

VOCATIONAL AGRICULTURE TEACHERS AND
STUDENTS KNOWLEDGE OF CREDIT AND
CREDIT SOURCES USED TO FINANCE
SOE PROGRAMS IN OKMULGEE
COUNTY, OKLAHOMA

By

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CHAPTER I

INTRODUCTION

In an ever changing economy the youth of America's agricultural community have found it necessary to use credit as a tool to finance their SOE Programs. Since financial experience has always been a great asset to students when they become adults, the need exists to better educate them in the formative years of their lives as to various procedures in obtaining financing. This fact has become more evident as total farm debt has reached an all time high of \$212.9 billion dollars, according to the Farm Bureau News (1). This has occurred in conjunction with a national debt that has exceeded the two trillion dollar mark.

Banks indicate that daily interviews with people prove they know little about the mechanics of the lending operation. This is not only time consuming for them and the bank, but often leads to unwise credit decisions and investments on their part, according to Steed (2), agribusiness officer of the First Mississippi National Bank. This lack of knowledge leads to the fact that basic credit understanding, as to its function in agriculture and agribusiness, has become one of the high priorities facing vocational agriculture instructors and their students.

Therefore, through this study it is proposed to identify how students are financing their SOE Programs and thereby better

acquainting themselves with the knowledge of credit and its need in our society today.

Statement of the Problem

Because of the need to find financing for SOE Programs due to economic conditions, the need exists to study the extent of instruction given students in ways of financing their programs, and how students are using credit to obtain their SOE Programs.

Purpose of the Study

The purpose of this study was to determine how knowledgeable vocational agriculture teachers and students enrolled in vocational agriculture in Okmulgee County, Oklahoma, are in the various ways of financing SOE Programs.

Objectives of the Study

To accomplish the goals of this study the following objectives were formulated:

1. To examine the alternative ways students finance SOE Programs.
2. To determine how knowledgeable students are in financing SOE Programs.
3. To determine how knowledgeable vocational agriculture teachers are in financing SOE Programs.

Scope of the Study

The population studied was limited to the Vocational Agriculture Departments in Okmulgee County, Oklahoma. This includes both the

instructors and students of these departments.

Definition of Terms

The following are definitions of certain terms used throughout the study:

1. Amortized - The regular schedule of payments of a loan.
2. Appraisal - A fair market value given on personal property.
3. Assets - Any item of value owned by an individual.
4. Cash Flow - A projection of what cash receipts and cash expenses are expected to occur over the year.
5. Chattle Property - Assets used for collateral other than real estate.
6. Collateral - Any item of value the borrower pledges to the creditor to be used in the repayment or taken to lend additional support of the repayment to the loan.
7. Debt - The amount of money owed.
8. Interest Rate - The percentage charged for the use of money.
9. Lien - A legal claim against property in the form of a written document.
10. Maturity - The date the loan is to be paid in full.
11. Mortgage - A written document creating a lien on property which is used for security for the payment of a loan or debt.
12. Principle - The amount of money borrowed by an individual.
13. Principal Payments - Payments to be made on intermediate and long term debts.
14. SOEP - Supervised Occupational Experience Program.

CHAPTER II

REVIEW OF LITERATURE

The importance of teaching students to use credit properly to finance their SOE Programs can be beneficial while they are in vocational agriculture, as well as when they become adults. The review of literature has been arranged to explain this theme further.

The review of literature in this study is subdivided into four basic sections and a summary as follows:

1. Importance of Economic Literacy in Agriculture
2. Credit As a Function of Agriculture
3. Requirements Needed To Acquire Financing of Various Kinds
4. Benefits Derived from Early Educational Experiences in Financing SOE Programs

Importance of Economic Literacy in Agriculture

According to Lee (3):

Economic literacy is the ability of individuals to use economics in their daily work and personal lives. Competencies in economic literacy, especially in the free enterprise system, are essential in the agricultural industry (p.3).

For this reason vocational agriculture educators must concern themselves with the level of economic literacy that students possess when they leave their programs. "Our public schools need to include more training in the area of farm financial management," emphasizes Doyen (4, p. 213) in his article on Farm Financial Management.

The most simple idea of utilizing the material needed to instruct students in the basic ability to know credit and its functions in agriculture can benefit them no matter what career they undertake for themselves, even though economics has become much more complex. "In the building of a vocational agriculture program, developing students' abilities to deal with the real economic impact of agriculture production merits a high priority in making them economically literate," states Peterson (5, p. 5).

A very simple definition offered by Sande and Groen (6) of economic literacy is: being able to talk to the banker and to the tax collector.

Economic literacy is built around supervised occupational experience program records according to Murry and McCormick (7), "The total program concept is built upon sound educational principles. Inherent within this concept are two of the most effective teaching tools ever conceived - FFA and SOE Programs (p. 13)."

As stated by Persons (8), Professor of Agricultural Education at the University of Minnesota:

Economic literacy needs to start in the classroom with a sound marriage between technical practice and economic consequences. An idea and practice introduced is incomplete until the student has considered the economic impact - both short and long term - of the adoption of the practice in the farm operation (p. 14).

Vocational agriculture students have an opportunity to learn about America's free enterprise economic system. Amberson (9) believes that economic literacy is built into vocational agriculture by developing both an understanding of principles and an application of these principles in real life situations. As Amberson explains:

It's one thing to plan a steer or lamb feeding budget,

but quite a different experience to borrow the money at high interest rates to purchase a lamb or calf, purchase the feed and other services, only to determine at the end of the project that due to death, disease, poor management, or poor markets the anticipated return turns into a loss. The investment made by a student through a supervised occupational experience (SOE) program provides teachers with a valuable teaching opportunity (p. 19).

Credit As a Function of Agriculture

Credit has become one of the most important factors facing agriculture. We have found agriculture debt rise enormously and through this rise many perils have risen to threaten the entire agricultural community. According to the 1982 Yearbook of Agriculture (10), credit has been used to bridge the cash flow gap from declining profit margins as well as to finance needed inputs on the farm until sales can take place. From 1960 to 1984 the debt burden of the nation's farmers has increased substantially to an estimated total farm debt as of December 31, 1984 of \$ 212.9 billion dollars.

"Today, possibly more than any other time in history, an individual is faced with financial decisions early in life," declares Steed (2, p. 118) in his article titled Vo-Ag and Loans from the Bank.

Credit is used basically for three purposes or types of loans as defined in the Vocational Agriculture Core Curriculum (10):

1. Short-term Loans

- Extend for periods up to one year
- Used for such items as fertilizer, feed or seed, or to pay other current operating expenses

2. Intermediate Loans

- Extend for periods of one to five years
- Used for purchase of machinery and equipment, the purchase of breeding herds and flocks, and

construction or major repair of farm buildings

3. Long-term Loans

- Extend from five to thirty years or more
- Used for such purposes as the purchase of farms, for farm improvements, for major repairs and other purposes.

These various loans and their purposes are provided to farmers and ranchers by several different sources. They include:

1. Cooperative Farm Credit System

- Privately owned source of long, intermediate, and short-term credit
- Consists of Federal Land Bank Association (FLBA) and Production Credit Association (PCA) which are in the process of merging in order to provide more efficient services to its customers

2. Commercial Banks

- Privately owned corporations. They are the most important source of short-term and intermediate-term credit in Oklahoma and the U.S.

3. Farmers' Home Administration

- A part of the United States Department of Agriculture
- Known as "the lender of last resort" for individuals with a reasonable chance of succeeding, but who cannot obtain adequate funding at reasonable rates from commercial lenders
- Short-term, intermediate-term and long-term loans available
- Issues disaster emergency loans when so declared by the President of the United States

4. Savings and Loan Institutions

- Long-term land and home loans

5. Life Insurance Companies

- Long-term loans

6. Small Business Administration (SBA)

- Agency of the U. S. government with authority to

make loans to farmers who cannot meet FmHA eligibility requirements or obtain regular commercial financing

- Short-term, intermediate-term and long term loans

7. Dealer Credit

- Short-term and intermediate-term loans

8. Individual Sellers

- Historically one of the most important sources of real estate financing

With this information taken into consideration, educators in vocational agriculture must realize that for one to reach their goals in life, a knowledge of credit and finance, as well as many other areas, is necessary. According to Steed (2), Agribusiness officer, First Mississippi National Bank,

Generally, the average person becomes familiar with loan procedure and responsibility only when the need first arises for financial assistance. The vocational agriculture program can aid in correcting this situation (p. 119).

Requirements Needed to Acquire

Financing of Various Kinds

The Farmers Home Administration makes loans to individual rural youths who are between the ages of 10 to 20 years of age. These loans are to be used to establish and operate income producing projects of modest size and are to be in connection with their participation in 4-H Clubs, Future Farmers of America and other similar organizations, according to Hutton (11), Okmulgee County FmHA Supervisor.

Each project must be part of an organized and supervised program of work. The project must be planned and operated with the help of the organization adviser, produce sufficient income to repay the loan,

and provide the youth with practical business and educational experience. To get a youth loan from FmHA one must:

- Be a citizen of the United States.
- Be a minimum of ten years of age, but under 21 years of age.
- Live in the country or in a town of less than 10,000 population.
- Be unable to get a loan from other sources.
- Conduct a modest income producing project in a supervised program of work.

Also, one must have good character and be capable of planning, managing, and operating the project under guidance and assistance from a project advisor. The project advisor must recommend the project and the loan and agree to provide adequate supervision.

These loans can be used to finance nearly any kind of incoming producing project and may be used to:

1. Buy animals, equipment and supplies.
2. Buy, rent, or repair needed tools and equipment.
3. Pay operating expenses for running the project.

The interest rate is determined periodically, based on the cost of money to the government. However, when a loan is made, the interest rate for that loan will not change but could be different on subsequent loans.

To receive a loan, one must sign a promissory note and incur personal and full responsibility for the debt. Sometimes the county supervisor may require a co-signer for the loan. In addition, loans must be secured by liens on products produced for sale and on chattel property, including livestock, equipment, and fixtures purchased with loan funds.

The schedule for repaying the loan shall be worked out with the Farmers' Home Administration county supervisor.

Acquiring credit from commercial sources, such as banks,

involves various requirements. According to Steed (2) in his article on Vo-Ag and Loans from the Bank, the following outline for agriculture finance was given:

I. How To Apply for a Agriculture Loan

A. Plan In Detail Your Agriculture Enterprise

1. List any past or present work related experience or education.
2. Plan a detailed outline of your long range goals.
3. Examine the time frame involved for the operation and the loan.
4. Formulate operating budget.
5. Outline the payback plan to include how much, what source of money, and how often.
6. Decide which loan security will be most effective.
 - a. Signature Note
 - b. Financial Statement
 - c. Real Estate
 - d. Other

B. Interview with Loan Officer

1. Explain in detail all steps listed above.
2. Identify what security or collateral you have to offer.
3. Reveal credit information.
 - a. Disclose Total Income
 - b. List All Credit References
 - c. Present All Debts

After the preceeding has taken place, the loan officer must make a decision as to whether or not to make the loan. Here the applicant's ability to repay must be considered along with the applicant's character and stability. Five credit factors that a lender seeks in a

loan applicant, according to Morgan (13) are:

1. Individual's Character
2. Individual's Financial Position or Progress
3. Individual's Repayment Capacity
4. Purpose of Loan
5. Collateral

Benefits Derived from Early Educational Experiences

In Financing SOE Programs

In a related study, Curry (14) found that interest rates for high school students ranged from 6.8 percent to 16 percent with the most common being 12.25 percent. This wide variation in interest rates points to the need to be better educated in sources of credit used in financing SOE Programs.

Steed (2) stated:

Generally the average person becomes familiar with loan procedures and responsibility only when the need first arises for financial assistance. When a person unfamiliar with loan procedure goes in for a loan, the banker will explain principle factors involved, but is this enough? Could individuals make better management decisions if they were completely knowledgeable in the basic principles of a loan? The cooperation between the bank and the vocational agriculture department can provide the basis for the required knowledge in loan procedures. The vocational agriculture program can aid in correcting this situation (p. 119).

Ownership SOE Programs may involve both production agriculture and agribusiness. According to Cheek and Beeman (15), ownership is the oldest and more traditional type of SOEP. They continue by explaining:

Examples of ownership would include such activities as: raising and producing beef cattle, horses, other livestock, and crops; owning a cattle spraying service; operating a custom harvesting service; developing a road-

side market; establishing a plant stand to sell plants, and operating a lawn maintenance service. In all of these cases, the student would have complete or partial ownership of the operation (p. 7).

Through the involvement of vocational agriculture students in their SOE Programs, we have an excellent laboratory for educating our young people in the uses of credit. Students can learn to use credit to finance their SOE Programs today and their business and personal needs tomorrow. Kaczor (15, p. 9) stated that "the primary purpose of SOE Programs are to enable a student to develop entry level agribusiness skills within real life situations." She further adds, "SOE Programs should also assist students in securing positions and making satisfactory progress in an agricultural occupation of their choice, whether on or off the farm." What better way can we, as educators of young people better accomplish these goals than to teach our students credit realities which they will undoubtedly encounter as adults.

Summary

Financing Supervised Occupational Educational Programs has been overlooked as an excellent tool in which to better educate young people in the realities of credit in our world. We face an ever rising consumer debt in a time when total farm debt is in excess of \$212.9 billion dollars and national debt is in excess of \$2 trillion dollars.

Economic literacy among our young people can be dramatically improved thereby enabling them to cope with their futures in our debt-ridden society. Could conditions in our farm and national economies have been better had educators stressed the wise use of

credit while this debt-ridden population was in their formative years as students? Economic literacy and the wise use of credit as it relates to agriculture and business can be the key to resolving our credit woes as they now exist.

Early educational experiences offered through vocational agriculture and Supervised Occupational Experience Programs coupled with the teaching of sound economic principles and the prudent use of credit, can strengthen the future for young peoples' tomorrows, if they are stressed and used!

CHAPTER III
DESIGN AND METHODOLOGY

The purpose of this chapter is to illustrate the methods used and the procedures followed in conducting this study. In order to collect data which would provide information relating to the purposes and objectives of this study, the sample was determined and the instrument was developed for data collection. A procedure was established for data collected during the fall of 1985 and the spring of 1986.

The Population

The population of this study consisted of four vocational agriculture departments in Okmulgee County, Oklahoma. They consisted of three multi-teacher departments and one single teacher department. There were a total of seven vocational agriculture instructors and 302 students which could be used as respondents.

Development of the Instrument

In the preparation of an instrument to meet the objectives of the study, the author considered personal concerns and the type of study being done and how much previous research that had been done concerning this topic. Since only minimal research had been done, it was decided to use a specially developed and personally

administered survey instrument. Vo-Ag teachers and faculty members of the Agriculture Education Department at Oklahoma State University were utilized in the development of the instrument. Since time was a factor for the author, as well as the number of survey instruments, a decision was made to limit the study to a county wide basis.

Validating the Instrument

After the instrument was developed, it was reviewed by Vo-Ag instructors, faculty members of the Oklahoma State University Agricultural Education Department, and students enrolled in Ag. Ed. 5980 at Oklahoma State University, for recommendations as to clarity and completeness. In addition to the review process, the students in 5980 completed the instrument as a pilot study.

The class then provided their comments regarding the questions and the validity of the questions asked by the researcher. Several valid comments and questions were raised by the class. This allowed the strengthening of several areas within the survey instrument.

Administering the Instrument

After the completion and validation of the survey instrument it was personally administered to the population selected for the study. A separate survey instrument was developed for Vo-Ag teachers and students and personally administered to both groups. One exception to this was the single teacher department where the instruments were personally delivered and the instructor administered the survey instrument after detailed instructions.

The survey instruments were concluded during the late spring of

1986.

Analysis of Data

The data collected from this study was broken down into two specific groups. The two groups included: (1) the instructors at the vocational agriculture departments and (2) the students enrolled in the vocational agriculture classes at each department. All responses to questions in the survey instrument were primarily forced answer and a few opportunities for open ended answers.

The use of descriptive statistics was utilized in analyzing the information provided by the Vo-Ag teachers and students.

Key (15) stated:

The primary use of descriptive statistics is to describe information or data through the use of numbers. The characteristics of groups of numbers representing information or data are called descriptive statistics. Descriptive statistics are used to describe groups of numerical data such as test scores, number or hours of instruction, or the number of students enrolled in a particular course (p. 142).

The total responses to each of the questions in the survey were totaled and averages calculated and reported as mean responses as well as percentages.

One question was utilized as a ranking of sources where the total sum of ranks was calculated and the lowest sum was the highest ranking category.

CHAPTER IV

PRESENTATION OF ANALYSIS OF DATA

This chapter deals with the presentation and analysis of data gathered from surveys administered to 282 vocational agriculture students out of a possible 302 respondents (93.3% response rate) and seven vocational agriculture teachers located in four vocational agriculture chapters in Okmulgee County, Oklahoma.

The tables have been compiled, where applicable to facilitate presentation of the data gathered as a result of the surveys conducted with the students and teachers.

Data was collected from two sources which included a survey instrument for the Vo-Ag instructors as well as a survey instrument for the Vo-Ag students. Data collected from the Vo-Ag instructors will be examined first with data from the students following.

Table I indicates the teaching experience of the vocational agriculture instructors surveyed. Seventy-one percent of the instructors had over ten years of total teaching experience. When asked if they were involved in 4-H or FFA as a youth, 100 percent of the instructors indicated a "yes" response. When asked the question if they needed to finance their projects as youths with borrowed capital, 100 percent indicated "yes". Also every teacher responded that their experience as a youth financing their SOE Program helped them in their adult lives.

TABLE I
YEARS TEACHING EXPERIENCE OF
VOCATIONAL AGRICULTURE
INSTRUCTORS

Years of Experience	No. of Teachers	Percent
1-5 yrs.	2	29
5-10 yrs.	0	0
10 + yrs.	<u>5</u>	<u>71</u>
Totals	7	100 %

Table II indicates that when seeking money to purchase their projects, 71 percent obtained financing from their parents or relatives while 29 percent used their local bank. Sources such as Farmers Home Administration and other governmental lending agencies failed to be used by the instructors surveyed.

Table III indicates the perception of the vocational agriculture instructors in regard to the Economic conditions which effected their students and their SOE Programs. Fifty-eight percent felt students will be less likely to acquire an SOE Program, while 42 percent felt that economic conditions will simply make acquiring an SOE Program more difficult.

Table IV is an analysis of the way instructors perceived that their students financed their SOE Programs. The largest number (57%) felt that ten to twenty-five percent of their students used borrowed

TABLE II
HOW ADVISORS FINANCED THEIR SOE PROGRAMS

Source of Funds	No.	Percent
Parent or Relative	5	71
Local Bank	2	29
County FmHA Office	0	0
Other	<u>0</u>	<u>0</u>
Totals	7	100%

capitol to finance SOE Programs, while only 14 percent felt that better than half of their students used borrowed capitol.

One question on the survey that was asked of the instructors was if they felt their students should be exposed to a variety of financing methods. All instructors indicated that students should be exposed to different financing methods. Teachers also agreed that an understanding of economics in agriculture is as important as understanding production in agriculture.

Table V dealt with the question that in a time when agriculture is facing such hard times as well as so many farm foreclosures taking place, did the instructors believe that a better understanding of credit and borrowing procedures would have made a difference. Seventy-one percent answered "yes", while 29 percent answered "no". Those instructors responding "yes" indicated in a follow up question

TABLE III
EFFECT OF ECONOMIC CONDITIONS ON STUDENTS AND THEIR
SOE PROGRAMS ACCORDING TO TEACHERS

Response	Number	Percent
Conditions make it more difficult to acquire SOE Program	3	42
Conditions make it necessary to seek financing	0	0
Conditions make it less likely SOE Programs will be acquired	<u>4</u>	<u>58</u>
Total	7	100%

TABLE IV
INSTRUCTORS' ESTIMATES REGARDING PERCENTAGE
OF STUDENTS WHO FINANCE SOE PROGRAMS
WITH BORROWED CAPITAL

Percent of Students Borrowing Capital	No.	Percent
0-10	0	0
10-25	4	57
25-50	2	29
Over 50	<u>1</u>	<u>14</u>
Total	7	100%

TABLE V

RESPONSE TO THE QUESTION: IN A TIME WHEN AGRICULTURE
IS FACING SUCH DIFFICULTIES, DO YOU BELIEVE THAT A
BETTER UNDERSTANDING OF CREDIT AND BORROWING
PROCEDURES WOULD HAVE MADE A DIFFERENCE?

Yes	Percent	No	Percent
5	71	2	29

that a better understanding of the impact of interest rates would have helped. Also, it was believed that this would have lead to a clearer understanding of economics and helped them avoid overextending themselves with extreme debt loads. The following was a typical response made by the teachers: Avoid high interest rates - reduce the purchasing of new machinery.

Table VI ranks the importance of credit sources that are used by students to finance their SOE Programs according to the instructors. Parents and banks ranked first and second respectively. Of the remaining credit sources, instructors ranked FmHA third and well above Production Credit, Federal Land Bank and finance companies which fell far behind.

Table VII emphasizes what type of loans teachers felt their students used most, as well as whether or not they encouraged their students to seek financing from sources other than parents. Responses indicated that 85% felt the most common used loan type for their students was the short term loan, while only 15% used intermediate

TABLE VI
 RANKING BY INSTRUCTORS OF IMPORTANCE OF
 OF SOURCES OF BORROWED CAPITAL
 FOR STUDENTS SOE PROGRAMS

Source	Rank Order by Individual Instructor							Sum of Ranks	Group Ranking
	1	2	3	4	5	6	7		
Banks	2	2	1	1	2	2	1	11	2
Parents	1	1	2	2	1	1	2	10	1
FmHA	3	3	3	3	3	4	3	22	3
FLBA	5	4	5	5	5	5	4	33	5
PCA	4	5	4	4	4	3	5	29	4
Finance Co.	6	6	6	6	6	6	6	42	6

type loans. No respondent indicated the use of long term loans for students. The majority of teachers (85%) encouraged their students to seek financing from sources other than their parents.

TABLE VII
 INSTRUCTORS ANALYSIS OF TYPES OF LOANS USED BY
 STUDENTS AND EMPHASIS PLACED ON FINANCING
 SOURCES OTHER THAN PARENTS

Responses	Type of Loan Used by Students		Do You Encourage Financing Other Than Parents	
	No.	%	No.	%
Short Term Loan	6	85		
Intermediate Term Loan	1	15		
Long Term Loan				
Yes			6	85
No			1	15
Totals	7	100%	7	100%

The following tables are used to illustrate data gathered from student survey instruments.

Table VIII shows the distribution of students that were in their first year through their fourth year in vocational agriculture. Proportions of students ranged from 33% (93 students) enrolled in their first year, 27% (76 students) in their second year, 23% (65 students) in their third year and 17% (48 students) in their fourth year of vocational agriculture.

Table IX deals with those students who had belonged to 4-H prior to vocational agriculture. Ninety-three students (33 percent) were in 4-H prior to vocational agriculture. Of those 93 students,

TABLE VIII
 DISTRIBUTION OF STUDENTS BY YEAR
 IN VOCATIONAL AGRICULTURE

Year	Distribution of Students	Percent
1st	93	33
2nd	76	27
3rd	65	23
4th	<u>48</u>	<u>17</u>
Total	282	100%

TABLE IX
 STUDENTS BELONGING TO 4-H PRIOR TO ENROLLING IN
 VOCATIONAL AGRICULTURE AND IF THEY HAD A
 PROJECT WHILE IN 4-H

Response	Did You Belong to 4-H Prior to Vo-Ag?		If Yes, Did You Have a Project While In 4-H?	
	No.	%	No.	%
Yes	93	33	70	75
No	<u>189</u>	<u>67</u>	<u>23</u>	<u>25</u>
Total	282	100%	93	100%

75% (70 students) did have projects.

Table X presents the data to the question whether the students

TABLE X
 RESPONSE TO THE QUESTION: HAVE YOU FOUND IT
 NECESSARY TO BORROW MONEY TO
 BUY YOUR PROJECT?

Yes	Percent	No	Percent
82	29%	200	71%

found it necessary to borrow money to buy a project. The students indicated that the majority (71%) did not borrow money. Of those saying "no" a follow up question was asked as to how they financed their SOE Program. Of those responding, most had no project at all, or else their parents simply gave them the money.

Table XI revealed whether or not the teacher encouraged them to borrow money to finance their projects. Sixty-eight percent responded by saying that they had not been encouraged to borrow money to finance their project, while 32% felt they were encouraged to borrow for a project.

From whom students would borrow money if necessary, is illustrated in Table XII. The largest number of students, 172, or 61 percent, used their parents as their credit source. Local banks came in a distant second at 23%, and the Farmers' Home Administration was the lowest source used by only 4% of the students. Other credit sources when grouped total 12%, or 34 students, using these methods for financing.

Table XIII is an analysis of three questions which were used to

TABLE XI

RESPONSE TO THE QUESTION: DID YOUR
INSTRUCTOR ENCOURAGE YOU TO
BORROW MONEY TO FINANCE
YOUR PROJECT?

Yes	Percent	No	Percent
90	32%	192	68%

TABLE XII

ANALYSIS OF SOURCES OF FINANCING
USED ACCORDING TO STUDENTS

Source of Financing	No.	Percent
Parents or Relatives	172	61
Local Bank	65	23
Farm Home Administration	11	4
Other (Credit union, Production credit, and Federal Land Bank)	<u>34</u>	<u>12</u>
Totals	282	100%

TABLE XIII

ANALYSIS OF QUESTIONS: HAVE YOU BEEN TO YOUR
COUNTY FmHA OFFICE? ARE YOU AWARE OF
BORROWING PROCEDURES? DO YOU KNOW
YOUR LOCAL BANKER?

Responses	Have You Been to Your County FmHA Office?		Are You Aware of Borrowing Procedures?		Do You Know Your Local Banker?	
	No.	%	No.	%	No.	%
Yes	79	28	183	65	155	55
No	<u>203</u>	<u>72</u>	<u>99</u>	<u>35</u>	<u>127</u>	<u>45</u>
Totals	282	100%	282	100%	282	100%

determine some basic information about the knowledge the students had about knowing their local banker, having been to their local Farmers' Home Administration office, and whether or not they were familiar with borrowing procedures. As for knowing their local banker, 55% said they were acquainted with their banker. However, 72% replied they had never been to their local FmHA office. Sixty-five percent felt they were aware of the procedures one goes through to borrow money.

Table XIV explains responses to the question about borrowing which revealed that the majority (59%) believed knowing how to borrow money was a good thing to know, while 31% felt it was a necessary tool to be used in agriculture. Ten percent of the respondents felt that either it was a waste of time (5%), or something the teacher should spend more time on (5%).

TABLE XIV
 RESPONSES TO QUESTION: DO YOU BELIEVE
 KNOWING HOW TO BORROW MONEY IS:

Responses	No.	Percent
A Good Thing to Know	166	59
A Waste of Time	14	5
A Tool To Be Used In Agriculture	88	31
Something Your Teacher Should Spend More Time On	14	5
Totals	282	100%

Table XV shows the results of questions dealing with the likelihood of having a project if borrowing money was not necessary, in which case 60% said they would be more likely to have a project if they did not have to borrow money to acquire one. Two hundred and nine respondents (74%) indicated they had no fear of borrowing, while 26% did fear the thought of borrowing.

Table XVI is an analysis of the types of individuals the students felt would be more apt to use credit in their particular occupation. The majority, 141 students, 51%, chose farmers and ranchers while 87 students, or 31%, felt all occupations listed would need to borrow money. Nine students, or 3%, responded that none of the occupations would require borrowed capital.

There are three additional questions for which no tables were

TABLE XV

WOULD YOU BE MORE LIKELY TO HAVE A PROJECT IF YOU DID
NOT NEED TO BORROW MONEY AND ARE YOU AFRAID OF
BORROWING MONEY OR EVEN THE THOUGHT OF
BORROWING MONEY?

Responses	Would You Be More Likely to Have a Project If You Did Not Need To Borrow?		Are You Afraid of Borrowing or the Thought of Borrowing?	
	No.	Percent	No.	Percent
Yes	169	60	73	26
No	<u>113</u>	<u>40</u>	<u>209</u>	<u>74</u>
Totals	282	100%	282	100%

TABLE XVI

ANALYSIS OF WHICH TYPE OF INDIVIDUAL THE STUDENTS
FELT WOULD NEED TO BORROW MONEY

Individual	No. Responding	Percent
Farmer or Rancher	143	51
Doctor, Lawyer, Etc.	19	6
Teacher	25	9
All of the Above	87	31
None of the Above	<u>9</u>	<u>3</u>
Totals	282	100%

developed. The following written narrative analyzes the findings of these questions. The question dealing with whether or not a representative of a bank, Farmers' Home Administration, or any other credit source had visited their class, revealed that a total of 245 students, or 87%, had not been visited. The two final questions dealt with their knowledge of terms and types of loans. Eighty-five percent correctly identified the type of loan used to purchase a heifer or gilt for a breeding herd, while 166 students, or 59%, answered the definition of principle which was the amount of money borrowed.

CHAPTER V

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

This chapter was set forth to provide a summary, conclusions, and recommendations from the findings of this study.

Information used to prepare this study was obtained by surveying the four vocational agriculture departments in Okmulgee County, Oklahoma, which consisted of seven instructors and 302 students. One hundred percent of the instructors and ninety-three percent of the students responded to the survey instrument.

Based on the information received from the survey instrument, the following summary can be drawn from this study:

1. Seventy-one percent of the instructors had taught ten years or more.
2. All the instructors had been involved in 4-H or FFA as a youth.
3. All the instructors required financing of their projects as a youth.
4. The instructors used only two credit sources: 71% used their parents and 29% used their local bank.
5. All the instructors felt their experience as a youth financing their SOE Programs helped them in their adult lives.
6. One hundred percent believed that economic conditions have

affected their students and their SOE Programs.

7. Fifty-eight percent believed economic conditions made it less likely that their students would acquire an SOE Program and 42% believed it would make it more difficult to acquire a SOE Program.
8. One hundred percent felt their students should be exposed to a variety of financing methods, as well as acquire an understanding of economics.
9. The majority (57%) stated that 10-25% of their students used borrowed money for their SOE Programs.
10. The opinion of 71% of the instructors was that a better understanding of credit and borrowing procedures would have helped a beleaguered agricultural industry today.
11. Parents and banks were ranked first and second as sources for their students financing their SOE Programs.
12. Instructors felt that 85% of their students would use short term loans, and 85% of the instructors encouraged their students to seek financing from sources other than their parents.
13. The percentages of students responding to the questionnaire went from a high of 33% first year students to a low of 17% fourth year students.
14. Thirty-three percent of students had been enrolled in 4-H prior to FFA and 75% of those enrolled in 4-H had a project.
15. Of the students surveyed, 29% found it necessary to borrow money for their SOE Program while the majority (71%) said they either did not have a project or their parents gave

them their project.

16. The largest percentage (68%) of the students responding said they were not encouraged to borrow money in order to finance their SOE Programs.
17. Sixty-one percent of the students borrowed from their parents while 23% used their local bank for SOE financing.
18. Over 50% of the students said they knew their local banker, but only 28% had ever been to their local FmHA office.
19. Nearly two-thirds of the students said they were aware of borrowing procedures and 90% believed that they were tools to be used in business and agriculture and a good thing to know.
20. The majority (60%) said they would be more likely to have a project if borrowing was not necessary. Over one-fourth of the students feared borrowing for any reason.
21. Of the students responding, over half felt farmers and ranchers were more apt to borrow, while 31% felt all professions listed needed to use credit.
22. Eighty-seven percent said that they had never had any banker, FmHA representative, or other credit source visit their Vocational Ag classes.
23. Fifteen percent incorrectly responded to the type of loan needed to purchase a breeding animal while 59% did not know what the definition of loan principle was.

From the summary of the responses to the questionnaire with the teachers and students several conclusions can be drawn. First, from the responses it can be concluded that the typical vocational

agriculture instructor in Okmulgee County, Oklahoma, has taught for more than ten years and used two credit sources as a youth (bank and parents). The typical Vo-Ag instructor encourages his students to use sources other than their parents, however, only 39% of his students do so. Most of the students felt they were not encouraged to borrow money to finance their SOE Programs, while the overwhelming majority of the teachers responded by saying they encouraged their students to do so.

Secondly, while the instructors unanimously said their students should be exposed to a variety of financing methods and that the experience they received as a youth financing their SOE Program helped them in their adult lives, their students revealed that seldom does a representative of any lending institution visit their classes.

Lastly, every teacher surveyed expressed the opinion that economic conditions affected their students and their SOE Programs to the extent that it made it more difficult to acquire an SOE Program or at least less likely they would acquire one. The majority of the students continue to use their parents or relatives as a credit source even though the students themselves felt that knowing how to borrow money was a good tool to be able to use.

As a result of this study, the following recommendations have been made by the author:

1. It is recommended that vocational agriculture instructors should become well versed on using sources of credit for their students other than parents.
2. It is recommended that instructors encourage as many students as possible to use credit sources other than

parents.

3. It is recommended that instructors use credit representatives from sources such as banks and Farmers' Home Administration in the classroom to encourage students to use them when needed.
4. It is recommended that students be required to visit their local bank and county FmHA office, as well as other credit sources.
5. It is recommended that all students, whether they have an SOE Program or not, be encouraged to have an opportunity to go through the credit process.

Recommendations for Further Research

1. It is recommended that additional research be conducted on a state wide basis on credit, sources of credit, uses of credit and student economic literacy of vocational agriculture students.
2. It is recommended that additional research be done to examine vocational agriculture teachers state wide to determine their knowledge of alternative credit sources for students other than parents and banks.

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APPENDIX

TEACHERS

1. How many years have you taught Vocational Agriculture?
 - A. 1-5 years _____
 - B. 5-10 years _____
 - C. 10 or more years _____

2. Were you involved in 4-H or FFA as a youth?

Yes _____

No _____

3. If yes to question 2, did you find the need to finance your project in 4-H or FFA?

Yes _____

No _____

4. If you did need financing, how did you obtain it?
 - A. Parents or Relatives
 - B. Local Bank
 - C. County FmHA Office
 - D. Other (Specify) _____

5. Do you believe that your experience as a youth financing your SOE Program helped you in your adult life?

Yes _____

No _____

6. Do you believe economic conditions have affected your students and their SOE Programs?

Yes _____

No _____

7. If yes, how has it affected them and their SOE Programs?
(Circle one or more)
- A. Made it more difficult to acquire a SOE Program.
 - B. Made it necessary to seek financing of some sort.
 - C. Made them less likely to acquire an SOE Program.
 - D. Other (Specify) _____

8. Do you feel that your students should be exposed to a variety of financing methods?
- Yes _____
- No _____
9. What percent of your students finance their SOE Programs with borrowed capital?
- A. 0-10% _____
 - B. 10-25% _____
 - C. 25-50% _____
 - D. Over 50% _____
10. Do you believe that understanding Economics is as important as understanding production in agriculture?
- Yes _____
- No _____
11. In a time when agriculture is facing such hard times, as well as so many farm foreclosures taking place, do you believe that a better understanding of credit and borrowing procedures would have made a difference?
- Yes _____
- No _____
12. If yes to the preceding question, explain how.

13. Rank the following as to their importance to your students as a means of borrowing money for their SOE Programs. Most Important #1.

_____ Banks
_____ Parents or Individuals
_____ Farm Home Administration
_____ Finance Company
_____ Production Credit
_____ Federal Land Bank

14. Which type of loan would be most used by your students

_____ Short Term Loan
_____ Intermediate Term Loan
_____ Long Term Loan

15. Do you encourage your students to seek financing from sources other than parents when they need to?

_____ Yes
_____ No

STUDENTS

1. What year in Vo-Ag are you currently enrolled:

_____ 1st Year

_____ 2nd Year

_____ 3rd Year

_____ 4th Year

2. Did you belong to 4-H prior to FFA?

_____ Yes

_____ No

If yes, did you have a project in 4-H?

_____ Yes

_____ No

3. Have you found it necessary to borrow money to buy your project?

_____ Yes

_____ No

4. If no to the previous question, how did you finance your project?

5. Did your instructor encourage you to borrow money to finance your project?

_____ Yes

_____ No

6. From whom did you borrow from or would you borrow from if necessary?

_____ A. Parents or Relatives

- _____ B. Local Bank
- _____ C. Farm Home Administration
- _____ D. Other (If other, from whom?) _____

7. Do you know your local banker?
- _____ Yes
- _____ No
8. Have you ever been to your county Farm Home Administration Office?
- _____ Yes
- _____ No
9. Are you aware of the procedures involved in borrowing money?
- _____ Yes
- _____ No
10. Do you believe that knowing how to borrow money is:
(Check one or more)
- _____ A. A good thing to know
- _____ B. A waste of time
- _____ C. A tool to be used in agriculture and business
- _____ D. Something your teacher should spend more time
on
11. Would you be more likely to have a project if you did not have to
borrow money?
- _____ Yes
- _____ No
12. Are you afraid of borrowing money or even the thought of borrowing
money?
- _____ Yes
- _____ No
13. Which of the following do you believe would need to borrow money?

- _____ A. Farmer or Rancher
 - _____ B. Doctor, Lawyer, Etc.
 - _____ C. Teacher
 - _____ D. All of the Above
 - _____ E. None of the Above
14. Has any banker, FmHA Representative, or other credit source ever visited your class to explain credit and the use of credit to finance your SOE Project?
- _____ Yes
 - _____ No
15. Which type of loan would you use to purchase a heifer or gilt for your breeding herd?
- _____ A. Short term
 - _____ B. Intermediate term
 - _____ C. Long term
16. The amount of money borrowed is:
- _____ A. Collateral
 - _____ B. Mortgage
 - _____ C. Principle
 - _____ D. Finance Charge

VITA

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Master of Science

Thesis: VOCATIONAL AGRICULTURE TEACHERS AND STUDENTS KNOWLEDGE OF CREDIT AND CREDIT SOURCES USED TO FINANCE SOE PROGRAMS IN OKMULGEE COUNTY, OKLAHOMA

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