Journal of Economics and Sustainable Development
ISSN 2222-1700 (Paper) ISSN 2222-2855 (Online)
Vol.9, No.20, 2018

Analysis of Consumer Perceptions on Payday Loan Services, Asset Ownership, and Financial Management Education

David Nii O. Tackie* Ntam R. Baharanyi Sheila M. De-heer
College of Agriculture, Environment and Nutrition Sciences, Tuskegee University, Tuskegee, Alabama 36088, USA

Abstract
Payday loan services, asset ownership, and financial management have been issues of interest to many consumers and scholars. Using a cross-sectional survey, we analyzed perceptions on payday loan services, asset ownership, and financial management education. The results showed that, only a small number of respondents used payday loan services. A majority had savings and checking accounts, and owned a vehicle; however, a majority did not own an IDA or a home. Furthermore, many were willing to participate in a financial management workshop. We also found that selected socioeconomic factors had statistically significant effects on selected indicators. For instance, gender had a statistically significant effect on using payday loan services. Age and household income had statistically significant effects on owning a home. The number of children under 18 years, gender, age, and household income had statistically significant effects on the willingness to participate in a financial management workshop. The findings show that socioeconomic factors may be important, and should be considered in policies regarding payday loan services, asset ownership, and financial management.
Keywords: Payday Loan Services, Asset Ownership, Financial Education, Financial Management, Socioeconomic Factors

1. Introduction

According to the Consumers Federation of America [CFA] (2011), a payday loan is a short-term loan made contingent upon a recipient surrendering a personnel check as security or allowing electronic "access" to his or her bank account. These loans are usually made by payday loan stores, check cashers, pawn shops, and some rent-to-own stores. Further, the Federal Deposit Insurance Corporation [FDIC] (2005) explained that payday loans are small-dollar, short-term, unsecured loans that borrowers agree to pay back from their paychecks or other regular income. The Federal Trade Commission [FTC] (2008) emphasized that payday loans normally have a fixed fee, also known as finance charge. Additionally, the FDIC (2005) argued that payday loans are a type of subprime lending.

Following this, FTC (2008, p. 1) provided three key attributes and/or conditions for payday loans, namely, how it works, disclosure, and cost. On how it works, the FTC explained thus: normally, a borrower writes a check that is payable to the lender for the intended amount, plus a fee. The entity then gives the borrower the amount of the check minus the fee. The lender holds the check until the loan is due and deposits the check. Alternatively, the lender may deposit the loan less the fee directly (electronically) into the borrower's account. Ultimately, the loan amount is debited the next pay period. For disclosure, lenders must disclose the cost of the loan, based on the Truth-in-Lending Act. In other words, payday loan entities are supposed to disclose the finance charge (dollar amount) and the annual percentage rate (APR) to borrowers before they sign any loan. On cost, the FDIC explained that payday loans are very expensive; they come at a high price. For example, a two-week $100 loan could cost as high as $15. The cost of $15 translates to an APR of 391%.

Fox (1998) contended that, once upon a time, lending small amounts of money at very high rates for short periods was viewed as a social problem, and was solved by invoking usury and small loan laws. He argued that, these days, payday lenders have successfully convinced many states to make very high interest rates on payday loans legal. Furthermore, Conte (1999) gave three reasons why payday lending is on the rise. First, because of the adoption of direct deposits, check cashing providers have reduced their "footprint" through their doors so they have to find ways to maintain, if not increase, their bottom line. Second, friendly legislatures allow payday lenders to charge fees that are extremely high; thus, making the business lucrative. Third, because of the bad credit of many consumers, payday lending has gained popularity. According to Konty (nd), although payday lending stores are commonly found in large urban areas, many rural areas also have payday lending stores. In the case of the latter, their impact may be underestimated vis-à-vis the size of their population. What is more, Konty pointed out that payday lenders' locational preference is near low- and middle-income consumers.

In South Central Alabama, for instance, there are several payday lenders and it is obvious that they have a consistent supply of clientele. The reason is that they regularly advertise on TV and radio about their services. Though this is the case, there has not been any known study to the authors in South Central Alabama addressing payday lenders and consumer perceptions per se. In fact, the authors are aware of limited studies on asset building or ownership in South Central Alabama. In addition, asset ownership and lack of financial planning or management may be impinging on the issue of the use of payday loans or the financial status of such consumers.

Therefore, the purpose of this study was to analyze consumer perceptions on payday lending, asset ownership, and financial management education. The specific objectives were to: (1) identify and assess use of payday lending services, (2) identify and assess asset ownership, (3) identify and assess general information on financial management, and (4) assess the extent of the impact of socioeconomic factors on selected indicators. The rest of the paper is organized as follows: the next section covers the literature review, and then the next two sections deal with the methodology and the results and discussion. The last section is the conclusion.

2. Literature Review

2.1 Payday Lending

Payday lending has been part of the financial access or credit debate for several years. For instance, Fox (1998) emphasized that payday loans are usually the mainstay of check cashing outlets, pawn shops, payday loan companies, and similar entities. The reason is that many financial mainstream lenders have left the small loan market and veered into home equity lines of credit. Fox stated that stand alone payday loan companies have experienced tremendous growth and provided examples of four such companies. These are Advance America, Check Into Cash, Inc., National Cash Advance, and Check and Go. Further, Fox explained that the market for payday loans predominantly consists of persons with checking accounts, but who are financially suffocating. Therefore, such persons borrow money against the next paycheck so as to make it day-to-day.

Also, Stegman (2003) assessed payday lending as a business model that encourages chronic borrowing. He found that, first, there was a large and growing demand for payday loans and there was increasing network of companies willing to supply it. Second, the financial performance of the payday loan industry was greatly enhanced by turning occasional users into chronic users. What is more, the socioeconomics of payday loans revealed interesting findings: low-income African American families were more than twice as likely to have used a payday loan over the past two years than white families; high school dropouts were much less likely to use payday lenders than college graduates; single-adult households used payday loans less frequently than those who were married or unmarried couples, and older person used payday loans less than younger persons.

Relatedly, Barr (2004) addressed the issue of banking the poor, focusing on policies to bring low-income Americans into the financial mainstream. The author argued that the unbanked and other relatively low-income households normally rely on the costly alternative financial sector (AFS). The reason is that the AFS provides a range of services attractive to the unbanked and lower-income households, such as short-term loans (especially payday lending) check cashing, bill payment, tax preparation services, and rent-to-own products. Of the problems that lower-income households face, Barr singled out payday lending, because payday lending attracts very high interest rates, a very high cost to the borrower. He mentioned five “costs” of being unbanked and using AFS, namely, (1) reduction of take-home pay, (2) creates barriers to increased saving, (3) difficulty of establishing credit or qualifying for a loan, (4) higher risk of robbery or theft, and (5) inefficiencies in the payment system (i.e., cutting of paper checks imposes costs on the national economy).

Further, the FDIC (2005) stressed in its guidelines for payday lending that, many payday lenders perform very little analysis of the borrower’s ability to repay the loan. It argued that payday lenders neglect to ascertain the borrower’s total indebtedness or obtain information from the major credit bureaus to assess the borrower’s credit history. It argued that this situation poses substantial credit risk to the payday lender and/or insured depository institutions (if they use them as partners).

Moreover, Grissom & Hu-Stiles (2009) evaluated payday lenders cluster in low-income areas in Texas. They found that over 75% of payday lenders were located in communities where the median household income was less than $50,000. They also found that 30% of payday loan borrowers earned less than $10,000 per year, and 58% had extended repayment of loans at least one time before paying them off. They found that such extension attracted more fees.

Additionally, CFA (2011) examined facts about payday lending, and found that high cost payday lending is authorized by state laws or regulations; however, in selected states and the District of Columbia borrowers are protected with small loan rate caps. It also found that lenders used certain tactics to evade state small loans and usury laws. For example, (1) in Texas, many lenders use credit service organizations to evade state small loan limits set by the states’ Finance Commission; (2) the FDIC had to stop several banks from “renting” their charters to help payday lenders operate in states that do not authorize these loans or interest; (3) many payday lenders also tried to repackage their single payment loans into high cost installment loans to evade state law restrictions in Illinois and New Mexico, and (4) in Virginia, some payday lenders changed their payday loans into open end lines of credit to avoid rate caps.

Also, Konty (nd) examined the impact of payday lending on Kentucky counties. The author reported that payday lenders charge as high as $15 fees on each $100 for a two-week period. She argued that since charges are classified as fees instead of interest, the payday lenders are exempt from the 19% interest rate cap. The author also found that payday loan borrowers were allowed to have more than one loan insofar as the amount is not higher than $500. However, lenders could not rollover loans and charge additional fees. This notwithstanding,

about 76% of payday loan volume could be traced to repeat borrowing.

2.2 Asset Ownership and Related Issues

Asset ownership and related issues, such as financial management and education, always attract interests of practitioners and scholars alike. For example, McKernan & Sherraden (2007) evaluated poor finances vis-à-vis assets and low-income households. They distinguished between income and assets, explaining that incomes are flows of resources and assets represent a stock of resources. They argued that incomes provide for current consumption, while assets provide for future consumption. According to them, low-income persons or households do not participate in asset-based mechanisms because of three reasons. First, they are less likely to own homes, investments, or retirement accounts where most asset-ownership policies are targeted. Second, they have little or no tax incentives or other incentives to amass assets. Third, because most, if not all, transfer programs are means-tested, they discourage low-income persons or households from saving.

CFED (2013) also viewed assets as tangible and intangible resources, such as a home, savings in a bank account, or a college education that represents "real" value for the owner. It argued three things, on the basis of stability and mobility, distribution of assets, and wealth. One, that assets are essential to achieving long-term stability and mobility, through financial buffer to mollify the effects of emergencies, promote success in the labor market, and promote long-term well-being. Two, that the distribution of assets is unequal because poor families start from behind since they own less assets. It mentioned, though, that a more appropriate measure for families is liquid asset poverty rather than asset poverty. Liquid asset poverty focuses on assets that are near-cash or cash. It reported that 63% of minority households are liquid asset poor. It reported that there is $0.36 of wealth for single women for every $1 in wealth for single men, in terms of median net worth, and that there is $0.08 of wealth for single mothers for every $1 in wealth for every $1 of wealth for single fathers, in terms of median net worth. Three, that incentives, structures and supports could enhance the savings habits of the poor.

In addition, the New York City Office of Financial Empowerment (2008) analyzed the supply and demand of neighborhood financial services in two New York City Neighborhoods, Jamaica and Melrose. It reported four main findings of the study. For expositional purposes these key findings are reported verbatim; they are as follows (pp. 3-4):

> (1) There is a fundamental mismatch between current financial product and service offerings and the needs of low-income households. This mismatch appears to play a more prominent role in these communities than bank branch proximity in determining why residents remain "unbanked" and why fringe financial services are widely used. (2) Households in Jamaica and Melrose have more savings than might be expected, although analysis of savings products offered in these two communities reveals a mismatch between consumer needs and current product offerings. (3) Even the lowest income segments of these communities have access to mainstream credit; however, access to mainstream credit does not replace use of fringe credit sources, despite being costly and a strong predictor of financial instability. (4) Financial education is strongly associated with positive financial behaviors, such as being linked to mainstream financial institutions, having savings, and avoiding use of fringe debt. There is no relationship found in the study, however, between financial education and indicators of overall financial stability.

The proposed solutions were in four areas: providing basic banking services, encouraging savings, providing access to credit, and providing financial education to win "new clients."

Furthermore, Aratani & Chau (2010) assessed poverty and debt among families with children. They reported that 45% of households with children were asset poor; however, nearly 60% each of female-headed households and African American households with children were asset poor. Moreover, 77% of female-headed households with children, 80% of African-American households with children, and 60% of households with children under 6 years were classified as liquid asset poor. Most of the households did not have bank accounts. They suggested developing a strategy to help households build assets.

Also, HUD User (2012) examined Individual Development Accounts (IDAs) as a vehicle for low-income asset building and homeownership. It assessed the projects funded by the Assets for Independence Act and the American Dream Demonstration. For the former project, an IDA participant saved $935 on average; also, IDA participants were 35% more likely to be homeowners, 84% were more likely to own businesses, and 95% were more likely to pursue a postsecondary education than those who did not participate. For the latter project, IDA participants with prior banking experience had higher average monthly deposits, deposited more frequently, and were less likely to drop out than participants without prior banking experience. In addition, participants with higher educational levels, existing assets and no debt were less likely to drop of the program than those without such attributes. Programs that had higher match rates and longer periods were associated with lower dropout rates. For both programs, participants were more likely to be female, African American, single never married, more educated, and more likely to be full- or part-time employee relative to the average low-income person.

Subsequently, Tackie, Sarpong, Baharanyi, & Findlay (2012) analyzed the perceptions of selected residents on financial education and asset building in the Alabama Black Belt. They found that 71% had never taken financial education classes. Regarding asset ownership, 63% owned a vehicle and 40% owned homes. On the

flip side, only 15% had retirement accounts and 4% owned stocks, bonds, or mutual funds (outside retirement accounts). This notwithstanding, 64% were willing to participate in an asset building program, such as an IDA, set up a small business, or further their education. Additionally, education and household income had statistically significant effects on having taken financial education classes; also, number of children under 18 years old in household, age, and marital status had statistically significant effects on willingness to participate in an asset building program.

Finally, Choi (2013) evaluated household net worth and asset ownership among the economically vulnerable, focusing on selected socioeconomic indicators and composition of portfolios. The author reported that, in 2011, White households, on average, had a median net worth of $110,500; Hispanic households, on average, had a median net worth of $7,683, and Black households, on average, had a median net worth of $6,314. Similarly, the author reported that, in 2011, on average, a household that was led by someone with a bachelor's degree had a median net worth of $147,148 relative to a household that was led by someone without a high school diploma; such a household, in 2011, on average, had a median net worth of $9,800. Corresponding median net worth values for those with graduate or professional
degrees and high school diplomas were $240,750 and $43,945. In short, education matters in net worth accumulation.

Choi (2013) also reported that, in 2011, the number one asset for households was owning an interest-earning assets at financial institutions. However, a little over 90% of households in the top income 20% owned this type of asset and the median value of interest-earning asset for such households was $10,000 compared to $360 for the lowest income 20%. The number two asset was owning a home. On average, in 2011, the highest income 20% had 88% home ownership rate, the middle income 20% had 70% home ownership rate, and the bottom income 20% had 44% ownership rate. The author concluded that there was a need to deal with asset development and debt management for "struggling" households.

3. Methodology

3.1 Data Collection

A questionnaire was developed and used to collect the data. It had five parts or sections. Section one, dealt with use of financial institutions and alternative financial services, including payday loan services. Section two, dealt with uses and other characteristics of payday loans. Section three, focused on asset ownership. Section four, focused on general information on financial planning or management. Section five, covered socioeconomic factors. The Institutional Review Board of the Institution approved the questionnaire before it was administered to participants. The sampling method used was convenience sampling. Convenience sampling was used to select subjects, because of a lack of a known sampling frame from which subjects could be drawn.

The data were collected using self-administration techniques and the respondents were mostly from several counties of South Central Alabama, including Montgomery, Autauga, Macon, Elmore, Pike, Bullock, Dallas, Shelby, Perry, and Butler. The data were collected spring to fall of 2011 by three technical assistants. The sample size was 99 and considered adequate for analysis. The Cronbach's alpha, which tests reliability, was 0.76, and relatively good (Goforth, 2015).

3.2 Data Analysis

The data were analyzed using descriptive statistics (frequency and percentages) and logistic regression analysis. The general model for the logistic regression used is stated as follows:

$$Y_i = \ln (P_i/1\text{-}P_i) = \beta_0 + \beta_j X_{ij} + \varepsilon_{ij} \quad (1)$$

Where $Y_i = \ln (P_i/1\text{-}P_i)$ is the natural log (or the log odds) of the probability of the i^{th} observation for the dependent variable belonging to a particular group to the probability of the observation not belonging to that particular group, β_0 = is the constant, β_i are the coefficients, i is the number of observations, j is the number of independent variables, X_{ij} is observation i associated with independent variable, j, and ε_{ij} is the error term.

Eight models were developed. One for the use of payday loan services; four for asset ownership, and three for financial education. The estimation model for Model 1 is stated as:

$$\ln (P_{UPL}/1\text{-}P_{UPL}) = \beta_0 + \beta_1 HHS + \beta_2 HHC + \beta_3 GEN + \beta_4 RAC + \beta_5 AGE + \beta_6 EDU + \beta_7 HHI + \beta_8 MAS \quad (2)$$

Where $\ln (P_{UPL}/1\text{-}P_{UPL})$ is the natural log (or the log odds) of the probability that a respondent used a payday loan service to the probability that a respondent did not use a payday loan service, HHS is household size, HHC is number of children in household under 18 years, GEN is gender, RAC is race/ethnicity, AGE is age, EDU is education, HHI is household income, and MAS is Marital status.

In brief, the estimation model hypothesizes that the natural log of the probability that a respondent used a payday loan service to the probability that a respondent did not use a payday loan service is influenced by household size, number of children in household under 18 years, gender, race/ethnicity, age, education, household income, and marital status. The hypothesized signs were as follows: positive or negative (HHS); positive or negative (HHC); positive or negative (GEN; female positive); positive or negative (RAC; Black

positive); positive (AGE); negative (EDU); negative (HHI); positive or negative (single positive).

Identical models, 2 to 5, were set up for asset ownership: savings account (SAV), checking account (CHE), vehicle (VEH), and home (HOM). Specifically,

Model 2:

$$\ln (P_{SAV}/1\text{-}P_{SAV}) = \beta_0 + \beta_1 HHS + \beta_2 HHC + \beta_3 GEN + \beta_4 RAC + \beta_5 AGE + \beta_6 EDU + \beta_7 HHI + \beta_8 MAS \quad (3)$$

Where $\ln (P_{SAV}/1\text{-}P_{SAV})$ is the natural log (or the log odds) of the probability that a respondent had a savings account to the probability that a respondent did not have a savings account, and the dependent variables are as previously described.

Model 3:

$$\ln (P_{CHE}/1\text{-}P_{CHE}) = \beta_0 + \beta_1 HHS + \beta_2 HHC + \beta_3 GEN + \beta_4 RAC + \beta_5 AGE + \beta_6 EDU + \beta_7 HHI + \beta_8 MAS \quad (4)$$

Where $\ln (P_{CHE}/1\text{-}P_{CHE})$ is the natural log (or the log odds) of the probability that a respondent had a checking account to the probability that a respondent did not have a checking account, and the dependent variables are as previously described.

Model 4:

$$\ln (P_{VEH}/1\text{-}P_{VEH}) = \beta_0 + \beta_1 HHS + \beta_2 HHC + \beta_3 GEN + \beta_4 RAC + \beta_5 AGE + \beta_6 EDU + \beta_7 HHI + \beta_8 MAS \quad (5)$$

Where $\ln (P_{VEH}/1\text{-}P_{VEH})$ is the natural log (or the log odds) of the probability that a respondent owned a vehicle to the probability that a respondent did not own a vehicle, and the dependent variables are as previously described.

Model 5:

$$\ln (P_{HOM}/1\text{-}P_{HOM}) = \beta_0 + \beta_1 HHS + \beta_2 HHC + \beta_3 GEN + \beta_4 RAC + \beta_5 AGE + \beta_6 EDU + \beta_7 HHI + \beta_8 MAS \quad (6)$$

Where $\ln (P_{HOM}/1\text{-}P_{HOM})$ is the natural log (or the log odds) of the probability that a respondent owned a home to the probability that a respondent did not own a home, and the dependent variables are as previously described.

In the case of the asset ownership models, some of the hypothesized signs changed; these were as follows: positive or negative (HHS); positive or negative (HHC); positive or negative (GEN; female negative); positive or negative (RAC; Black negative); positive (AGE); positive (EDU); positive (HHI); positive or negative (married positive).

In the same vein, identical models, 6 to 8, were set up for financial education: financial management in middle or high school (FMH), financial management after high school or in adult years (FMA), and willingness to participate in financial management workshop (WFW) Specifically,

Model 6:

$$\ln (P_{FMH}/1\text{-}P_{FMH}) = \beta_0 + \beta_1 HHS + \beta_2 HHC + \beta_3 GEN + \beta_4 RAC + \beta_5 AGE + \beta_6 EDU + \beta_7 HHI + \beta_8 MAS \quad (7)$$

Where $\ln (P_{FMH}/1\text{-}P_{FMH})$ is the natural log (or the log odds) of the probability that a respondent took a financial management class in middle or high school to the probability that a respondent did take a financial management class in middle or high school, and the dependent variables are as previously described.

Model 7:

$$\ln (P_{FMA}/1\text{-}P_{FMA}) = \beta_0 + \beta_1 HHS + \beta_2 HHC + \beta_3 GEN + \beta_4 RAC + \beta_5 AGE + \beta_6 EDU + \beta_7 HHI + \beta_8 MAS \quad (8)$$

Where $\ln (P_{FMA}/1\text{-}P_{FMA})$ is the natural log (or the log odds) of the probability that a respondent took a financial management class after high school or in adult years to the probability that a respondent has not taken a financial management class after high school or in adult years, and the dependent variables are as previously described.

Model 8:

$$\ln (P_{WFW}/1\text{-}P_{WFW}) = \beta_0 + \beta_1 HHS + \beta_2 HHC + \beta_3 GEN + \beta_4 RAC + \beta_5 AGE + \beta_6 EDU + \beta_7 HHI + \beta_8 MAS \quad (9)$$

Where $\ln (P_{WFW}/1\text{-}P_{WFW})$ is the natural log (or the log odds) of the probability that a respondent is willing to participate in a financial management workshop to the probability that a respondent is not willing to participate in a financial management workshop, and the dependent variables are as previously described.

Regarding the financial education models, also, the hypothesized signs slightly changed; these were as follows: positive or negative (HHS); positive or negative (HHC); positive or negative (GEN; female negative); positive or negative (RAC; Black negative); positive or negative (AGE); positive or negative (EDU); positive or negative (HHI); positive or negative (married positive). The details of the independent variable names and descriptions used for the models are shown in the Appendix, Tables 1-8. The number of observations used for the regression was lower than that for the descriptive statistics because the "no responses" were deleted from the sample. The logistic regression analysis was run for the various models using SPSS 12.0© (MapInfo Corporation, Troy, NY). The criteria used to assess the models were the model chi-squares, beta coefficients, *p* values, and odd ratios.

4. Results and Discussion

4.1 Descriptive Results

Table 1 reflects the socioeconomic characteristics of the respondents. Household size varied from one to six, with a mean household size of three (in parenthesis). However, the dominating household size was two (33%),

followed by four (22%), and one (20%). The number of children under 18 years in a household varied from zero to three, with a mean of one (in parenthesis). The dominating number of children under 18 years in a household was zero (61%), followed by one (20%), and two (13%). Furthermore, 53% of the respondents were females; 81% were Blacks; 40% were 18-29 years, and 25% were 30-39 years. Also, 41% had a high school education or less; 29% had a two-year/technical college degree or some college education, and 24% had a four-year college degree. About 53% had an annual household income of $30,000 or less; 44% had an annual household income of over $30,000; 35% were married and 63% were not married; of the latter group, 41% were single never married persons. A majority of the respondents (65%) resided in Montgomery County and 30% were from other counties.

In summary, many more participants were in one- to two-person households than other household sizes. Houses with no children under 18 years dominated the household types; there were many more females than males; there were many more Blacks than any other race/ethnicity, and there were many more respondents under 40 years than otherwise. Additionally, a majority had less than four-year college degree; had annual household incomes of $30,000 or less, and were not married.

Table 2 shows the use of financial institutions and payday loan services. About 36% of the respondents indicated they primarily met their borrowing needs through a bank; 11% met their borrowing needs through a credit union; 12% did so through a payday lender, and 30% did so through family members. The main reasons attributed to using these sources of borrowing were relationships (37%), followed by convenience (21%), preference (12%), and emergency situations (10%). It is interesting that 47% used regular banking services (banks and credit unions) and 42% used the other channels (family and payday loan services), which is a sizeable proportion. This implies that there is room for growth in use of regular banking services. Furthermore, the preceding use of payday loan services and family as the primary sources of borrowing (by 42%) may explain why relationship and convenience dominated the "reasons" for using primary source.

Table 1. Socioeconomic Characteristics of Respondents (N = 99)

Variable	Frequency	Percent
Household Size		
One	20	20.2
Two	33	33.3
Three	15	15.2
Four	22	22.2
Five	7	7.1
Six	2	2.0
Mean	(3)	
Number of Children below 18 Years		
Zero	60	60.6
One	20	20.2
Two	13	13.1
Three	6	6.1
Mean	(1)	
Gender		
Male	47	47.5
Female	52	52.5
Race/Ethnicity		
Black	80	80.8
White	14	14.1
Hispanic	2	2.0
No Response	3	3.0
Age		
18-29 years	40	40.4
30-39 years	25	25.3
40-49 years	17	17.2
50-59 years	10	10.1
60-69 years	3	3.0
70 years or older	0	0.0
No Response	4	4.0
Educational Level		
Elementary School/Middle School	1	1.0
High School Graduate or Below	40	40.4
Two-Year/Technical Degree	6	6.1
Some College	23	23.2
College Degree	24	24.2

Table 1. Continued

Variable	Frequency	Percent
Other	2	2.0
No Response	3	3.0
Annual Household Income		
$10,000 or less	9	9.1
$10,001-20,000	18	18.2
$20,001-30,000	25	25.3
$30,001-40,000	16	16.2
$40,001-50,000	13	13.1
Over $50,000	15	15.2
No Response	3	3.0
Marital Status		
Single, never married	41	41.4
Separated	3	3.0
Divorced	2	2.0
Widowed	1	1.0
Married	35	35.4
Cohabiting	15	15.2
No Response	2	2.0
County of Residence		
Montgomery	64	64.6
Autauga	4	4.0
Macon	3	3.0
Elmore	8	8.1
Pike	2	2.0
Bullock	1	1.0
Dallas	7	7.1
Shelby	1	1.0
Perry	2	2.0
Butler	2	2.0
No Response	5	5.1

Table 2. Use of Financial Institutions and Payday Loan Services (N = 99/N = 17)

Variable	Frequency	Percent
Source of Meeting Borrowing/Loan Needs		
Bank	36	36.4
Credit Union	11	11.1
Payday Lender	12	12.1
Family	30	30.3
Friends	5	5.1
Other	1	1.0
No Response	4	4.0
Main Reason for Using Source		
Relationship	37	37.3
Convenience	21	21.2
Preference	12	12.1
Interest Rate	9	9.1
Emergency Situations	10	10.1
Other	10	10.1
Use of Payday Lenders Previous Year		
Yes	17	17.2
No	81	81.8
No Response	1	1.0

Table 2. Continued

Variable	Frequency	Percent
Reasons for not Going to the Bank*		
Relationship	13	76.4
Preference	2	11.8
Other	2	11.8
Average Time Given to Pay Back Loan*		
1-7 Days	3	17.6
8-14 Days	6	35.3
15-21 Days	2	11.8
22-28 Days	2	11.8
Over 28 days	4	23.5
Able to Pay Back Loan First Time Due?*		
Yes	15	88.2
No	2	11.8
If No, What was the Duration?*		
Specify	0	0.0
Still Paying	1	5.9
No Response	1	5.9
Not Applicable	15	88.2

*Based on 17 participants

When asked if they used payday lenders at least once the previous year, 17% indicated “yes” and 82% indicated “no.” Consequently, the next 14 questions did not apply to the latter group. The average amount borrowed from payday lenders the previous year was $1,013 (not in Table). When respondents were asked why they did not go to the bank to borrow the money, 76% indicated relationship, 12% indicated preference, and another 12% indicated other reasons, including bad credit. The average amount borrowed seem not to be on the high side. However, the main reason for not going to the bank, “relationship,” buttresses the findings to primary sources of meeting borrowing needs. It appears those who used payday loan services are comfortable with the relationship that they have with these entities. About 18% of those who used payday loan services indicated they were given 1-7 days to pay back the loan; 35% indicated 8-14 days; 12% each indicated 15-21 days and 22-28 days, and 24% indicated over 28 days. When asked if they were able to pay back the loan the first time it was due, 88% indicated “yes” and 12% indicated “no.” Of the latter group, 6% indicated they were still paying. The average interest paid on the loans was $497 (not shown in Table). That over half had a maximum of 14 days to repay a payday loan was too short a period. Surprisingly, an overwhelming 88% were able to repay the loan the first time it was due. Average interest rate paid based on 14 days by crude calculation was 49% (i.e., 497/1,013); however, the APR (on a daily basis) is 1,277.5% (i.e., 365/14 x 0.49 x 100%), a very high percentage compared to the 391% (FDIC, 2005).

Table 3 reflects the socioeconomic characteristics of only the respondents who used payday loan services. Household size varied from one to five, with a mean household size of three (in parenthesis). However, the dominating household size was four (35%), followed by two (29%), and one (18%). The number of children under 18 years in a household varied from zero to three, with a mean of one (in parenthesis). The dominating number of children under 18 years in a household was zero (41%), followed by one (35%), and two (18%). Seventy-seven percent were females; 82% were Blacks; 47% were 18-29 years, and 24% were 30-39 years. Furthermore, 53% had a high school education or less; 24% had a two-year/technical college degree or some college education, and 24% had a college degree. About 65% had an annual household income of $30,000 or less; 35% had an annual household income of over $30,000; 24% were married and 71% were not married; of the latter group, 47% were single never married persons.

There were more household sizes of greater than one than otherwise; also, there were more households with no children under 18 years than otherwise. There were many more females than males; many more Blacks than any other race/ethnicity, and there were many more respondents under 30 years than any other category, that used payday loan services. Also, there were many more respondents who had high school education or below education than otherwise; a majority of them reported household incomes of $20,000 or less, and most of them were single, not married persons. The findings partially conforms with Stegman (2003) who reported that Blacks were more likely to use payday loan services, and older persons were less likely to use payday loan services. However, they are in opposition to the same study, which reported that persons of relatively low education and single persons were less likely to use payday loan services.

Table 3. Socioeconomic Characteristics of Respondents who used Payday Loan Services (N = 17)

Variable	Frequency	Percent
Household Size		
One	3	17.6
Two	5	29.4
Three	2	11.8
Four	6	35.3
Five	1	5.9
Mean	(3)	
Number of Children below 18 Years		
Zero	7	41.2
One	6	35.5
Two	3	17.6
Three	1	5.9
Mean	(1)	
Gender		
Male	4	23.5
Female	13	76.5
Race/Ethnicity		
Black	14	82.4
White	2	11.4
Hispanic	1	5.9
Age		
18-29 years	8	47.1
30-39 years	4	23.5
40-49 years	3	17.6
50-59 years	1	5.9
No Response	1	5.9
Educational Level		
Elementary School/Middle School	1	5.9
High School Graduate or Below	8	47.1
Two-Year/Technical Degree	2	11.8
Some College	2	11.8
College Degree	4	23.5
Annual Household Income		
$10,000 or less	2	11.8
$10,001-20,000	7	41.2
$20,001-30,000	2	11.8
$30,001-40,000	4	23.5
$40,001-50,000	1	5.9
Over $50,000	1	5.9
Marital Status		
Single, never married	8	47.1
Separated	1	5.9
Divorced	0	0.0
Widowed	1	5.9
Married	4	23.5
Cohabiting	2	11.8
No Response	1	5.9

Table 4 reflects perceptions on payday loans by payday loan users as well as overall estimation of prevalence of payday loan services in community. Approximately 47% of those who used payday loan services said they used their loans to pay utility bills, 6% used their loans to pay rent, and 35% used their loans for other things, such as pay for other bills, entertainment, gas, and "not being broke between paydays." When those who used payday loan services were asked how many times they used the services in a year, 41% stated 1-2 times; 24% stated 3-4 times; 18% stated 5-6 times, and 12% stated over 10 times. About 6% of those who used payday loan services rated the services as poor, 41% rated the services as fair; 29% rated them as good, and 12% rated

them as very good. The main reasons given for the ratings were relationship (41%), cost (18%), interest rate (18%), and other reasons, such as emergency situations and important to rate (18%). By and large, many of those who use payday loans used them to pay for utilities, which are necessities, not for frivolous things. Nevertheless, those who used the services were repeat users (82%, 1-6 times; 65%; 1-4 times); this confirms Konty's (nd) finding. Again, in this case also, the main reason for rating is based on "relationship." It stands to reason that one of the main "ingredients" in use of payday loan services is comfortable relationships.

Moreover, 53% said they would recommend a payday lender to a friend; whereas, 41% said they would not do so. When those who answered "yes" were asked why they would do so, 35% indicated that in emergency situations that is a good source of help, and 12% indicated convenience of the service. On the flip side, when those who answered "no" were asked why they would not do so, 29% mentioned the interest rate, and 12% mentioned the cost. Following this, the participants were asked to suggest one thing that they thought would make borrowing easier. About 47% suggested lower interest rate; 6% suggested lower fees; 18% suggested lower interest and fees; 6% suggested simplicity in paperwork, and 12% suggested user-friendly institutions. The responses on recommendation to a friend both the "yes" side and the "no" side imply that although users of payday loan services think they are a great source of help in time of need, they also think that they are expensive (FDIC, 2005). Not surprisingly, 71% made suggestions that would make borrowing from payday lenders easier; that is, dealing with reducing the cost. On the issue of prevalence of payday lenders in the community, based on the overall participant group, 99, approximately 39% indicated that there were several payday lenders in their city or county, 42% indicated that there were many payday lenders in their city or county. That participants thought that the prevalence of payday loan services in their county was high (several and many) cannot be overemphasized; nearly 82% thought so.

Table 4. Perceptions on Payday Loans by Payday Loan Users and Overall Estimation of Prevalence in Community (N = 99/N = 17)

Variable	Frequency	Percent
Used Payday Loan for*		
Utility Bills	8	47.1
Groceries	0	0.0
Rent	1	5.9
Other	6	35.3
Multiple	1	5.9
No Response	1	5.9
Times Payday Loan Services Used*		
1-2 Times	7	41.2
3-4 Times	4	23.5
5-6 Times	3	17.6
7-8 Times	0	0.0
9-10 Times	0	0.0
Above 10 Times	2	11.8
No Response	1	5.9
Rating of Payday Loan Services*		
Poor	1	5.9
Fair	7	41.2
Good	5	29.4
Very Good	2	11.8
Excellent	1	5.9
No Response	1	5.9
Reasons for Rating Services*		
Relationship	7	41.2
Cost	3	17.6
Interest Rate	3	17.6
Other	3	17.6
No Response	1	5.9
Recommending Services to a Friend*		
Yes	9	52.9
No	7	41.2
No Response	1	5.9

Table 4. Continued

Variable	Frequency	Percent
If Yes, Why*		
Emergency	6	35.3
Convenience	2	11.8
No Response	1	5.9
Not Applicable	8	47.1
If No, Why*		
Interest Rate	5	29.4
Cost	2	11.8
No Response	1	5.9
Not Applicable	9	52.9
Suggestion*		
Lower Interest	8	47.1
Lower Fees	1	5.9
Lower Interest and Fees	3	17.6
Simplicity in Paperwork	1	5.9
Convenience in Process	0	0.0
Easy-to-Understand Paperwork	0	0.0
User-Friendly Institutions	2	11.8
Other	0	0.0
No Response	2	11.8
Prevalence of Payday Loan Services		
Very Few	2	2.0
Few	5	5.1
Several	39	39.4
Many	42	42.4
Not Sure	8	8.1
No Response	3	3.0

*Based on 17 participants

Table 5 shows asset ownership characteristics of the respondents. Nearly 85% had a savings account and 14% did not have one. When those who did not have a savings account were asked why they did not have one, 29% said “just don’t”, 21% said “not enough to save”, another 21% said “will do so later”, and 29% did not respond (not shown in Table). Nearly 87% had a checking account and 12% did not have one. Again, when those who did not have a checking account were asked why they did not have one, 12% said “just don’t”, 18% said “not enough to save”, 12% said “no need”, and 6% said “bad credit/account (not shown in Table). Ninety-six percent did not have an Individual Development Account (IDA), a matched savings account that helps consumers with modest income to save for the purchase of a long-term asset; only 3% had an IDA. Also, 91% owned a vehicle; 38% owned a home, and 61% were renters.

Table 5. Asset Ownership Characteristics (N = 99)

Variable	Frequency	Percent
Have a Savings Account?		
Yes	84	84.8
No	14	14.1
No Response	1	1.0
Have a Checking Account?		
Yes	86	86.9
No	12	12.1
No Response	1	1.0

Table 5. Continued

Variable	Frequency	Percent
Own an IDA?		
Yes	3	3.0
No	95	96.0
No Response	1	1.0
Own a Vehicle?		
Yes	90	90.9
No	7	7.1
No Response	2	2.0
Own/Rent a Home?		
Yes	38	38.4
No	60	60.6
No Response	1	1.0

That a majority had savings and checking accounts is a positive finding; usually those with lower incomes do not have deposit accounts. However, the question is how much are in these accounts. Also, that a majority owned a vehicle is a positive finding; the implications are obvious. It was surprising that 96% did not have an IDA, as that is a way to enhance asset ownership by lower-income persons. In fact, participating in an IDA program could help this group as it has been shown that socioeconomic factors impinge on asset ownership (Choi, 2013). Furthermore, it was not surprising that 61% did not own a home, because considering the socioeconomic factors such a finding is in line with the literature (e.g., Tackie et al., 2012).

Table 6 presents the responses on general information on financial management or education issues. Approximately 30% stated that they took a financial management class in middle or high school; however, 68% stated they did not take such a class. Yet, 29% stated that they had taken a financial management class since graduating from high school or their adult years, but 69% had not done so. Despite this, 41% stated that they were interested in participating in a financial management workshop; whereas, 58% were not interested. When those who indicated that they were interested in participating in a financial management workshop were asked what topics they were interested in, 24% indicated budgeting; 41% indicated financial management/savings; 10% indicated investments, and 17% indicated other things, including how to plan toward retirement and how to manage accounts (not shown in Table). Similarly, when those who indicated that they were not interested in participating in a financial management workshop were asked why they were not interested, 21% indicated “just not interested”; 25% indicated “just don’t have time”; 14% indicated “already taken classes”; and 10% indicated other things, including “already taken classes and it did not help”, “will get help from somewhere else”, and “already know how to do so” (not shown in Table).

Table 6. General Information on Financial Management/Education (N = 99)

Variable	Frequency	Percent
Taken Financial Management in Middle or High School		
Yes	30	30.3
No	67	67.7
No Response	2	2.0
Taken Financial Management after High School or in Adult Years		
Yes	29	29.3
No	69	69.7
No Response	1	1.0
Interested in Financial Management Workshop		
Yes	41	41.4
No	57	57.6
No Response	1	1.0
Primary Source of Personal Financial Advice		
Self	20	20.2
Family	45	45.5

Friends	9	9.1
Tax Preparer	12	12.1
Bank	3	3.0
Other	8	8.0
No Response	2	2.0
Awareness of Any Personal Finance Education Program?		
Yes	13	13.1
No	86	86.9

On the issue of having not taken a financial management class in middle or high school, or in adult years, the finding agrees with those by Tackie et al. (2012), where they found that 71% had never taken a financial management class. As to the willingness to participate in a financial management workshop, the study somehow disagrees with Tackie et al. (2012), in that more persons were willing to participate in a financial management class in that study compared to this study where less were willing to participate (64 vs. 41%); yet, 41% is a sizeable proportion.

Additionally, when participants were asked where they get their personal finance advice, 20% said from self; 46% said from family; 9% said from friends, and 12% said from tax preparer. Only 3% said from bank, and 8% said from other sources such as no one, books, websites, and loan/finance officer. The fact that 46% obtain personal financial advice from family may be troublesome, unless the individuals providing the help are astute in financial matters. The reason is that the respondents may get the wrong advice if the advisor is not personal finance savvy or an expert. Further, 13% of the respondents stated that they were aware of personal finance outreach/education programs offered by the Extension Service, community-based organizations, banks, or other agencies, while 87% were not aware of such programs. The fact is that many nonprofits offer free personal finance classes; it is simply that a majority had not heard about these.

4.2 Regression Results

Table 7 shows the estimates of the effects of the socioeconomic factors on the use of payday loan services. The model chi-square (which relates to the overall significance of the model) for the use of payday loan services model was not statistically significant (p = 0.220). This implies a weak fit between the socioeconomic factors jointly and whether or not a respondent used payday loan services. However, the coefficient of gender was statistically significant. This means gender contributed tremendously to using payday loan services, and that females were more likely to use payday loan services than males, according to expectation. The coefficients for household size, the number of children in household under 18 years, race/ethnicity, age, education, household income, and marital status were not statistically significant. The odds ratio for gender indicates that if a respondent changes from male to female, then that respondent is nearly five (5) times more likely to use a payday loan service. The reason may be attributed to the fact that females are usually liquid asset poor (CFED, 2013).

Table 7. Estimates for the Model on the Effect of Socioeconomic Factors on Use of Payday Loan Services

Variable	UPL β	*p*	OR
HHS	-0.138	0.668	0.871
HHC	0.199	0.637	1.220
GEN	1.524**	0.049	4.590
RAC	0.193	0.782	1.213
AGE	-0.102	0.793	0.903
EDU	-0.213	0.637	0.808
HHI	-0.377	0.130	0.686
MAS	0.085	0.924	1.089
Chi-square	10.685 (p = 0.220)		

*Significant at 5%; OR = Odds Ratio

Table 8 shows the estimates of the effects of the socioeconomic factors on asset ownership indicators. The model chi-square for the savings account model was statistically significant (p = 0.038). This implies a strong fit between the socioeconomic factors jointly and whether or not a respondent had a savings account. However,

none of the coefficients of the factors was statistically significant. Considering the overall model result, it was concluded that there was the likelihood that one of the factors was "impeding" a possible significance of the other factors. Thus, additional analyses were performed by dropping factors, one at a time. When education was dropped, age was statistically significant (p = 0.092) with β = -0.814 and OR = 0.443; the model chi-square was 15.406 and statistically significant (p = 0.031) (not shown in Table). It is likely that age is crucial to having a savings account. The finding implies that older respondents are less likely to have a savings account compared to younger respondents. However, this appears contrary to expectation

Table 8. Estimates for the Models on the Effect of Socioeconomic Factors on Asset Ownership

	SAV			CHE		
Variable	β	*p*	OR	β	*p*	OR
HHS	-0.511	0.302	0.600	0.756*	0.095	2.130
HHC	-0.173	0.817	0.841	-0.831	0.332	0.435
GEN	0.863	0.297	2.371	-1.248	0.199	0.287
RAC	0.935	0.288	2.548	1.321	0.178	3.746
AGE	-0.647	0.188	0.524	0.114	0.780	1.121
EDU	-0.360	0.343	0.698	-1.647**	0.039	0.193
HHI	-0.381	0.228	0.983	-0.700*	0.073	0.497
MAS	0.017	0.923	1.017	-0.254	0.203	0.775
Chi-square	16.346** (p = 0.038)			20.791*** (p = 0.008)		

Table 8 Continued.

	VEH		HOM			
Variable	β	*p*	OR	β	*p*	OR
HHS	1.389	0.161	4.011	-0.394	0.302	0.674
HHC	-2.628	0.148	0.072	-0.592	0.191	0.553
GEN	1.429	0.357	4.174	-0.984	0.226	0.374
RAC	4.824	0.842	124.404	-0.236	0.765	0.790
AGE	1.423	0.194	4.151	-1.305***	0.002	0.271
EDU	-3.989	0.190	0.019	-2.287	0.269	0.751
HHI	-5.237	0.215	0.005	-0.799***	0.006	0.450
MAS -	2.543	0.153	0.079	-0.115	0.537	0.891
Chi-square	27.928*** (p = 0.000)			58.894*** (p = 0.000)		

***Significant at 1%; **Significant at 5%; *Significant at 10%; OR = Odds Ratio

(negative sign) as older persons are likely to have a savings account compared to younger persons. A plausible reason for this could be that the group of older persons have had lower incomes through their lifetime and the trend may be persisting.

The model chi-square for the checking account model was statistically significant (p = 0.008). This implies a strong fit between the socioeconomic factors jointly and whether or not a respondent had a checking account. The coefficients of household size, education, and household income were statistically significant (respectively, p = 0.095 p = 0.039, and p = 0.073). This means that household size, education, and household income contributed well to whether or not a respondent had a checking account. For household size, it implies that the larger the household size, the more likely that a respondent will have a checking account. This may be because he or she thinks it is better to open a checking account than not opening one. Having a checking account has other benefits, such as peace of mind that money is safe. Usually, for education, the higher the educational level, the more likely a respondent will have a checking account, all things equal. However, in this case, the sign is negative. Therefore, it may mean other external factors may be causing the opposite effect. For household income also, usually the higher the household income, the more likely a respondent will have a checking account, all things equal. Despite this, the sign is also negative. Similarly, it may mean that other external factors may be causing the opposite effect. However, number of children under 18 years, gender race/ethnicity, age, and marital status were not statistically significant. For household size, for instance, the odds ratio shows that if household size increases by one, the chances of a respondent having a checking account increases two times.

The model chi-square for the vehicle model was statistically significant (p = 0.000). This implies a strong fit between the socioeconomic factors jointly and whether or not a respondent owned a vehicle. However, none of the coefficients of the factors was statistically significant. Based on the overall model result, it was ascertained that there was the likelihood that one of the factors was "impeding" the significance of other factors. Therefore,

more analyses were performed, by dropping factors, one or two at a time. When race/ethnicity and marital status were dropped, household income was statistically significant (p = 0.041) with β = -2.062 and OR = 0.127; the model chi-square was 16.862 and statistically significant (p = 0.010) (not shown in Table). It is obvious that household income is important in owning a vehicle, and that the higher the income more likely it is to purchase a vehicle, but in this case the sign is negative. A possible interpretation is that those with lower incomes may be using loans to purchase the vehicles, or some other external factor may be causing this anomaly.

The model chi-square for the home model was statistically significant (p = 0.000). One can infer that there is a strong fit between the socioeconomic factors jointly and whether or not a respondent owned a home. The coefficients of age and household income were statistically significant (respectively, p = 0.002 and p = 0.006). This means that age and household income contributed reasonably well to whether or not a respondent owned a home. For age, it means that older respondents were less likely to own a home (negative sign). However, this is an anomaly (contrary to expectation) as older persons are more likely to own homes than not. It may be that an external factor may be influencing the situation. For household income, generally, the higher the household income, the more likely a respondent will own a home, all things equal; but in this case, also, the sign is negative (contrary to expectation). It is plausible that other factors may be causing an opposite effect. Household size, the number of children under 18 years, gender, race/ethnicity, education, and marital status were not statistically significant. For age, for instance, the odds ratio shows that if age increases from one category to another, then a respondent is about one-third (0.27) times less likely to own a home.

Table 9 shows the estimates of the effects of the socioeconomic factors on financial management indicators. The model chi-square for the financial management class in middle or high school model was statistically significant (p = 0.015). This implies a strong fit between the socioeconomic factors jointly and whether or not a respondent had taken a financial management class in middle or high school. The coefficients of household size and education were statistically significant (respectively, p = 0.100 and p = 0.015). This means that household size and education were the main contributors to whether or not a respondent had taken a financial management class in middle or high school. For household size, it means that a respondent from a larger household was less likely to have taken financial management class in middle or high school, according to expectation. For education, it implies that the higher the educational level, the less likely the chance that a respondent had taken a financial management class in middle or high school, according to expectation. It is possible that those with higher educational levels may have taken a financial education class later, after middle or high school. The number of children under 18 years, gender, race/ethnicity, age, household income, and marital status were not statistically significant. For household size, for example, the odds ratio means that if household size increases by one, then a respondent is about seven out of ten (0.66) times less likely to have taken a financial management class in middle or high school.

Table 9. Estimates for the Models on the Effect of Socioeconomic Factors on Financial Management Education

	FMH			FMA		
Variable	β	p	OR	β	p	OR
HHS	-0.420*	0.100	0.657	-0.202	0.480	0.817
HHC	0.196	0.579	1.217	-0.026	0.948	0.975
GEN	-0.291	0.616	0.747	-0.379	0.558	0.685
RAC	1.092	0.168	2.981	0.522	0.474	1.685
AGE	-0.217	0.435	0.805	0.066	0.834	1.068
EDU	-0.553***	0.015	0.575	-0.983***	0.000	0.374
HHI	0.172	0.388	1.187	-0.486**	0.050	0.615
MAS	0.115	0.418	1.122	0..059	0.731	1.061
Chi-square	19.051*** (p = 0.015)			33.414*** (p = 0.000)		

Table 9 Continued.

Variable	WFW β	*p*	OR
HHS	-0.098	0.708	0.907
HHC	-1.442***	0.002	0.236
GEN	1.103*	0.065	3.012
RAC	-0.683	0.310	0.505
AGE	-0.487*	0.100	0.615
EDU	0.059	0.803	1.061
HHI	0.579***	0.008	1.784
MAS	0.183	0.203	1.201
Chi-square	28.776*** (p = 0.000)		

***Significant at 1%; **Significant at 5%; *Significant at 10%; OR = Odds Ratio

The model chi-square for the financial management class after high school or in adult years model was statistically significant (p = 0.000). This implies a strong fit between the socioeconomic factors jointly and whether or not a respondent had taken a financial management class after high school or in adult years. The coefficients of education and household income were statistically significant (respectively, p = 0.000 and p = 0.050). This means that education and household income contributed fairly well to whether or not a respondent had taken a financial management class after high school or in adult years; the signs for both were according to expectation. For education, it means that the higher the educational level, the less likely the chance that a respondent had taken a financial management class after high school or in adult years. The possible explanation here is that, those with higher educational levels may be learning about financial education on their own. For household income, it implies that the higher the household income, the less likely the chance that a respondent had taken a financial management class after high school or in adult years. Again, it is possible that those with higher income levels were studying financial education on their own. However, household size, the number of children under 18 years, gender, race/ethnicity, age, and marital status were not statistically significant. For education, for example, the odd ratio means that if the educational level increases from one category to another, then a respondent is about two-fifths (0.37) times less likely to have taken a financial management class after high school or in adult years.

The model chi-square for the participating in a financial management workshop model was statistically significant (p = 0.000). This implies a strong fit between the socioeconomic factors jointly and whether or not a respondent is willing to participate in a financial management workshop. The coefficients of the number of children under 18 years, gender, age, and household income were statistically significant (respectively, p = 0.002, p = 0.065, p = 0.100 and p = 0.008). This means that the number of children under 18 years, gender, age, and household income contributed immensely to whether or not a respondent is willing to participate in a financial management workshop; the signs were according to expectation. For number of children under 18 years old, the higher the number of children under 18 years, the less the willingness of a respondent to participate in a financial management workshop. For gender, it means that male respondents were more willing to participate in a financial management workshop compared to female respondents. For age, it means that the older respondents were less willing to participate in a financial management workshop compared to younger respondents. For household income, it implies that the higher the household income, the more the willingness of a respondent to participate in a financial management workshop. Household size, race/ethnicity, education, and marital status were not statistically significant. For the number of children under 18 years, for example, the odds ratio means that if the number of children under 18 years old increases by one, then a respondent is about one-fifth (0.24) times less likely or willing to participate in a financial management workshop.

5. Conclusion

The study analyzed consumer perceptions on payday lending, asset ownership, and financial management. Particularly, it identified and assessed use of payday lending services; identified and assessed asset ownership; identified and assessed general information on financial management; and assessed the extent of the impact of socioeconomic factors on selected indicators. The data were collected using a questionnaire and were analyzed by descriptive statistics and binary logistic regression analysis. The results showed that 54% of respondents had household sizes of one or two; 61% had no child under 18 years in household, whereas 20% had one child under 18 years; 53% were females; 81% were Blacks; 66% were below 40 years; 40% had graduated high school; 53% had annual household incomes of $30,00 or less, and 35% were married. Only a small number used payday loan

services. Of those who did, 53% had payback periods of a maximum of 14 days; surprisingly, a majority were able to pay back the loan the first time it was due. Also, of those who used payday loan services, 76% were females; 82% were Blacks; 47% were 30 years or younger; 53% had high school education or lower; another 53% earned $20,000 or less annual household income, and 47% were single never married persons. The payday loans were used mostly for utility bill payments. Most were of the opinion that interest rates or costs in general on payday loans should be lowered.

Of assets owned, a majority of respondents had a savings account, checking account, and vehicle. On the flip side, a majority did not own an IDA or a home. A majority had not taken a financial management class in middle school, high school, or in adult years. Consequently, a sizeable proportion (41%) were willing to participate in a financial management workshop. The binary logistic regression analyses showed that selected socioeconomic factors had statistically significant effects on selected indicators. For instance, gender had a statistically significant effect on use of payday loan services. Household size, education, and household income had statistically significant effects on having a checking account. Age and household income had statistically significant effects on owning a home. Household size and education had statistically significant effects on having taken a financial management class in middle or high school. Education and household income had statistically significant effects on having taken a financial management class after high school or in adult years. The number of children under 18 years, gender, age, and household income had statistically significant effects on willingness to participate in a financial management workshop. With manipulation of data, age had a statistically significant effect on having a savings account, and household income had a statistically significant effect on owning a vehicle.

Based on the results, although the number that used payday loans were not high, the interest paid, on average, was high. This notwithstanding, a majority indicated that it was able to repay the loan first time it was due. As well, many believed that the interest rate or cost in general was high. Therefore, it will be worthwhile for state lawmakers and other policymakers to mend the laws on repayment of payday loans to make it a bit easier for users of payday loan services to pay back their loans. One suggestion may be extending the payment periods without penalty. That most of the users of payday loans used it to pay utility bills is an indication that some are indeed struggling financially to pay for necessities. That many of the respondents did not have an IDA or own a home was concerning. Probably, policies to encourage lower- to middle-income persons to own assets should be promoted and made attractive. Lastly, a way of encouraging lower-income to middle-income persons of owning assets is to participate in financial management workshops. Such workshops should be encouraged in the workplace and communities where such persons reside. Maybe some kind of incentives should be instituted for such efforts to work. Regarding the socioeconomic factors, it is obvious that they do matter in loan services, asset ownership, and financial management education. Therefore, they should be considered in policies related to these issues.

References

Aratani, Y. & Chau, M. (2010). Asset poverty and debt among families with children. National Center for Children in Poverty, Mailman School of Public Health, Columbia University, New York, New York.

Barr, M.S. (2004). Banking the poor: Policies to bring low-income Americans into the financial mainstream

The John M. Olin Center for Law and Economics, Working Paper Series, University of Michigan Law School, Ann Arbor, Michigan.

CFA. (2011). Facts on payday loans. Retrieved October 28, 2011 from http://paydayloaninfo.org/CFED. (2013). Why assets matter: An overview of research on assets and their effect on financial stability and economic opportunity. Retrieved from https://prosperitynow.org/files/resources/WhyAssetsMatter_2013updates.pdf

Choi, R. (2013). Household net worth and asset ownership among the economically vulnerable.

Community Development Research Brief, Community Development Department, Federal Reserve Bank of San Francisco, California.

Conte, A. (1999, June 21). Growth of payday loan industry explodes, Cincinnati Post, p. A4.

FDIC. (2005). Guidelines for payday lending. Retrieved October 31, 2011 from http://www.fdic.gov/news/news/financial/2005/fil1405a.html

Fox, J.A. (1998). The growth of legal loan sharking: A report on the payday loan industry.

Retrieved October 31, 2011 from http://www.in.gov/dfi/2366htm

FTC. (2008). Payday loans equal very costly cash: Consumers urged to consider alternatives.

Retrieved November 17, 2011 from http://www.ftc.gov/bcp/edu/pubs/consumer/alerts/att060.shtm

Goforth, C. (2015). Using and interpreting Cronbach's Alpha. Retrieved December 9, 2016 from http://data.library.virginia.edu/using-and-interpreting-cronbachs-alpha/

Grissom, B. & Hu-Stiles, M. (2009, December 21). Payday lenders cluster in low-income areas.

The Texas Tribune. Retrieved September 1, 2011 from http://www.texastribune.org/texas-issues/predatory-lenders/payday-lending

HUD User. (2012). Individual development accounts: A vehicle for low-income asset building and homeownership. Office of Policy Development and Research, U.S. Department of Housing and Urban Development, Washington, DC. Retrieved June 5, 2018 from https://www.huduser.gov/portal/periodicals/em/fall12/highlight2.html

Konty, M.F. (nd). The debt trap in the commonwealth: The impact of payday lending on

Kentucky counties, Kentucky Coalition for Responsible Lending. Retrieved September 1, 2011 from http://www.maced.org/files/KCRL_IssueBrief-med-res.pdf

McKernan, S., & Michael, S. (2007). Poor finances: Assets and low-income households. Human

Services Policy, U.S. Department of Health and Human Services, Washington, DC. Retrieved June 5, 2018 from http://aspe.hhs.gov/hsp/07/PoorFinances/

Office of Financial Empowerment. (2008). Neighborhood financial services study: An analysis of supply and demand in two New York City neighborhoods. Department of Consumer Affairs, New York, New York.

Stegman, M.A., & Faris, R. (2003). Payday lending: A business model that encourages chronic borrowing. *Economic Development Quarterly*, *7*(1), 8-32. doi:10.1177/0891242402239196

Tackie, N.O., Sarpong, S., Baharanyi, N., & Findlay, H.J. (2012). An analysis of perceptions on financial education and asset building in the Alabama Black Belt. *Asian Economic and Financial Review*, *2*(8), 935-951.

Appendix

Table 1. Variable Definitions and Description of Data for the Use of Payday Loan Services Model (N = 86)

Variable	Description	Mean	Standard Deviation
Household size	1 = one person 2 = two persons 3 = three persons 4 = four persons 5 = five persons 6 = six persons	2.72	1.37
Household with children < 18	0 = no children 1 = one child 2 = two children 3 = three children	0.66	0.95
Gender	1 = male 0 = female	0.52	0.50
Race/ethnicity	1 = Black 2 = White 3 = Hispanic	1.19	0.45
Age	1 = 18-29 2 = 30-39 3 = 40-49 4 = 50-59 5 = 60-69	2.03	1.12
Education	1 = elemen/mid school 2 = high school/GED 3 = two-year/technical degree 4 = some college 5 = college degree 6 = other	1.85	0.85
Household income	1 = $10,000 or less 2 = $10,001-20,000 3 = $20,001-30,000 4 = $30,001-40,000 5 = $40,001-50,000 6 = Above $50,000	3.56	1.57
Marital status	1 = married 0 = not married	0.37	0.48
Use of PD Loan Services	1 = yes 0 = no	0.17	0.38

Table 2. Variable Definitions and Description of Data for the Savings Account Model (N = 86)

Variable	Description	Mean	Standard Deviation
Household size	1 = one person 2 = two persons 3 = three persons 4 = four persons 5 = five persons 6 = six persons	2.72	1.37
Household with children < 18	0 = no children 1 = one child 2 = two children 3 = three children	0.65	0.96
Gender	1 = male 0 = female	0.48	0.50
Race/ethnicity	1 = Black 2 = White 3 = Hispanic	1.18	0.45
Age	1 = 18-29 2 = 30-39 3 = 40-49 4 = 50-59 5 = 60-69	2.07	1.13
Education	1 = elemen/mid school 2 = high school/GED 3 = two-year/technical degree 4 = some college 5 = college degree 6 = other	3.35	1.35
Household income	1 = $10,000 or less 2 = $10,001-20,000 3 = $20,001-30,000 4 = $30,001-40,000 5 = $40,001-50,000 6 = Above $50,000	3.56	1.57
Marital status	1 = married 0 = not married	0.37	0.48
Savings account	1 = yes 0 = no	0.86	0.35

Table 3. Variable Definitions and Description of Data for the Checking Account Model (N = 86)

Variable	Description	Mean	Standard Deviation
Household size	1 = one person 2 = two persons 3 = three persons 4 = four persons 5 = five persons 6 = six persons	2.72	1.37
Household with children < 18	0 = no children 1 = one child 2 = two children 3 = three children	0.65	0.96
Gender	1 = male 0 = female	0.48	0.50
Race/ethnicity	1 = Black 2 = White 3 = Hispanic	1.19	0.45
Age	1 = 18-29 2 = 30-39 3 = 40-49 4 = 50-59 5 = 60-69	2.07	1.14
Education	1 = elemen/mid school 2 = high school/GED 3 = two-year/technical degree 4 = some college 5 = college degree 6 = other	3.34	1.35
Household income	1 = $10,000 or less 2 = $10,001-20,000 3 = $20,001-30,000 4 = $30,001-40,000 5 = $40,001-50,000 6 = Above $50,000	3.56	1.57
Marital status	1 = married 0 = not married	0.37	0.49
Checking account	1 = yes 0 = no	0.87	0.34

Table 4. Variable Definitions and Description of Data for the Vehicle Model (N = 86)

Variable	Description	Mean	Standard Deviation
Household size	1 = one person 2 = two persons 3 = three persons 4 = four persons 5 = five persons 6 = six persons	2.72	1.36
Household with children < 18	0 = no children 1 = one child 2 = two children 3 = three children	0.65	0.95
Gender	1 = male 0 = female	0.48	0.50
Race/ethnicity	1 = Black 2 = White 3 = Hispanic	1.18	0.45
Age	1 = 18-29 2 = 30-39 3 = 40-49 4 = 50-59 5 = 60-69	2.07	1.14
Education	1 = elemen/mid school 2 = high school/GED 3 = two-year/technical degree 4 = some college 5 = college degree 6 = other	3.34	1.35
Household income	1 = $10,000 or less 2 = $10,001-20,000 3 = $20,001-30,000 4 = $30,001-40,000 5 = $40,001-50,000 6 = Above $50,000	3.56	1.56
Marital status	1 = married 0 = not married	0.37	0.48
Vehicle	1 = yes 0 = no	0.93	0.25

Table 5. Variable Definitions and Description of Data for the Home Ownership Model (N = 86)

Variable	Description	Mean	Standard Deviation
Household size	1 = one person 2 = two persons 3 = three persons 4 = four persons 5 = five persons 6 = six persons	2.72	1.36
Household with children < 18	0 = no children 1 = one child 2 = two children 3 = three children	0.66	0.95
Gender	1 = male 0 = female	0.48	0.50
Race/ethnicity	1 = Black 2 = White 3 = Hispanic	1.18	0.45
Age	1 = 18-29 2 = 30-39 3 = 40-49 4 = 50-59 5 = 60-69	2.06	1.13
Education	1 = elemen/mid school 2 = high school/GED 3 = two-year/technical degree 4 = some college 5 = college degree 6 = other	3.34	1.35
Household income	1 = $10,000 or less 2 = $10,001-20,000 3 = $20,001-30,000 4 = $30,001-40,000 5 = $40,001-50,000 6 = Above $50,000	3.56	1.56
Marital status	1 = married 0 = not married	0.37	0.48
Home	1 = yes 0 = no	0.39	0.49

Table 6. Variable Definitions and Description of Data for the Financial Management Class in Middle or High School Model (N = 86)

Variable	Description	Mean	Standard Deviation
Household size	1 = one person 2 = two persons 3 = three persons 4 = four persons 5 = five persons 6 = six persons	2.72	1.37
Household with children < 18	0 = no children 1 = one child 2 = two children 3 = three children	0.66	0.95
Gender	1 = male 0 = female	0.48	0.50
Race/ethnicity	1 = Black 2 = White 3 = Hispanic	1.19	0.45
Age	1 = 18-29 2 = 30-39 3 = 40-49 4 = 50-59 5 = 60-69	2.02	1.10
Education	1 = elemen/mid school 2 = high school/GED 3 = two-year/technical degree 4 = some college 5 = college degree 6 = other	3.33	1.34
Household income	1 = $10,000 or less 2 = $10,001-20,000 3 = $20,001-30,000 4 = $30,001-40,000 5 = $40,001-50,000 6 = Above $50,000	3.56	1.56
Marital status	1 = married 0 = not married	0.37	0.48
Financial Management class in middle/high school	1 = yes 0 = no	0.32	0.47

Table 7. Variable Definitions and Description of Data for the Financial Management Class after High School or in Adult Years Model (N = 86)

Variable	Description	Mean	Standard Deviation
Household size	1 = one person 2 = two persons 3 = three persons 4 = four persons 5 = five persons 6 = six persons	2.74	1.36
Household with children < 18	0 = no children 1 = one child 2 = two children 3 = three children	0.66	0.95
Gender	1 = male 0 = female	0.48	0.50
Race/ethnicity	1 = Black 2 = White 3 = Hispanic	1.18	0.45
Age	1 = 18-29 2 = 30-39 3 = 40-49 4 = 50-59 5 = 60-69	2.06	1.13
Education	1 = elemen/mid school 2 = high school/GED 3 = two-year/technical degree 4 = some college 5 = college degree 6 = other	3.34	1.35
Household income	1 = $10,000 or less 2 = $10,001-20,000 3 = $20,001-30,000 4 = $30,001-40,000 5 = $40,001-50,000 6 = Above $50,000	3.56	1.56
Marital status	1 = married 0 = not married	0.37	0.48
Financial management class after high school/adult years	1 = yes 0 = no	0.30	0.46

Table 8. Variable Definitions and Description of Data for the Willingness to Participate in Financial Management Workshop Model (N = 86)

Variable	Description	Mean	Standard Deviation
Household size	1 = one person 2 = two persons 3 = three persons 4 = four persons 5 = five persons 6 = six persons	2.72	1.36
Household with children < 18	0 = no children 1 = one child 2 = two children 3 = three children	0.65	0.95
Gender	1 = male 0 = female	0.48	0.50
Race/ethnicity	1 = Black 2 = White 3 = Hispanic	1.18	0.45
Age	1 = 18-29 2 = 30-39 3 = 40-49 4 = 50-59 5 = 60-69	2.06	1.13
Education	1 = elemen/mid school 2 = high school/GED 3 = two-year/technical degree 4 = some college 5 = college degree 6 = other	3.34	1.35
Household income	1 = $10,000 or less 2 = $10,001-20,000 3 = $20,001-30,000 4 = $30,001-40,000 5 = $40,001-50,000 6 = Above $50,000	3.56	1.56
Marital status	1 = married 2 = not married	0.37	0.48
Willingness to participate in a financial management workshop	1 = yes 0 = no	0.43	0.49