

DEPARTMENT OF COMMERCE

BUREAU OF FOREIGN AND DOMESTIC COMMERCE

CONSUMER DEBT STUDY



March, 1935

Price 10 cents

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BUREAU OF FOREIGN AND DOMESTIC COMMERCE

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CONSUMER DEBT STUDY

By

H. T. LaCrosse

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Foreword

The purpose of this consumer debt study was to gather selected facts on the extent to which consumers' accounts with retailers and professional men were long overdue. Some people believe that an enormous amount of delinquent debt has been accumulated by consumers because of unemployment or severely reduced incomes. To the extent that this situation holds, creditors having much of their capital tied up in these accounts may have difficulty in securing bank loans. At the same time, consumers recently reemployed may find their incomes largely diverted into debt liquidation, rather than into new purchases.

This study was inaugurated by a Committee on Consumer Debt, appointed by the Consumers' Advisory Board of the National Recovery Administration. The basic data were gathered by the staff of the District Offices of the Bureau of Foreign and Domestic Commerce and by a small group of men employed by the Works Division of the New York Emergency Relief Bureau, working under Mr. Rolf Nugent, who is directing the general study for the Committee.

Acknowledgment is made for the valuable assistance rendered by the following organizations and individuals: all retail and service creditors who gave their confidential figures, Mr. Rolf Nugent, district office managers of the Bureau of Foreign and Domestic Commerce, and H. B. Moore, R. M. Sanders, and Z. A. Koenig of the Market Data Section of the bureau.

This report was prepared by H. T. LaCrosse, under the general direction of N. H. Engle, Assistant Director of the Bureau of Foreign and Domestic Commerce, and Wilford L. White, Chief, Marketing Research and Service Division, and represents one section of a more detailed analysis being prepared by Mr. Nugent, on behalf of the committee.



Claudius T. Murchison,
Director,

Bureau of Foreign and Domestic Commerce.

March, 1935.

Conclusions

1. The proportion of total business on credit was much greater for the service group of creditors (90 percent) reporting in this study than the retail group (54 percent). (See page 5)

2. The ratio of delinquency was much higher for the service creditors (59 percent) than the percentage of delinquency for the retail creditors (13 percent). (See page 8)

3. Of the amounts delinquent six months or more, 658 creditors reported that 66 percent was expected to be collected; 68 percent for the retail group and 52 percent for the service group. (See page 18)

4. The anticipated costs of collecting delinquent accounts is about the same on the average for both the retail and service groups. The retail creditors reported that of the amount they expected to collect, 12 percent would be spent in collection costs; service creditors, 15 percent. (See page 18)

5. Over 800 creditors reported that dunning letters and personal visits were the most common methods used in collecting accounts delinquent six months or more. (See page 20)

6. The commercial bank was reported most frequently by both the retail and service creditors as the source of credit used in the conduct of their business. (See page 22.)

7. The percentage of retail and service creditors effecting a compromise of delinquent accounts was approximately the same. For the retail group 232 or 45 percent of the total reporting followed this practice; 138 or 48 percent of the total service group reporting did likewise. (See page 23.)

Method and Scope of Survey

The field investigation method of study was followed in collecting material for this report. A few representatives of 10 major creditor groups in cities located throughout 21 States were asked to furnish information showing their experiences in dealing with consumer accounts. Factual data and opinions were submitted on the number and value of accounts outstanding six months or more, proportion expected to be collected, methods used in collecting these accounts, and other relevant points pertaining to the subject.

The median and arithmetic average as well as the highest and lowest percentages reported by each class of creditors have been employed to express the various relationships based on tabular material. The median was obtained by arraying the individual percentages in order of magnitude and selecting the "middle item", that is, the percentage located where the number of items larger and smaller were equal. The arithmetic average is the figure used throughout the text in describing conditions unless otherwise specified.

A total of 839 creditors located in selected cities in the States appearing in the footnote to Table 1 submitted reports that were usable in at least one table. In the compilation of each table, all those reports containing pertinent material were included. Results have been presented separately by States where 15 or more reports were received from any one type of creditor.

The data collected and analyzed in this report are presented with a full realization that the sample is very small. While there is no reason to believe that these results are at all representative of consumer debt conditions generally, it is believed that they have sufficient significance to justify their publication on the grounds that a few carefully selected facts, well analyzed, are better than none at all.

Total Business

The total net business of the 718 creditors reporting on this subject in the study amounted to \$462,578,517 for the year 1933. This amount, distributed among kinds of business in Table 1, furnishes some indication of the sample obtained for each class of creditors. The bulk of the business (98 percent) was done by the retail group, a fact caused by the number of reports from department stores with relatively large sales in 1933.

Kind and Extent of Credit Business

The proportion of total business on credit (open and installment) for this group of 718 creditors amounted to 55 percent. The service group had a much greater proportion of business on a credit basis than the retail group; 90 percent as compared with 54 percent for retailers.

Furniture stores did a larger proportion of their business on a credit basis than any of the other types of retail stores (89 percent) although electrical goods store figures were also high (86 percent).

The highest percentage of credit business reported by any of the groups was 94 percent, the figure for undertakers.

Table 1.- Kind and Extent of Credit Business of Reporting Retail and Service Creditors, 1933

Kind of creditor	: Number of :		: Total net :		: Cash :		: Open credit :		: Installment credit :	
	: creditors :		: business :		: Dollars :		: Dollars :		: Dollars :	
	: reporting :	: Dollars :	: Dollars :	: Percent :	: Dollars :	: Percent :	: Dollars :	: Percent :		
Retail:										
Department	74	332,893,594	167,443,047	50.3	139,015,737	41.8	26,434,810	7.9		
Electrical goods ..	54	7,938,982	1,149,555	14.5	3,312,726	41.7	3,476,701	43.8		
Furniture	82	28,387,515	3,233,930	11.4	5,421,959	19.1	19,731,626	69.5		
Grocery	113	15,682,805	8,000,440	51.0	7,682,365	49.0	---	--		
Men's clothing	73	27,862,735	12,102,022	43.4	14,966,046	53.7	794,667	2.9		
Women's clothing ..	68	39,577,900	14,749,626	37.3	23,861,109	60.3	967,165	2.4		
Service:										
Dentist	82	796,289	182,488	22.9	551,607	69.3	62,194	7.8		
Doctor (M.D.)	58	775,021	100,590	13.0	640,902	82.7	33,529	4.3		
Landlord	54	2,549,599	366,400	14.4	2,148,199	84.3	35,000	1.4		
Undertaker	60	6,114,077	388,543	6.4	5,301,833	86.7	423,701	6.9		
Total Retail	464	452,343,531	206,678,620	45.7	194,259,942	42.9	51,404,969	11.4		
Total Service	254	10,234,986	1,038,021	10.2	8,642,541	84.4	554,424	5.4		
Grand Total	718	462,578,517	207,716,641	44.9	202,902,483	43.9	51,959,393	11.2		

Delinquency of Accounts Owing to Retail and Service Creditors

In practically all forms of business enterprises extending credit, the problem of delinquency is present to a varying degree. With respect to the ratios of consumer indebtedness past due, the subject to which this study pertains, a wide variation was found to exist between sales and service creditors.

Table 2 shows that the percentage of accounts receivable delinquent six months or more was much lower for the group of 416 retail creditors reporting in the study than the percentage of delinquency for the group of 264 service creditors. The ratio of amounts delinquent six months or more on December 31, 1933, to the amount of receivables outstanding on that date, was 13 percent for the retail group, which is in striking contrast with the figure of 59 percent shown for the service group. A comparison of the median percentages for the same relationship shows less variation but the difference is still very great.

One of the reasons for this variation may be attributed to the difference in credit methods employed. Creditors dealing in commodities more frequently check carefully on the worthiness of an applicant for credit, while those covered in the service group are forced to extend credit, in a great many cases, at least, without sufficient investigation. Moreover, the collection policies of the latter group are less aggressive than those of the retail group, as a result of their apparent reluctance to press debtors for overdue accounts.

Grocery stores reported, on the average, 25 percent of their total dollar accounts receivable delinquent six months or more, which figure was the highest ratio of delinquency for any of the types of creditors in the retail group. Department stores, at the other extreme, reported 9 percent.

The ratio of delinquency for the 65 doctors (M.D.) reporting in the study amounted to 67 percent, which was higher than any of the types of creditors in the service group. The same number of landlords reported in the study and had, on the average, the lowest ratio of delinquency (45 percent).

The average value of delinquent accounts for all retail establishments was slightly more than one-half (\$37 per account) the figure for service organizations (\$64 per account). The difference, however, between the average of all accounts and delinquent accounts was small, only \$3 for both types of establishments.

All types of creditors, with the exception of the landlord group, reported very slight differences in the average values of delinquent and total accounts. In the case of the landlords reporting, the average value of the delinquent account was larger by \$187.

Table 2.— Number and Value of Retail and Service Creditors' Accounts Receivable Delinquent Six Months or More on December 31, 1933, By Type of Creditor

Type of creditor by States	Number of reporting creditors	Accounts Receivable									
		Total			Delinquent 6 months or more			Percentages of total amounts delinquent six months or more			
		Number	Amount	Average value per account	Number	Amount	Average value per account	Average	Highest	Lowest	Median
	(dollars)	(dollars)		(dollars)	(dollars)						
Retail:											
Department store, total*	62	1,200,634	35,718,457	30	95,656	3,194,370	33	8.9	88.9	1.0	11.3
Electrical goods, total*	50	43,168	1,576,488	37	7,823	347,363	44	22.0	79.2	0.0	28.9
New York	23	5,659	269,849	48	1,735	52,268	30	19.4	57.1	0.5	26.0
Other states (20)	27	37,509	1,306,639	35	6,087	295,095	48	22.6	79.2	0.0	30.0
Furniture store, total*	68	272,153	15,771,320	58	55,781	2,860,940	51	18.1	77.0	0.0	19.3
New York	18	31,181	1,805,046	58	8,899	456,905	51	25.3	77.0	1.8	32.4
Other states (20)	50	241,022	13,966,274	58	46,882	2,404,035	51	17.2	70.0	0.0	18.2
Grocery, total*	115	37,966	1,273,582	34	7,636	315,203	41	24.7	94.1	0.0	33.3
New York	38	8,509	284,282	33	1,859	90,820	49	31.9	80.0	5.0	36.7
Pennsylvania	22	6,159	156,751	25	746	25,084	34	16.0	75.0	0.0	47.4
Other states (19)	55	23,298	832,549	36	5,031	199,299	40	23.9	94.1	0.0	29.7
Men's clothing, total*	61	124,012	3,345,601	27	19,756	598,306	30	17.9	71.4	2.5	22.2
New York	16	19,052	831,184	44	2,168	137,123	63	16.5	50.0	2.5	11.8
Other states (20)	45	104,960	2,514,417	24	17,588	461,183	26	18.3	71.4	4.5	24.8
Women's clothing, total*	60	163,972	4,415,936	27	32,532	763,122	23	17.3	65.2	0.0	13.3
New York	16	21,331	711,181	33	2,697	99,761	37	14.0	65.2	0.0	16.1
Other states (20)	44	142,641	3,704,755	26	29,835	663,361	22	17.9	60.0	0.0	12.7
Service:											
Dentist, total*	78	13,569	321,228	24	6,528	178,718	27	55.6	90.0	10.0	55.8
New York	36	6,753	154,019	23	2,485	71,290	29	46.3	83.3	10.0	53.9
Other states (20)	42	6,816	167,209	25	4,043	107,428	27	64.2	90.0	19.3	62.5
Doctor (M.D.), total*	65	19,706	496,256	25	12,457	330,443	27	66.6	92.2	15.0	62.4
New York	28	6,239	175,919	28	3,787	123,350	33	70.1	90.0	21.8	64.7
Other states (20)	37	13,467	320,337	24	8,670	207,093	24	64.6	92.2	15.0	62.4
Landlord, total*	65	5,148	663,939	129	1,004	317,147	316	45.1	90.3	0.0	11.0
New York	27	589	51,157	87	109	17,428	160	19.4	80.0	0.0	0.2
New Jersey	17	375	20,858	56	43	3,535	82	16.9	44.0	0.0	0.0
Other states (19)	21	4,184	591,924	141	852	296,184	348	50.0	90.3	0.0	37.7
Undertaker, total*	56	9,774	1,450,306	148	5,366	790,951	147	54.5	85.4	10.0	50.7
New York	16	1,054	273,446	259	422	87,636	208	32.0	80.6	10.0	41.1
Other states (20)	40	8,720	1,176,860	135	4,944	703,315	142	59.8	85.4	22.0	54.6
Total Retail	416	1,841,905	62,101,384	34	219,184	8,079,304	37	13.0	94.1	0.0	22.2
Total Service	264	48,197	2,911,729	61	25,355	1,617,259	64	58.6	90.3	0.0	50.0
Grand Total	680	1,890,102	65,033,113	34	244,539	9,696,563	40	14.9	94.1	0.0	33.3

*Comprising returns from the following states: Alabama, California, Colorado, Florida, Georgia, Illinois, Kentucky, Louisiana, Massachusetts, Michigan, Minnesota, Missouri, New Jersey, New York, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, and Washington.

Delinquency According to Size of Business

Retail Creditors

The most striking fact to be found, when the reporting retail creditors are classified by volume of sales, is that the larger stores had the smallest proportion of their dollar accounts delinquent six months or more.

The range (Table 3) for department stores, for example, was from an average delinquency ratio of 16 percent for the smallest stores to 7 percent for the largest group. A similar situation was found to exist with respect to the other types of retail creditors (see Tables 4-8 inclusive). The only significant exception is the group of women's clothing stores, the ratio of delinquency dropping from 23 percent for the smallest size group to 13 percent, back up to 20 percent for those with annual sales over \$1,000,000.

Table 3.- Value of Department Store Accounts Receivable Delinquent Six Months or More on December 31, 1933, Grouped According to Size of Business

Size of Business (annual sales volume)	Number of creditors report- ing	Accounts receivable					
		Total amount (dollars)	Amount delinquent six months or more (dollars)	P e r c e n t			
				Average	Highest	Lowest	Median
\$1,000,000 or less	24	1,371,578	217,892	15.9	88.9	1.0	24.1
\$1,000,001-5,000,000	32	14,143,025	1,607,360	11.4	60.0	1.4	9.5
\$5,000,001 and over	20	34,418,819	2,444,482	7.1	15.2	2.0	7.6
Total	76	49,933,422	4,269,734	8.6	88.9	1.0	11.0

Table 4.- Value of Electrical Dealers' Accounts Receivable Delinquent Six Months or More on December 31, 1933, Grouped According to Size of Business

Size of Business (annual sales volume)	Number of creditors report- ing	Accounts receivable					
		Total amount (dollars)	Amount delinquent six months or more (dollars)	P e r c e n t			
				Average	Highest	Lowest	Median
\$50,000 and less	37	316,219	101,083	32.0	79.2	2.4	30.0
\$50,001-500,000	15	517,240	116,548	22.5	51.4	0.0	26.0
\$500,001 and over	5	1,202,315	209,292	17.4	65.0	0.9	10.3
Total	57	2,035,774	426,923	21.0	79.2	0.0	29.8

Table 5.- Value of Furniture Store Accounts Receivable Delinquent Six Months or More on December 31, 1933, Grouped According to Size of Business

Size of Business (annual sales volume)	Number of creditors report- ing	Accounts receivable					
		Total amount (dollars)	Amount delinquent six months or more (dollars)	P e r c e n t			
				Average	Highest	Lowest	Median
\$100,000 and less	30	806,615	259,826	32.2	77.0	0.0	33.5
\$100,001-250,000	26	3,293,517	883,250	26.8	70.0	0.4	21.0
\$250,001-500,000	11	2,948,131	370,793	12.6	64.8	0.0	5.5
\$500,001 and over	15	12,581,270	1,987,630	15.8	49.7	0.6	12.7
Total	82	19,629,533	3,501,499	17.8	77.0	0.0	18.2

Table 6.- Value of Grocery Store Accounts Receivable Delinquent Six Months or More on December 31, 1933, Grouped According to Size of Business

Size of Business (annual sales volume)	Number of creditors report- ing	Accounts receivable					
		Total amount (dollars)	Amount delinquent six months or more (dollars)	P e r c e n t			
				Average	Highest	Lowest	Median
\$25,000 and less	31	59,934	30,559	51.0	80.0	11.8	48.0
\$25,001-50,000	27	86,462	34,648	40.1	77.0	17.9	35.3
\$50,001-100,000	32	254,110	86,493	34.0	94.1	0.0	30.3
\$100,001-250,000	14	251,841	58,221	23.1	43.9	5.0	19.9
\$250,001-500,000	12	362,593	58,126	16.0	48.7	2.8	13.4
\$500,001 and over	5	385,429	59,352	15.4	24.2	0.0	18.0
Total	121	1,400,369	327,399	23.4	94.1	0.0	33.3

Table 7.- Value of Men's Clothing Store Accounts Receivable Delinquent Six Months or More on December 31, 1933, Grouped According to Size of Business

Size of Business (annual sales volume)	Number of creditors report- ing	Accounts receivable					
		Total amount (dollars)	Amount delinquent six months or more (dollars)	P e r c e n t			
				Average	Highest	Lowest	Median
\$100,000 and less	27	359,773	98,356	27.3	71.4	5.5	27.1
\$100,001-250,000	18	534,740	133,908	25.0	55.8	4.7	24.1
\$250,001-500,000	17	1,197,681	293,043	24.5	53.9	0.0	16.0
\$500,001 and over	14	2,409,207	250,878	10.4	26.1	2.5	10.3
Total	76	4,501,401	776,185	17.2	71.4	0.0	18.1

Table 8.- Value of Women's Clothing Store Accounts Receivable Delinquent Six Months or More on December 31, 1933, Grouped According to Size of Business

Size of Business (annual sales volume)	Number of creditors report- ing	Accounts receivable					
		Total amount (dollars)	Amount delinquent six months or more (dollars)	P e r c e n t			
				Average	Highest	Lowest	Median
\$250,000 and less	36	691,640	161,893	23.4	65.2	0.0	15.5
\$250,001-500,000	14	815,410	117,756	14.4	28.4	3.7	11.5
\$500,001-1,000,000	12	1,373,949	184,280	13.4	28.8	3.9	11.1
\$1,000,001 and over	12	4,253,488	853,326	20.1	44.5	4.9	11.9
Total	74	7,134,487	1,317,255	18.5	65.2	0.0	13.3

Service Creditors

The inverse ratio between the size of retail establishments and the proportion of their dollar receivables which has been delinquent six months or more, does not hold for service creditors, with the exception of dentists (Table 9). In this instance the range is from 61 percent to 52 percent. In the case of the landlords, there is a direct relationship with those with the largest incomes sustaining the highest proportion of delinquency.

Table 9.- Value of Dentists' Accounts Receivable Delinquent Six Months or More on December 31, 1933, Grouped According to Size of Business

Size of Business (annual sales volume)	Number of creditors report- ing	Accounts receivable					
		Total amount (dollars)	Amount delinquent six months or more (dollars)	P e r c e n t			
				Average	Highest	Lowest	Median
\$5,000 and less	25	39,401	23,836	60.5	83.3	31.7	60.8
\$5,001-10,000	31	137,715	82,257	59.7	81.0	19.3	57.0
\$10,001-15,000	23	119,225	63,717	53.4	90.0	12.5	52.4
\$15,001 and over	6	76,695	39,838	51.9	71.2	10.0	45.8
Total	85	373,036	209,648	56.2	90.0	10.0	55.9

Table 10.- Value of Doctors' Accounts Receivable Delinquent Six Months or More on December 31, 1933, Grouped According to Size of Business

Size of Business (annual sales volume)	Number of creditors report- ing	Accounts receivable					
		Total amount (dollars)	Amount delinquent six months or more (dollars)	P e r c e n t			
				Average	Highest	Lowest	Median
\$5,000 and less	18	65,699	41,351	62.9	86.6	33.3	64.8
\$5,001-10,000	16	100,841	69,428	69.4	87.7	26.4	67.6
\$10,001-15,000	13	95,879	64,676	67.5	88.7	43.3	66.7
\$15,001-20,000	10	107,923	70,489	65.3	86.2	21.8	65.9
\$20,001 and over	10	137,058	81,418	59.4	92.2	10.4	56.9
Total	67	507,400	327,362	64.5	92.2	10.4	62.4

Table 11.- Value of Landlords' Accounts Receivable Delinquent Six Months or More on December 31, 1933, Grouped According to Size of Business

Size of Business (annual sales volume)	Number of creditors report- ing	Accounts receivable					
		Total amount (dollars)	Amount delinquent six months or more (dollars)	P e r c e n t			
				Average	Highest	Lowest	Median
\$5,000 and less	18	5,208	270	5.2	40.0	0.0	0.0
\$5,001-10,000	12	11,812	1,888	16.0	76.1	0.0	0.0
\$10,001-25,000	16	38,835	16,651	42.9	90.3	0.0	29.9
\$25,001 and over	20	718,859	373,838	52.0	80.0	0.0	42.5
Total	66	774,714	392,647	50.7	90.3	0.0	15.7

Table 12.- Value of Undertakers' Accounts Receivable Delinquent Six Months or More on December 31, 1933, Grouped According to Size of Business

Size of Business (annual sales volume)	Number of creditors report- ing	Accounts receivable					
		Total amount (dollars)	Amount delinquent six months or more (dollars)	P e r c e n t			
				Average	Highest	Lowest	Median
\$50,000 and less	31	231,144	125,317	54.2	74.1	16.0	50.0
\$50,001-100,000	13	380,389	272,638	71.7	85.4	22.5	64.6
\$100,001-250,000	12	647,522	331,570	51.2	69.8	10.0	50.6
\$250,001 and over	5	407,609	132,736	32.6	62.9	13.6	22.0
Total	61	1,666,664	862,261	51.7	85.4	10.0	50.3

Delinquency According to Degree of Credit Business

The business of creditors is further analyzed in Table 13 according to ratios of delinquency by proportions of credit business. In general, the greater the proportions of credit business the higher the ratios of delinquency.

For all creditors reporting (729) the range was from a delinquency ratio of 11 percent for establishments having the smallest proportion of total business on a credit basis (25 percent or less) to 22 percent for establishments having the largest proportions of credit business (over 75 percent).

Similar figures for the retail group were about the same; 10 and 18 percent, respectively. For service establishments, however, the figures are consistently higher, running 42, 68, 62, and 54 percent for the four quartiles.

It is interesting to notice, in passing, that while only 38 percent (177) of the 469 retailers reported over 75 percent of their 1933 business as credit sales, 77 percent (201) of the service operators so reported.

With respect to the service group an unusual situation was found to exist for the landlord type of creditor, as only two landlords reported 25 percent or less credit business with the remainder (53) reporting all of their business on a credit basis. The reason for this is that most of the landlords cooperating in the study did not follow the usual practice of requiring rent payable in advance and, therefore, listed all of their business on credit. In the case of the two landlords reporting a portion of their business on a credit basis, one reported that rent was required in advance from all but a part of his tenants and the other made a practice of arranging for installment repayments wherever the advance deposit was used up.

Table 13.- Value of Retail and Service Creditors' Accounts Receivable Delinquent Six Months or More on December 31, 1933, Classified According to Degree of Credit Business

Type of creditor	Accounts Receivable				Ratio of Delinquent Accounts to Total Accounts by Proportion of Credit Business							
	Number of creditors reporting	Total amount (dollars)	delinquent six months or more (dollars)	Percent	1 to 25 percent		26 to 50 percent		50 to 75 percent		Over 75 percent	
					Number of stores	Ratio	Number of stores	Ratio	Number of stores	Ratio	Number of stores	Ratio
Retail:												
Department -----	74	49,530,422	4,205,634	8.5	7	5.7	34	7.6	27	8.7	6	19.9
Electrical goods --	56	2,035,684	425,277	20.9	2	32.7	12	19.7	8	41.4	34	20.3
Furniture -----	82	19,629,533	3,501,499	17.8	2	41.4	4	52.8	7	24.4	69	17.5
Grocery -----	113	1,343,200	308,871	23.0	16	15.6	24	30.1	44	28.7	29	18.3
Men's clothing ----	75	4,530,734	774,730	17.1	13	16.3	21	9.7	24	19.3	17	27.7
Women's clothing --	69	7,060,759	1,308,203	18.5	8	43.3	14	25.1	25	14.0	22	19.0
Service:												
Dentist -----	84	366,025	206,263	56.4	7	37.1	9	67.0	11	52.2	57	56.7
Doctor (M.D.) ----	60	518,361	352,037	67.9	1	88.7	8	71.9	9	62.9	42	68.3
Landlord -----	55	409,809	197,182	48.1	2	71.9	-	-	-	-	53	47.7
Undertaker -----	61	1,703,374	891,382	52.3	5	32.5	4	64.8	3	67.4	49	52.0
Retail (excluding Department stores)	395	34,599,910	6,318,580	18.3	41	21.9	75	19.3	108	17.6	171	18.2
Total Retail -----	469	84,130,332	10,524,214	12.5	48	9.7	109	9.2	135	10.5	177	18.3
Total Service -----	260	2,997,569	1,646,864	54.9	13	41.5	21	67.5	23	62.4	201	54.3
Grand Total -----	729	87,127,901	12,171,078	14.0	63	10.6	130	9.4	158	10.8	378	21.6

Delinquent Accounts Expected to be Collected

Creditors were asked: "Of the book value of accounts delinquent six months or more, what proportion do you expect to collect?" A total of 658 creditors furnished percentage estimates on this question which were converted to dollars for purposes of obtaining arithmetic averages. The figures on this basis were 66 percent for the total group, as shown in Table 14.

The proportion expected to be collected for the retail group amounted to 68 percent, whereas the service group expected to collect a smaller proportion or 52 percent. The median average showed approximately the same result for each group, the figures being 70 percent and 50 percent for the retail and service groups, respectively.

Furniture dealers were the most optimistic of all types of creditors reporting. The 71 furniture creditors reporting indicated that, on the average, they expected to collect 74 percent of their delinquent accounts. A contributing factor to the situation may be the practice of furniture stores in repossessing merchandise where necessary to effect final liquidation of the account. This is borne out by Table 15, which shows that 75 percent of the furniture creditors reported repossession as a method used in collecting delinquent accounts.

The anticipated costs of collecting delinquent accounts is about the same on the average for the retail and service groups. The retail creditors reported that of the amount they expected to collect, 12 percent would be spent in collection costs; for the service creditors the estimated figure on the average was 15 percent. The higher figure for the latter group was caused largely by the 77 dentists whose estimate averaged 22 percent.

Table 14. - Proportion of Retail and Service Creditors' Accounts Receivable Delinquent Six Months or More Expected to be Collected and Anticipated Collection Cost (On December 31, 1933)

Type of creditor, by State	Number of creditors reporting	Amount delin- quent six months or more (dollars)	Proportion expected to be collected				Anticipated collection costs on amounts expected to be collected					
			Amount (dollars)	Percentages			Percentages					
				Average	Highest	Lowest	Median	Average	Highest	Lowest	Median	
Retail:												
Department -----	65	3,465,589	2,270,631	66.0	100.0	10.0	75.0	12.0	50.0	1.0	10.0	
Electrical goods -----	54	424,051	262,986	61.0	100.0	5.0	75.0	16.0	50.0	0.0	10.0	
New York -----	23	60,769	45,329	68.0	100.0	5.0	80.0	14.0	40.0	0.0	14.0	
Other States -----	31	363,282	217,657	60.0	100.0	10.0	60.0	17.0	50.0	0.0	10.0	
Furniture -----	71	3,139,377	2,320,117	74.0	100.0	0.0	75.0	12.0	50.0	0.0	10.0	
New York -----	18	491,905	293,989	60.0	100.0	0.0	73.0	17.0	30.0	0.0	13.0	
Other States -----	53	2,647,472	2,026,128	77.0	100.0	10.0	75.0	11.0	50.0	0.0	10.0	
Grocery -----	101	285,592	168,866	59.0	100.0	0.0	50.0	11.0	50.0	0.0	10.0	
New York -----	31	75,556	47,815	63.0	100.0	5.0	60.0	16.0	33.0	0.0	10.0	
Pennsylvania -----	21	27,318	15,086	55.0	90.0	0.0	50.0	7.0	25.0	0.0	5.0	
Other States -----	49	182,718	105,965	58.0	100.0	0.0	52.0	10.0	50.0	0.0	10.0	
Men's clothing -----	71	683,116	443,734	65.0	100.0	0.0	60.0	15.0	50.0	0.0	10.0	
New York -----	16	137,123	109,372	80.0	100.0	25.0	75.0	7.0	50.0	5.0	10.0	
Other States -----	55	545,993	334,362	61.0	99.0	0.0	60.0	17.0	50.0	0.0	10.0	
Women's clothing -----	64	1,235,631	836,687	68.0	100.0	0.0	75.0	11.0	50.0	0.0	10.0	
New York -----	15	99,761	86,130	86.0	98.0	20.0	75.0	16.0	33.0	5.0	15.0	
Other States -----	49	1,135,870	750,557	66.0	100.0	0.0	70.0	10.0	50.0	0.0	10.0	
Service:												
Dentist -----	77	189,578	75,234	40.0	95.0	0.0	50.0	22.0	50.0	0.0	10.0	
New York -----	32	63,690	26,676	42.0	95.0	0.0	50.0	17.0	50.0	0.0	5.0	
Other States -----	45	125,888	48,558	39.0	95.0	0.0	50.0	24.0	50.0	0.0	20.0	
Doctor (M.D.) -----	63	358,511	133,793	37.0	100.0	0.0	33.0	17.0	95.0	0.0	10.0	
New York -----	23	107,495	45,070	42.0	75.0	5.0	40.0	13.0	95.0	0.0	10.0	
Other States -----	40	251,016	88,723	35.0	100.0	0.0	32.0	19.0	50.0	0.0	10.0	
Landlord -----	39	387,076	183,604	47.0	100.0	0.0	50.0	19.0	50.0	0.0	10.0	
Undertaker -----	53	797,950	514,435	64.0	100.0	0.0	75.0	12.0	50.0	0.0	10.0	
New York -----	15	83,313	57,078	69.0	100.0	20.0	75.0	12.0	50.0	0.0	10.0	
Other States -----	38	714,637	457,357	64.0	100.0	0.0	75.0	12.0	50.0	0.0	10.0	
Total Retail -----	426	9,233,356	6,303,021	68.0	100.0	0.0	70.0	12.0	50.0	0.0	10.0	
Total Service -----	232	1,733,115	907,066	52.0	100.0	0.0	50.0	15.0	95.0	0.0	10.0	
Grand Total -----	658	10,966,471	7,210,087	66.0	100.0	0.0	60.0	12.0	95.0	0.0	10.0	

Methods Used in Collecting Delinquent Accounts

Over 800 creditors report that dunning letters and personal visits were the most common methods used in collecting accounts delinquent six months or more. Of these two, the second is employed much more frequently by retailers than by the service operators. (See Table 15.)

A private collection agency and suits, two other methods, were reported by about four out of ten creditors. Both retail and service establishments used the former to about the same proportion, but proportionately only a little more than one half the service creditors resorted to suits, as compared with the retailers.

Although almost one-third of the retailers reported that they repossessed merchandise sold but unpaid for at the end of six months, none of the grocers and very few of the men's and women's clothing store proprietors reported such a policy. The only service group to report repossession was the landlord.

One striking fact found in the following table is that so few of these retail and service creditors use merchant credit bureaus. The only exceptions to this conclusion were department stores and men's and women's clothing stores, for all of which the figure is over 30 percent.

With two exceptions, all of the creditors reported using one or more methods in collecting delinquent accounts. One undertaker stated, however, that no method was used in collecting delinquent accounts because "when they have money they will pay - old families." A physician stated, with reference to the same question: "None, because conditions specifically known in each instance."

Table 15.- Methods Used by Retail and Service Creditors in Collecting Accounts Delinquent Six Months or More on December 31, 1933

Type of creditor	Number of creditors reporting	Dunning letters		Personal visits		Private collection agency		Suits		Repossession		Merchants credit bureau		Other	
		Number using	Percent	Number using	Percent	Number using	Percent	Number using	Percent	Number using	Percent	Number using	Percent	Number using	Percent
Retail:															
Department	95	83	87.4	78	82.1	58	61.1	56	58.9	59	62.1	48	50.5	17	17.9
Pennsylvania	16	8	50.0	12	75.0	6	37.5	5	31.3	8	50.0	5	31.3	3	18.8
Other	79	75	94.9	66	83.5	52	65.8	51	64.6	51	64.5	43	54.4	14	17.7
Electrical goods	66	55	83.3	60	90.9	20	30.3	17	25.8	31	47.0	12	18.2	6	9.1
New York	26	24	92.3	23	88.5	7	26.9	8	30.8	9	34.6	5	19.2	0	---
Other	40	31	77.5	37	92.5	13	32.5	9	22.5	22	55.0	7	17.5	6	15.0
Furniture	93	84	90.3	85	91.4	23	24.7	46	49.5	70	75.3	11	11.8	6	6.5
New York	19	17	89.5	19	100.0	5	26.3	10	52.6	11	57.9	3	15.8	1	5.3
Other	74	67	90.5	66	89.2	18	24.3	36	48.6	59	79.7	8	10.8	5	6.8
Grocery	121	84	69.4	106	87.6	36	29.8	31	25.6	0	--	22	18.2	18	14.9
New York	38	28	73.7	34	89.5	9	23.7	9	23.7	0	--	3	7.9	6	15.8
Pennsylvania	23	6	26.1	19	82.6	1	4.3	2	8.7	0	--	2	8.7	0	---
Other	60	50	83.3	53	88.3	26	43.3	20	33.3	0	--	17	28.3	12	20.0
Men's clothing	86	74	86.0	78	90.7	46	53.5	41	47.7	2	2.3	31	36.0	21	24.4
New York	16	16	100.0	10	62.5	8	50.0	7	43.8	0	--	1	6.3	1	6.3
Other	70	58	82.9	68	97.1	38	54.3	34	48.6	2	2.9	30	42.9	20	28.6
Women's clothing	67	63	94.0	39	58.2	47	70.2	32	47.8	5	7.5	22	32.8	20	29.9
New York	17	14	82.4	8	47.1	13	76.5	8	47.1	1	5.9	2	11.8	3	17.6
Other	50	49	98.0	31	62.0	34	68.0	24	48.0	4	8.0	20	40.0	17	34.0
Service:															
Dentist	96	88	91.7	30	31.3	47	49.0	28	29.2	0	--	22	22.9	71	32.3
New York	38	34	89.5	8	21.1	19	50.0	10	26.3	0	--	14	10.5	17	44.7
Other	58	54	93.1	22	37.9	28	48.3	18	31.0	0	--	18	31.0	14	24.1
Doctor (M.D.)	78	71	91.0	18	23.1	36	46.2	9	11.5	0	--	6	7.7	15	19.2
New York	29	27	93.1	5	17.2	13	44.8	1	3.4	0	--	1	3.4	2	6.9
Other	49	47	95.9	13	26.5	23	46.9	8	16.2	0	--	5	10.2	13	26.5
Landlord	68	29	42.6	46	67.6	15	22.1	21	30.9	22	32.3	1	1.5	16	23.5
New York	22	9	40.9	16	72.7	5	22.7	9	40.9	3	13.6	0	--	8	36.4
Other	46	20	43.5	30	65.2	10	21.7	12	26.1	19	41.3	1	2.2	8	17.4
Undertaker	69	57	82.6	61	88.4	27	39.1	18	26.1	0	--	7	10.1	8	11.6
New York	17	16	94.1	14	82.4	9	52.9	4	23.5	0	--	3	17.6	1	5.9
Other	52	41	78.8	47	90.4	18	34.6	14	26.9	0	--	4	7.7	7	13.5
Total Retail	528	443	83.9	446	84.5	230	43.6	223	42.2	167	31.6	146	27.7	88	16.7
Total Service	311	245	78.8	155	49.8	125	40.2	76	24.4	22	7.1	36	11.6	70	22.5
Grand Total	839	688	82.0	601	71.6	355	42.3	299	35.6	189	22.5	182	21.7	158	18.8

Sources of Credit Used by Creditors

The commercial bank was reported most frequently by both the retail and service creditors as the source of credit used in the conduct of their business. Of 527 retail creditors reporting, 239 or 45 percent checked the regular terms of banks as a source of credit; for the 278 service creditors reporting, 79 or 28 percent checked the same agency as a source (Table 16).

Cooperative credit associations (26 percent) and wholesalers or factors (22 percent), were also an important source of credit for the retail group. For the service group of creditors, the second most important source of credit was the assistance obtained from relatives or friends.

The group of creditors rendering service alone had, as to be expected, less occasion to secure credit from outside sources than the group of creditors selling merchandise. The number of service creditors that reported using no agency for credit requirements was 117 or 42 percent of the total, as compared with 55 or 10 percent of all retail creditors reporting.

Accounts Receivable Compromised

Creditors were asked if any delinquent claims with debtors were compromised over a period of six months. The table below shows the answers to this question and indicates that the percentage of retail and service creditors effecting a compromise of delinquent accounts was approximately the same. For the retail group 232 or 45 percent of the total reporting followed this practice; 138 or 48 percent of the total service group reporting did likewise. The average number of accounts compromised by the retail group was 19; for the service group 16.

Table 17.- Number of Retail and Service Creditors' Accounts Receivable Compromised During Six Months Period, 1933-1934

Type of creditor	: Number of : : creditors : : reporting :	: Creditors effecting : : compromise : : Number : Percent :		: Accounts compromised : : Total : Average : : number : number	
Retail:					
Department	89	44	49.4	1,088	25
Electrical goods ...	63	33	52.4	597	18
Furniture	92	58	63.0	2,138	37
Grocery	113	38	33.6	160	4
Men's clothing	84	27	32.1	165	6
Women's clothing ...	77	32	41.6	139	4
Service:					
Dentist	89	50	56.2	382	8
Doctor (M.D.)	74	42	56.8	1,098	26
Landlord	59	18	30.5	418	23
Undertaker	65	28	43.1	251	9
Total Retail	518	232	44.8	4,287	19
Total Service	287	138	48.1	2,149	16
Grand Total	805	370	46.0	6,436	17

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