Credit Use of Three Cohorts of Rural Women

Constance Young Kratzer, Virginia Polytechnic Institute & State University[1]
Dennis Keefe, Michigan State University[2]

Consumer credit can be considered as one of several money management tools available to the family. The purpose of this study is to look at some credit practices, and the relationship of debt/income ratios to perceived economic well-being of three cohorts of rural women.

Access to credit has played a role in economic well-being by adding to the level of money income at a given point in time while committing future income for repayment. Jensen and Reynolds (1986) found credit users were generally better educated, younger, and more often had children. Credit use by older persons was more likely to be for convenience and less likely to be for installment purchases. Debt/income ratios are a measure of the amount of credit used in relation to income and have been used as one predictor of economic well-being. Kinsey and Lane (1978) found higher debt-asset ratios were generally non-significant, but smaller family size, income and rurality were related to the probability of feeling better off.

Methods

This study utilized data from the NC-182 regional project funded by the Agricultural Experiment Stations in eight states. The sample was selected from two rural counties in each of the participating states. A county was defined as rural if at least 20% or more of the employed persons were engaged in the occupations of agriculture, livestock, forestry, mining and/or fishing. The sample in each county was randomly selected from a commercial directory service list. Data were collected from rural households by means of mailed questionnaires using a modified Dillman method. For this study, questionnaires completed by female financial managers in three specific cohorts were used.

Sample

The Cohorts were selected based on an historical event occurring at the time the women reached age 18.

Cohort 1: turned 18 during the depression years 1929 to 1934 and were 72-77 at the time of the study.

Cohort 2: turned 18 between 1950 and 1955 when the economy was booming and were 51 to 56 at the time of the study.

Cohort 3: were among the first of the Baby Boomers to turn 18 between 1964 and 1969 and were 37 to 42 at the time of the study.

Questions

Respondents were asked:

Whether or not they used credit (Number of credit sources - Range 1 to 7)

To indicate on a 5 point scale, never to most of the time how often they
1) paid interest on charge accounts
2) made only minimum payments on charge accounts

Findings

Mean number of Credit Sources

Cohort 1	1.4
Cohort 2	1.9
Cohort 3	2.1

Percent who did not use Credit

Cohort 1	55%
Cohort 2	10%
Cohort 3	8%

Debt/income ratio

Cohort 1	.237
Cohort 2	.726
Cohort 3	.731

Percent of Perceived Economic Well-being explained by debt/income ratio

Cohort 1	22.0%
Cohort 2	13.5%
Cohort 3	0.5%

[1]Assistant Professor, Housing, Interior Design and Resource Management

[2]Assistant Professor, Family and Child Ecology

Discussion

Overall, the younger the woman, the more credit used. This finding may reflect the need for more credit by younger women, or reluctance on the part of the older women to use credit. Cohort 2 and Cohort 3 were more likely to pay interest on charge accounts than was Cohort 1. They also more frequently reported making the minimum payment on charge accounts.

Debt/income ratio was significantly related to perceived economic well-being for Cohort 1 and Cohort 2 but not for Cohort 3. Younger families may more readily accept consumer credit as a normal part of doing business as a household than do their older counterparts.

The women in this study lived in a rural area but findings did not support that they differed from nonrural women. The data supports less credit use by older cohorts than younger ones. Also higher debt/income ratios had a more negative effect on the perceived economic well-being of the older cohorts. Additional research is needed to explore whether or not there are differences in attitude about credit use among the cohorts.

References

Jensen, H. H. & Reynolds, S. W. (1986). Consumer credit use and age: An analysis of the effects of preretirment. In V. Hempler (Ed.) Proceedings of American Council on Consumer Interests. (pp.261-264) Comumbia, MO: ACCI.

Kinsey, J. & Lane, S. (1978). The effect of debt on perceived houshold welfare. Journal of Consumer Affairs, 12(1), 48-61.