
The 2014 Economic Impact Study & Perceptions Analysis for Ohio's Short-term Consumer Loan Industry

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I. Executive Summary

The contributions of the short-term consumer loan industry to society can be divisive due to the ambiguity of the industry's costs and benefits. This report attempts to shed light on the benefits of the industry by calculating the economic impacts Ohio receives from the industry as well as provide at least a glimpse of the potential costs by conducting some analysis on the changes in borrower perceptions and quality of life after using short-term consumer loans.

This study attempts to address industry critiques and short-comings found in existing industry studies. Specifically:

- Short-term lending critics argue that the industry has no economic impact on the broader economy because consumers would have made their purchases with or without the existence of the short-term lending industry. This study addresses that argument by looking only at purchases that were made possible by the industry. The numbers in this survey were drawn from respondents who indicated they would have made their purchase(s) only if they could get a short-term consumer loan.
- Short-term lending critics argue that fees and interest on short-term consumer loans harm borrowers' financial well-being and should be regulated or eliminated. However, survey results in this study show the vast majority of consumers (75%) would have sought credit elsewhere (typically via pawn shops, overdrafts, friends, family or online loans).
- This study confirms long-standing anecdotal evidence of a market need for short-term consumer loans. Just 6% of respondents say they'd "be fine" without the ability to get a short-term consumer loan. 10% say they wouldn't be able to borrow money at all, and the remaining 84% say they would seek credit elsewhere including pawn shops, friends or family, delaying bill payments (and accruing fees) and/or overdrafting their bank accounts.

In 2014, the short-term consumer loan industry is estimated to make 6.5 million loans with a total loan amount of \$3.7 billion. However, to determine the industry's economic impact, we need to determine what spending would not have occurred without the industry's presence in Ohio, which was determined through surveying borrowers.

This report provides the economic impact across a number of dimensions, including Ohio's economy as a whole, across the 10 largest cities in Ohio, by industry, and type of loan.

The summary table below indicates that Ohio’s economy received more than \$500 million in additional direct spending that would not have occurred without the short-term consumer loan industry.

Using the Ohio’s Regional Input-Output Multiplier Model, we calculated that an additional \$384 million was created throughout the economy from indirect and induced effects spreading throughout the state. In total, almost \$900 million in spending was created due to the short-term consumer loan industry, which increased local Ohio earnings by \$400 million and created an employment impact equal to 10,500 full-time jobs each year.² Overall, these estimates demonstrate the important contribution the short-term consumer loan industry has to Ohio’s economy.

Additionally, this study looked at how using short-term consumer loans changed borrowers’ perceptions of the industry and how borrowers thought the industry affected their quality of life. Both qualitative and quantitative analysis indicates that participants’ perceptions and quality of life were improved due to the industry.

Summary Table: The Short-term Loan Industry's Impact on Output, Income, and Employment for the Entire State of Ohio

Source	Direct Spending	Indirect Spending	Total Spending Impact	Earnings Impact	Employment Impact
All Industries -Whole Economy	\$512,881,000	\$383,927,000	\$896,807,000	\$397,472,000	10,568.31

² It is important to note that this impact is from the additional spending created by the industry and does not include jobs and earnings directly employed in the industry. Therefore, most likely the true effect of the industry on Ohio’s economy is higher than estimates in this report.