the finance charge in dollars to be in complete compliance with the Truth-in-Lending law.	143*	32
7. The finance charge is the additional cost beyond the price of the merchandise purchased on credit.	149*	28
8. If you pay for the newspaper at the end of the month, you are using a form of service credit.	167*	13
9. If you use a 30-day account, you pay a service charge.	119	54*
10. If you buy merchandise on an installment credit plan, then a formal contract is involved.	119*	55
11. When you borrow money from a bank, the finance charge is usually lower than the finance charge for a loan from a finance company.	75*	100
12. Credit unions grant credit to any creditworthy individual who applies.	37	91*
13. If an installment contract is refinanced, the individual payments are smaller and extend over a longer period of time.	129*	46
14. When you cosign a loan for someone else, you will be held responsible for repayment if the borrower fails to meet payments on the loan.	168*	12
15. Finance charges are made on consumer credit to cover the expenses of the creditor (cost of money, record keeping, investigation of credit applicants, collection procedures, and overhead).	138*	38

* indicates correct response

Check only one response to each question.

1. Which of the following is based on an individual's past payment performance?

24 Charge for credit
~~*123~~ Credit rating
~~4~~ Liquid assets
~~25~~ Down payment

2. What is the additional cost beyond the price of the goods or services when you use credit?

~~*141~~ Finance charge
~~14~~ Down payment
~~10~~ Collateral note
~~10~~ Default charge

3. Paying for electricity at the end of the month is what type of credit?

~~5~~ Installment credit
~~7~~ Revolving credit
~~58~~ 30-day credit
~~*107~~ Service credit

4. Which of the following is characteristic of a 30-day charge account?

~~*103~~ No service charge
~~43~~ A down payment
~~3~~ A trade-in
~~25~~ Collateral required

5. How can you lose a good credit rating?

~~3~~ By moving to a new community
~~*167~~ By paying your bills late
~~5~~ By losing your credit cards
~~2~~ By contacting the credit manager when payment will be late

6. For what type of credit does the title to the goods remain with the creditor until the goods are paid for?

~~*28~~ Installment
~~30~~ Revolving
~~22~~ Service
~~24~~ 30-day

7. What is the purpose of a credit investigation?

~~14~~ To reschedule payments on an installment contract
~~21~~ To determine the charge for credit
~~*124~~ To verify information given on a credit application
~~15~~ To avoid the finance charge

8. Which of the following is the best choice if you are not able to meet payments for credit?

8 Make two payments the next month
~~*159~~ Contact the credit manager before payment is overdue
5 Ignore phone calls and letters from your creditor
~~7~~ Borrow money to pay the bill

9. What agency gathers information regarding the credit rating of consumers within a business area?

35 Credit union
~~29~~ Consumer finance company
~~*76~~ Credit bureau
~~34~~ Commercial bank

10. Which is usually the least expensive source of credit?

~~*49~~ Personal loan from a commercial bank
~~42~~ Personal loan from a consumer finance company
~~53~~ Revolving charge account
~~26~~ Installment sales account

11. What is the best thing to do when you lose your credit card?

~~*166~~ Notify the issuer of the credit card
2 Take no action
~~2~~ Borrow your parents' credit card until yours is found
~~6~~ Call the police and let them handle the matter

12. Which institution makes loans to members only?

13 Commercial banks
~~*123~~ Credit unions
~~20~~ Consumer finance companies
~~23~~ Savings and loan associations

13. What is it called when you pay the service charge before receiving the loan?

16 Depreciation
~~*11~~ Discount
~~40~~ Default charge
~~95~~ Down payment

14. What is it called when a lump sum of money is borrowed to pay a number of past due bills?

12 Cycle billing
~~45~~ Refinancing
~~*88~~ Consolidation of bills
~~39~~ Deferred payment

15. Which is usually the most expensive source for credit?

- 30 Installment sales credit
- 29 Revolving credit
- 59 Personal loan from a commercial bank
- *60 Personal loan from a consumer finance company

16. What is it called when something like a car or TV, purchased on an installment contract, is reclaimed by the seller because payment is long past due?

- 15 Refinancing
- 8 Rebate
- 7 Default
- *151 Repossession

17. What is it called when payments due on an installment contract are rescheduled so the payments will be smaller?

- 28 Cycle billing
- 21 Consolidation of bills
- *86 Refinancing
- 41 Deferred payment

18. Which person has agreed to pay a debt if the credit user does not pay?

- 11 Creditor
- 5 Employer
- *161 Cosigner
- 3 Depositor

19. What is it called when an employer is required by a court to take part of an employees wages to pay the employees creditors?

- 15 Refinancing
- 31 Bankruptcy
- *78 Garnishment
- 57 Holder in due course

THANK YOU FOR PARTICIPATING IN THIS RESEARCH PROJECT!!!!!!

APPENDIX D

Chi square analyses
for Hypotheses IV, V, VI, VIII, IX

Table 18: Chi square analysis of credit use by sex of 181 high school teenagers in Rio Blanco County, Colorado

Use of credit*	Sex		Total
	Male	Female	
No use	36	30	66
Low use	41	34	75
High use	15	20	35
Total	92	84	176

Chi square value = 1.552 with 2 d.f. Significance = .4601
Number of missing observations = 5

Table 19: Chi square analysis of credit use by employment of 181 high school teenagers in Rio Blanco County, Colorado

Use of credit*	No job	Summer job	Total
No use	11	55	66
Low use	11	64	75
High use	2	33	35
Total	24	152	176

Chi square value = 2.447 with 2 d.f. Significance = .2941
Number of missing observations = 5

*Frequency of use within a three month period

Table 20: Chi square analysis of credit use by income of 181 high school teenagers in Rio Blanco County, Colorado

Use of credit*	Income		Total
	Low	High	
No use	50	16	66
Low use	55	20	75
High use	24	11	35
Total	129	47	176

Chi square value = .603 with 2 d.f. Significance = .7395
 Number of missing observations = 5

Table 21: Chi square analysis of credit use by savings of 181 high school teenagers in Rio Blanco County, Colorado

Use of credit*	Savings		Total
	Low	High	
No use	35	18	53
Low use	37	28	65
High use	36	19	55
Total	108	65	173

Chi square value = 1.683 with 2 d.f. Significance = .4501
 Number of missing observations = 8

* Frequency of use within a three month period

Table 22: Chi square analysis of credit use by parents' income level as perceived by 181 high school teenagers in Rio Blanco County, Colorado, 1978

Use of credit*	Perceived income level			Total
	Below Average	Average	Above Average	
No use	9	50	5	64
Low use	13	53	8	74
High use	12	20	3	35
Total	34	123	16	173

Chi square value = 6.756 with 4 d.f. Significance = .1434
 Number of missing observations = 8

*Frequency of use within a three month period