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Credit Use & Financial Satisfaction

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=국문초록=

본 연구는 미국 Utah주의 Logan시에 있는 유타주립대학(USU) Credit Union의 멤버들을 대상으로, 신용사용과 신용에 대한 태도가 그들의 경제적 만족도와 어느정도 관련이 있는지를 조사하였다.

연구는 1989년 3월에서 5월에 걸쳐 USU Credit Union의 지원으로 이루어졌으며, 자료는 21세에서 65세까지의 멤버들 중 500명을 임의 추출하여 설문지 조사를 실시하여(설문지는 본 연구를 위한 문항과 Credit Union 멤버 Survey문항이 함께 이루어졌다) 그중 274명(54.8%)의 답변이 자료분석에 사용되었다.

대부분의 사람들은 집이나 차, 또는 교육비, 의료비에 신용을 사용하는데 긍정적 태도를 보였으며, 반수 이상의 사람들이 신용을 사용함으로써 수수료 또는 이자를 지불하고 있었다. 월평균 신용 납부액은 $643이었으며, 반수 이상의 응답자가 그들의 신용차입액에 대해 걱정하고 있는 반면, 4.4%의 응답자만이 신용을 사용하지 않고 있다고 대답했다.

t-테스트, 변량분석, 그리고 상관관계 분석에 의해 경제적 만족도와 의미있는 관계를 가지고 있는 요인들이 단계별 다중 회귀분석에 이용되었는데, 그 결과 사람들의 신용부담액에 대한 근심도가 그 어느것보다도 경제적 만족도와 강하게 연관되어 있는 것으로 나타났다. 이는 과거의 조사들이 가정의 빚, 즉 신용부담액과 수입에 대한 비율로써 가정의 경제적 만족정도(financial well-being)를 측정해온것에 반한 사실로서, 경제적 만족도는 개인의 주관적 측정인 신용부담액에 대한 근심도와 더 큰 관련이 있음을 보여주었다.

I. Introduction

Consumer credit provides the means by which many Americans acquire goods and services for immediate use while paying for them out of future income. In this sense, credit helps families to coordinate the demands of the family life cycle and the income flow to maximize overall household utility. Economic investment theory(Herendeen, 1974)and research(Kinsey & Lane, 1978)suggest that judicious use of consumer credit can contribute to financial satisfaction, a major factor in determining life satisfaction. However, some consumers have jeopardized their health, marriages, and jobs through the overuse of credit(Caplovitz, 1987). Families have reported that insufficient income to cover debts and lack of money management skills are the major reasons for financial problems(Wright, 1978).

It seems reasonable that those with greater economic resources are better able to cope with conomic adversity and obtain higher levels of financial satisfaction than those with fewer resources. However, it is not only the amount of resources that contributes to the level of financial satisfaction. Individual management practices influence the ability to manage a given level of financial resources effectively(Hira, 1987). Accordingly, money management practices related to credit, including attitudes toward the use of credit, may have a financial impact on individuals and families and affect their financial satisfaction.

II. Statement of the Problem

The purpose of this study was to investigate the relationship between consumer credit use and level of financial satisfaction.

The specific objectives of this study were to :

1) Examine the relationship between socio-economic characteristics and the level of financial satisfaction of the family manager.

2) Examine the relationship between attitude toward credit and the level of financial satisfaction of the family money manager.

3) Examine the relationship between credit practices and the level of financial satisfaction of the family money manager.

III. Definition of Terms

Family money manager is the person who assumes the major responsibility for handling the family's personal finances.

Credit includes household debt composed of mortgage debt and consumer debt.

Financial satisfaction level refers to the difference between the financial situation the family money manager desires and the family's actual situation.

Savings is the money saved or invested from present earnings including IRAS and the other retirement accounts.

Household income includes all salaries and other income sources.

IV. Methodology

The population was the membership of a community Credit Union. Five hundred subjects(6.4 percent of the population)were selected at random by computer. An instrument developed by the researcher(some questions were derived from earlier studies)was mailed to the sample with a cover letter, cosigned by the credit union president, that explanied the study. Data were collected according to methods developed by Dillman(1978). A total of 276 questionnaires were returned, of which 274(54.8%)contained sufficient data for analysis.

Table 1. Finanial sttisfaction scale

How Satisfied Are You With	Extremely Dissatisfied				Extremely Satisfied	
A. Your level of income	1	2	3	4	5	6
B. Money for family necessities	1	2	3	4	5	6
C. Your ability to handle financial emergencies	1	2	3	4	5	6
D. Amount of money owed (mortgage, loans, credit cards)	1	2	3	4	5	6
E. Level of savings	1	2	3	4	5	6
F. Money for future needs of family	1	2	3	4	5	6

The dependent variable was the financial satisfaction of the family money manager. This financial satisfaction was measured by a multi-item index(Berger, Powell & Cook, 1988)created by summing the responses to six statements related to financial satisfaction* : level of income, money for family necessities, ability to handle financial emergencies, amount of money owed, level of savings, and money for future needs(see Table 1). Each item was scored from 1(extremely dissatisfied) to 6(extremely satisfied) : total scores could range from 6 to 36.

The independent variables were categorized into three groups : socioeconomic characteristics of the family money manager, the money manager's attitudes toward credit, and the money manager's credit practices.

The variables measuring socio-econmic characteristics included age, sex, marital status, household size, number of earners in the household, education, household income and savings. Two variables measured attitudes toward credit use : total amount of monthly debt payment the family money manager felt comfortable with and the money manager's perception of appropriate purposes for borrowing money. Survey items that measured credit practices were : number and types of credit cards used, amount of monthly credit payment, percentage of monthly income used for credit repayment, and concerns about current credit obligations. Monthly credit payments included mortages, home equity loans, and consumer credit payments. Credit card use by respondents was categorized as either convenience use(do not incur finance charges) or installment use(usually incur finance charges).

The t-test, analysis of variance(ANOVA), and correlation(Pearson'r)were used to determine if financial satisfaction was associated with scores on the independent variables. Hierarchical form of multiple regression analysis was employed for further ananlysis.

V. Results

Respondents were evenly divided by gender : the mean age was 37.5 years. The majority of respondents were married(78.8%), and the median education level was completion of some college.

* Inter-item correlations for the satisfaction index ranged from a low of .40 to a high of .81 ; correlated item-to-total correlations varied from .58 to .82, indicating that the component items are highly correlated to each other. The alpha reliability coefficient for the index was .89, indicating a high degree of internal consistency of response patterns to the component items.

The mean number of earners per family was 1.6 with an average of 4.1 household members and $34,398 of annual household income. The mean amount of savings in 1988, including IRAS and other retirement accounts, was $3,316. Over 70 percent of respondents were homeowners and the mean estimated home value was $70,336.

The vast majority of the respondents indicated that credit could most appropriately be used for purchasing a home(95.2%), car(81.1%), education(79.9%), or medical care(65.2%). Over one half of the respondents(55.2%)were installment credit card users, 30.8 percent were classified as convenience users, and 14 percent indicated they did not use credit cards. The mean value of the maximum monthly credit payment, including mortgage, with which they felt comfortable was $640. The mean monthly credit payment was approxmately $643, which was, on the average, 25 percent of household income. Over one-half of respondents(52.9%)were very concerned or somewhat concerned with their credit obligations while 4.4 percent did not have any credit obligations.

Financial satisfaction scores ranged from 6 to 36 with higher scores representing higher satisfaction : the mean score was 19.8(see Table 2). Mean responses to each item in the financial satisfaction

Tabel 2. Financial satisfaction of respondents (N=271)

Score	N	%
6~ 9	18	6.6
10~13	25	9.1
14~17	43	15.7
18~20	71	25.9
21~24	71	25.9
25~28	28	10.2
29~32	13	4.7
33~36	2	.7

footnote : Range=6~36 : high score=higher satisfaction.

Table 3. Financial satisfaction scale : mean scores (N=270)

Scale	Mean
Level of income	3.41
Money for Family Necessities	3.59
Ability to Handle Financial Emergencies	3.47
Amount of Money Owed	3.53
Level of Savings	2.90
Money for Future Meeds of Family	2.92

footnote : Range=1~6 : high score=higher satisfaction.

scale are shown in Table 3. Respondents were most satisfied with money for family necessities (X=3.59), but substantially less satisfied with their level of savings(X=2.90)and money for future family needs(X=2.92).

Eighteen of the three groups of independent variables were found to be significantly related to financial satisfaction. Those who felt comfortable with larger amounts of credit payment were associated with higher satisfaction levels ; however, further analysis revealed that comfort with higher monthly credit payment was highly correlated with higher income. People with favorable attitudes toward borrowing money to pay for houses were more likely to be satisfied with their financial conditions. Convenience credit card users were more satisfied than installment users. Higher debt repaymeny-to-income ratios were associated with lower levels of financial satisfaction.

A comparison of respondent concern about their credit obigations revealed significant differences in their financial satisfaction scores between those who were very concerned, somewhat concerned and not at all concerned(see Table 4). People who were concerned about their credit obligations were likely to be less satisfied with their financial situations than those who were not.

In an effort to better understand the relationships between socio-economic characteristics,

Table 4. Financial satisfaction in relation to concerns about credit obligations

(N=263)

Response	N	Mean
Very Concerned	28	12.3
Somewhat Concerned	117	18.3
Not At All Concerned	106	23.4
No Credit Obligations	12	22.6

footnote : Range=6~36

credit attitudes and credit practices and financial satisfaction, hierarchical regression analysis was administered. This hierarchical regression analysis allowed the investigation of the variance in scores on financial satisfaction as accounted for by socioeconomic characteristics, attitudes towards credit use, and credit practice variables. All of the eighteen variables which were ascertained to have a significant relationship to financial satisfaction were included in the hierarchical regression analysis.

Three blocks of independent variable were analyzed one at a time in hierarchical regressions. Table 5 reveals the results.

The coefficient of determination(R square) of .2287 in socioeconomic characteristics indicates 22.87 percent of the variation in financial satisfaction was explained by age, education, market value of the home, household income and savings all together. When credit attitude variables were introduced into the regression, the R square cha-

Table 5. Hierarchical Regression of Financial satisfaction

Variable	r	R square	R square	change	beta
Socio-Economic		.2287		.2287**	
Age	.193				.0065
Education	.192				.0022
Home Value	.231				−.1120
Household Income	.384				.2289*
Savings	.424				.1378*
Credit Attitudes		.3012		.0725*	
Credit Payment					
Felt Comfortable	.239				.0367
Attitudes on					
House	−.246				−.1532*
Education	.198				.0419
Vacation	.123				−.0510
Living Expenses	.167				.0315
To Pay Debts	.303				.0103
Furniture	.153				.0973
Clothing	.130				.0820
Holidays	.184				.0243
Appliances	.149				.0473
Credit Practices		.5203		.2191**	
Debt Payment-to-					
Income	−.160				−.0452
Concerns	−.566				−.4145**
Credit Card Use	.447				.2003*

* P<.05 ** P<.001 df 18/185

nged significantly from .2287 to .3012, indicating approximately 7.25 percent of the variance in financial satisfaction was explained additionally by the credit attitudes variables. There was a dramatic change in R square when credit practice variables were entered into the regression analysis. By including credit practice variables, 21.91 percent of the variance explained in financial satisfaction was added.

The betas in Table 5 represent the unique effect of each variable on financial satisfaction when all the three groups of variables are included in the regression analysis. The variables with a statistically significant impact on financial satisfaction level were household income, savings, sttitudes toward credit use for house, concerns about credit obligations, and types of credit card use.

The results of the hierarchical multiple regression analysis indicate that there is a statistically significant relationship between socioeconomic characteristics, credit attitudes, and credit practices and financial satisfaction. The beta for concerns about credit obligations suggests that respondent concern about credit obligations is the most important variable explaining financial satisfaction.

The correlations among socioeconmic variables were examined in considering interaction effects. Household income was moderately related to savings and home value. When excluding household income from the multiple regression, R square was about .50, which is close to the R square in the hierarchical regression. This result indicates that income has interaction effects with the other variables in the multiple regression.

Ⅵ. Conclusions

People with more financial resources can be more satisfied with their financial conditions than those who lack the resources. However, financial satisfaction may not be a simple function of physical resources, and studies have found that respondents' subjective assessments of their financial situations are more powerful in explaining levels of financial satisfaction than objective measures of wealth.

In this study, people's financial satisfaction levels were significantly related to their socio-economic characteristics, credit attitudes and credit practices, and credit practice was more important factor in explaining financial satisfaction than socioeconomic characteristics. Respondents' concern over credit use was the most poweful predictor of financial satisfaction level.

Ⅶ. Implications

Not surprisingly, many of the attributes found to be related to higher levels of financial satisfaction correlate with the related socioeconomic variables of age, education and income. While the abilities of consumer educators to influence these variables are limited, educators can have an impact on savings and credit behavior.

This study supports the value of teaching students to develop and follow a credit management strategy. More than one half of the respondents (52.9%) were concerned about their credit obligations, suggesting a high level of anxiety regarding debt. The results further illustrate the importance of integrating a credit management plan with a savings plan. Responses to the financial satisfaction scale indicated a lack of satisfaction with savings. Perhaps some of the respondents minimized credit use by sacrificing savings. Always paying cash is not necessary the best financial strategy. Educators can provide examples to illustrate the integration of these concepts.

Credit practices were closely related to financial satisfaction and the degree of concern about individual credit use was the most important factor explaining financial satisfaction. Clearly those respondents who felt that they were in control of their credit obligations were most satisfied. The fact that wise use of credit involves more than mastering the mechanics of credit should be emphasized when teaching consumer credit. Students should understand that effective credit use also relates to maintaining control of the situation, a subjective feeling that must be defined by the individual involved. The results also suggest that a simple ratio such as debt-to-income may not reflect financial satisfaction.

When selecting a text, educators should carefully review the books for effective presentation of credit management strategies rather than a focus on memorizing formulas. The text should facilitate class discussions which help students to evaluate crdit decisions within the framwork of a financial plan.

Educators can use the six-item financial satisfaction scale(Berger, Powell & Cook, 1988) to introduce the unit on credit. A discussion of responses to the scale can be used to encourage students to honestly evaluate their own attitudes and situation. The instructor might provide students with two copies of the instrument, one to keep and one to submit(anonymously) for class tabulation. The instructor can use class means to assess areas in need of special attention ; for example, the subjects in this study needed more emphasis a regular savings plan. A discussion of class mean scores offers students the opportunity to compare their responses to their peers.

Cooperative Extension educators could use the scale as the basis for a newsletter article to assist readers in evaluating their financial satisfaction. For example, the range of scores(6~36)could be broken down into five or six levels beginning with 6~10 ; needs professional help(provide information on local resources) and ranging up to 31~36 ; doing great, keep up the good work.

This study illustrates how one simple tool, the financial satisfaction scale, can be used to teach consumer credit concepts. While much of the literature about personal finance is based on "common sense", it is vital to test these relationships with research. This study provides practical application of research-based information for consumer educators.

Ⅷ. Recommendations

Based on the findings of this study, the following suggestions are made for future research.

1) Similar studies should be conducted to determine if the results of this study are replicable. They might employ a different data collection instrument, such as person-to-person interview, or they might choose subjects living in an urban area : the majority of respondents in this study resided in Logan, Utah, which is a small city in a rural area.

2) In this study, concerns over credit use had a strong influence on financial satisfaction. It appears that concerns over credit obligations are not strongly related to their socioeconmic characteristics or debt-to-income ratios. Studies should be conducted to investigate what kinds of money management practices are used by persons who are concerned with their credit obligations and by those who are not.

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