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YOUNG ADULTS' PERCEPTIONS OF PERSONAL LOAN COMMERCIALS

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Abstract

Purpose – Personal debt is a common problem among Hong Kong people. Personal loan marketers promote their products and services aggressively, especially to young consumers. The purpose of this paper is to examine how young consumers respond to personal loan advertisements.

Design/methodology/approach – Face-to-face interviews were conducted with 38 interviewees aged 18 to 25. They were asked to report their perceptions of three selected personal loan TV commercials and their attitudes toward personal loan advertisements in general.

Findings – Four themes were identified from the data analysis: 1. A personal loan is a modern way of solving a debt problem; 2. Personal loan advertisements encourage materialism and over-spending; 3. Personal loan advertisements are misleading; and 4. Personal loan advertisements do not affect me. The overall perception of these commercials is that borrowing money is easy and quick. Some report that they would try the product if they need to borrow money in the future.

Research limitations– Due to small sample size, the findings cannot be generalized to the population. Future studies can use survey methodology to compare perceptions of personal loan advertisements by demographics.

Practical implications – Despite their effectiveness in communicating product features and benefits, personal loan advertisers suffer from negative brand image among young adults. The study has implications for socially responsible marketing for lenders.

Social implications – Credit counselors, policy makers, universities, and employers should look into the need for raising financial literacy of young adults.

Originality/value – To the best of the authors' knowledge, this is the first study on consumers' response to personal loan advertisements among young adults.

Keywords – financial services marketing; advertising effect; consumer response; qualitative methodology

Paper type - Research paper

YOUNG ADULTS' PERCEPTIONS OF PERSONAL LOAN COMMERCIALS

INTRODUCTION

Hong Kong people face money management problems. An international survey conducted by OECD in 2015 shows that fewer than three out of 10 respondents in Hong Kong intend to save money for long-term goals (NuanceTree Ltd., 2015). Instant gratification and short-term perspective encourage people to buy what they want now instead of saving up money to buy it later. Young consumers are interested in owning high-end branded products and services that are beyond their means (Chan, 2010). Because of limited financial resources, young consumers often fall into debt. A survey in Hong Kong found that respondents often borrow money to buy their favorite items and for entertainment. Among respondents who had borrowed money over the past twelve months, one out of five had failed to pay their debts on time. The two most common forms of borrowing are credit card overdrafts and credit card partial repayments (GfK Hong Kong, 2014).

Young consumers often fall into debt because of limited income and unlimited wants (Chan et al., 2017). Many financial services companies are keen to promote personal loans as a way to “solve” credit card debt problems (Chan and Cheng, 2009). Banking and financial services companies top all industries in terms of advertising spending (Perez, 2014). In other words, they contribute to the largest percentage of total advertising expenditure in the market. According to admanGo (2015), banks and financial companies spent about 290 million Hong Kong dollars per month on the promotion of personal loans from January to November 2015. United Asia Finance is one of the top three personal loan advertisers (Chan et al., 2017). In this study, three TV commercials produced by United Asia Finance were selected to explore consumers' responses to personal loan advertisements.

This is the first study on young consumers' perceptions of and attitudes toward personal loan advertisements in a Hong Kong context. It focuses predominantly on three advertising-effect levels: the cognitive, affective, and behavioral levels. To achieve consistency with previous studies, research questions in this study also emphasize these three aspects. Cognitive level refers to perceived knowledge about an advertising message; affective level points to perceived feelings about the promoted message; while behavioral level is about the impact of the message on people's real-life actions.

LITERATURE REVIEW

Youth and Financial Planning

In a culture of consumerism and overspending, young consumers are easily targeted by commercial marketers and advertisers (Pillai, Carlo and D'souza, 2012), which may lead to growth of the debt problem. However, a survey done with 537 graduate and undergraduate students found that financial prudence, an attribute of individual discipline, provides youngsters with an antidote to help control their consumption patterns and avoid the debt dilemma (Hibbert, Beutler and Martin, 2004). Females are more financially prudent than males (NuanceTree Ltd., 2015). Apart from financial prudence, financial knowledge also enhances young people's self-efficacy in financial planning (Pillai et al., 2012).

Young consumers are perceived to possess low financial literacy (Pillai et al., 2012). Their unclear life goals and submission to peer pressure for hedonistic consumption make them vulnerable to overspending (GfK Hong Kong, 2014). Although some do have savings, they are not good at managing their assets (GfK Hong Kong, 2014). Compared with senior people aged 50-64, the youth spend more on entertainment- and leisure-related activities, instead of daily necessities (GfK Hong Kong, 2014), which may increase the possibility of

overspending.

Use of a credit card is a common way for people to practise pre-expenditure consumption behaviors, and contributes to the debt problem. University students are recognized as heavy users of credit cards (Carpenter and Moore, 2008). In general, heavy users of credit cards treat money as a source of power and reputation, and they are less likely to care about saving money. As a result, they often suffer from financial problems (Yamauchi and Templer, 1982). Existing studies show contradictory findings, particularly with regard to gender difference. A study done by Hayhoe, Leach, and Turner (1999) claims that gender plays a role in the number of credit cards held by individuals and in the financial balance of their accounts. The female owns more credit cards than the male. In addition, Lyons' study (2004) shows that female college students are more likely to face financial struggle and have difficulty in settling repayments on time, while the study done by Hayhoe, Leach, Turner, Bruin, and Lawrence (2000) fails to support this argument. Powell and Ansic's study (1997) even postulates that females have a better performance on managing outstanding financial balance than males. All these studies find that many young consumers are struggling with money management. This deserves further exploration by scholars.

Money Management and Personal Finance in Hong Kong

The latest international survey of adult financial literacy competencies, covering 31 countries and economies including Hong Kong, claims that Hong Kong participants on average have good financial knowledge. Specifically, working adults and seniors at a pre-retirement stage have better financial knowledge than youth such as students and junior employees (NuanceTree Ltd., 2015). Less than 50% of the Hong Kong participants are satisfied with their current financial condition. Students and new-to-employment persons often struggle

more with personal finance conditions than the working class.

In Hong Kong, debt management is common. One report found that approximately 20% of Hong Kong respondents had borrowed money over the previous 12 months. Among this group, nearly 20% of them failed to settle their debt on time (GfK Hong Kong, 2014).

Although Hong Kong people are accustomed to borrowing money via credit cards, 25% of them have little knowledge of fees and interest rates related to the use of credit cards (GfK Hong Kong, 2014).

Facing the personal debt trend in Hong Kong, scholars conducted debt-related studies such as the relationship between voluntary disclosure, earnings announcement lag and cost of debt (Guidara and Achek, 2015), the relationship between debt problems and suicide (Yip et al., 2007), and legislation and lending decisions with regard to debt management (Anonymous, 2002; Chiang and Cheng, 2011).

Overspending and Indebtedness

Robert and Sepúlveda (1999a and 1999b) argue that consumer culture has significant impacts on the development of individuals and societies. The changing attitude toward money is an important catalyst behind the evolution of consumer culture (Robert and Jones, 2001). Due to a changing attitude toward debt and development of a “culture of indebtedness” (Robert and Jones, 2001; Zuckerman, 2000; Lea, Webley and Walker, 1995), today’s consumers are more lenient in their attitude to debt. This may encourage a high level of compulsive buying.

Consequently, overspending and excessive buying have become acceptable. One survey found that young consumers aged 11 to 24 in Hong Kong endorse materialistic values, and over half of them believe buying more things could make them happier (Chan, 2010), which may also

encourage the development of a culture of indebtedness in the long run. A survey of 3,000 households in the United Kingdom postulated that lack of self-discipline problem and financial knowledge triggers the indebtedness phenomenon, and self-discipline is more powerful than financial illiteracy in contributing to the culture of indebtedness (Gathergood, 2012). People with self-control problems are more likely to use personal loan services and to report their financial problems.

Apart from factors affecting the growth of indebtedness, existing studies have also analyzed the consequences generated by indebtedness, particularly in the health industry (Turunen and Hiilamo, 2014). The latest literature review on the impact of indebtedness on health studied 33 peer-reviewed papers, and the research results show that indebtedness has negative impact on physical and mental health, emotional depression, suicidal intentions, and health-related behaviors (Turunen and Hiilamo, 2014). To be specific, people with poor debt management skills have a higher chance of suffering from mental and physical health impairments because of the financial pressure they are subject to (Cannuscio et al., 2012). Besides, problems with debt easily trigger negative emotions like anger and anxiety (Drentea and Reynolds, 2012), and act to postpone people's medical treatments (Herman, Rissi and Walsh, 2011). What's worse, debt creates feelings of hopelessness and increases suicidal intentions and behaviors (Turunen and Hiilamo, 2014).

Financial Services Advertising

Personal loans are marketed as a financial service to help consumers to solve problems associated with overspending and a high amount of debt (Bolton et al., 2011). Marketers of financial services face many challenges as financial products are often complicated and hard to differentiate from one another (Chan et al., 2017). Advertising of financial services is an

under-studied area (Albers-Miller and Straughan, 2000). Zinkhan and Zinkhan's (1985) study is considered a pioneering work. In this study, consumer responses to financial services advertisements were developed. The consumer responses profile comprised four dimensions, namely favorable cognitive response, favorable affective response, energy, and familiarity. Among these four dimensions, favorable cognitive response and favorable affective response profiles were able to explain one type of choice behavior that results from advertising exposure (Zinkhan and Zinkhan, 1985). Another study employed a shorter version of Schlinger's Viewer Response Profile to test financial services advertisements. It resulted in seven dimensions of response profiles, namely entertainment, confusion, relevant news, brand reinforcement, empathy, familiarity, and alienation. These seven dimensions were able to explain 74% of the variance of overall liking of the advertisements (Steyn et al., 2011).

Albers-Miller and Straughan (2000) examined the advertising appeals used in 398 bank advertisements in print from eight non-English speaking countries. The study measured how often 13 advertising appeals, such as "convenient" and "modern" occurred in these advertisements. A factor analysis of the occurrence of the advertising appeals yielded five factors, namely service quality, atmospherics, innovativeness, financial value and family values. A content analysis of 2,480 financial services ads in print magazines before and during the financial crisis in 2008 found that the crisis led to a significant increase in the use of informational message strategies (Lee et al., 2011).

There are a few studies that focus on personal loan advertising. A qualitative analysis of debt consolidation loan advertising found that these advertisements seldom mentioned the downside of the product such as higher total interest rate or longer loan terms. The short-term relief offered in the advertisements might lead to long-term financial burden (Bloom et al.,

2010). Another study found that exposure to a debt consolidation loan message among a sample of college students lowered financial risk perceptions and increased the intention to take risky financial behaviors (Bolton et al., 2006). An experimental study found that a financial literacy intervention featuring lender-focused as well as loan-focused information was able to help consumers understand debt consolidation loan advertising and encourage money management behavioral intentions (Bolton et al., 2011). A semiotic analysis of three personal loan advertisements found that these advertisements put emphasis on a painless way to solve credit card debts. The advertisements also trivialized credit card debt problems and attributed them to negligence in money management (Chan and Cheng, 2009). The effects of financial services advertising were studied. One experiment tested four versions of a retirement investment advertisement that used either process vs. outcome or gain vs. loss frames (Kim and McKinnon, 2018).

This literature review shows that most of the studies emphasize the message appeals of financial services advertisements. There is a lack of studies that focus on consumer responses to specific personal loan advertisements. This study attempts to bridge that gap.

METHODOLOGY

This study examines the following three research questions by employing the method of qualitative interview. Specifically, face-to-face interview was chosen as this is an exploratory study without clearly identified variables relating to the personal loan commercial phenomenon (Shields and Rangarajan, 2013). After consolidating individual responses to personal loan commercials, common factors relating to personal loan commercial studies are identified for future studies.

RQ1: How do young consumers perceive selected personal loan advertisements?

RQ2: What are their general attitudes toward personal loan advertisements?

RQ3: What are the perceived impacts of these personal loan advertisements?

The Interviewees

Participation in the study was voluntary and anonymous. A convenience sampling method was used. Students of a public university in Hong Kong taking a course in advertising were asked to recruit young people aged 18 to 25 from their social networks to participate in the study. Interviewees did not receive any reward for participating in the study. Altogether, thirty-eight interviewees participated in this study. Among them, 20 were male and 18 were female. Their median age was 20.4. Thirty-seven of them were university students while one was a high school student.

The Procedure

Face-to-face interviews were conducted in Cantonese in July 2015. Three TV commercials promoting personal loan services of United Asia Finance (2015a-c), analyzed in a previous semiotic study (Chan et al., 2017), were used. The brand was selected as it was the second-ranked major advertiser in the personal loan product category. The top advertiser was not selected as it used informative strategies that put emphasis on product features. These commercials were broadcast during prime-time evening hours on free-to-air Chinese television channels in 2014 and 2015. They aimed at different target audience groups. Generally, these three TV commercials follow a similar storytelling structure, namely a specific scenario about financial problems and highlights of United Asia Finance's service features.

The first one opens with a young couple wearing facial masks and resting at a seaside spa

resort. Then, a saleslady comes into sight and promotes a special package. The young lady becomes worried due to their tight budget. Her partner calls United Asia Finance's "no show" hotline to borrow money. The United Asia Finance employee appears and introduces the convenience and competitive advantages of the personal loan product. At the end of this advertisement, the young couple becomes happy again and continues to enjoy their honeymoon, followed by the highlights of advertiser name, brand logo, "no show" hotline, office hour, and corporate website details.

The second TV commercial, featuring two men playing video games in a residential apartment, targets male consumers. One of them complains, "I have been short of money these days." His friend suggests he uses a personal loan service to cope with his financial difficulties. Meanwhile, an airship with UA's logo visits their apartment, and two salesladies get off the corporate airship. In the same way as the first commercial, salespeople start introducing the advertiser's personal loan service. The gentleman with financial problems becomes happy after calling the hotline. At the same time, a big "WIN" symbol appears on the video-game screen, followed by the advertiser's contact details.

The last one, featuring a young woman shopping around the world, targets female consumers. The scenario is set at the Arc de Triomphe de l'Étoile, one of the most famous monuments in Paris. A young lady holding many shopping bags appears. When she sees a silver handbag, she becomes upset as she's unable to buy it immediately. Then, an airship with UA's corporate logo appears in front of her face, and two salesladies invite her to visit their airship, introducing the advertiser's services. At the end of this commercial, the young lady continues her shopping trip in foreign countries, and tries different products she likes such as high-heeled shoes, jewelry, dresses, and so on. As with the other two advertisements, this one

ends with a summary of UA's contact details.

The interview protocol consisted of three parts following an identical question outline to that listed in the Appendix 1. The interviewer showed each of the three commercials on a mobile device (either a laptop or a tablet) and asked the listed questions. There was no rotation of the three advertisements. Interviewees were asked to report on the most impressive part of the advertisements and what they learned from them. They were also asked about the perceived effects of these advertisements on the target audience. The interviews were audiotaped after getting prior approval from each participant.

Data Analysis

Interview transcripts were prepared in Chinese. The authors read the transcripts a few times to familiarize themselves with the data. Summary notes were taken and interpretations of and reflections on the data were recorded. The notes were discussed and refined based on the process of data analysis (Glaser and Strauss, 1967). Coding was done by the first author and cross-checked by the second author. The two authors went through the codes to identify major themes. Altogether four themes emerged from the data analysis process. These themes are presented and elaborated in the coming section. Representative quotes were chosen and translated into English by the authors.

FINDINGS

Theme 1: A personal loan is a modern way of solving a debt problem

Interviewees' impressions of the advertisements and what they learned from them were collected and identified. Among the responses, a majority mentioned that personal loan

products were able to make life easier by providing a simple way out of a debt problem.

Interviewees used words such as convenient, easy, fast, efficient, and flexible to describe the advertised product. All these words communicate the appeal to modernity of the advertised product. Debt problems are seen as hard to tackle and applying for a loan expected to be tedious, embarrassing, and requiring solid proof of repayment ability. Interviewees considered the advertised brand helps overcome these difficulties and makes life easier. “Without showing up at the company’s premises” and “no supporting documents required” were often reported as the unique benefits of UA products. This indicates that borrowing money in a hassle-free way is appealing to them. Here are some typical quotes:

“I learned from this commercial (the third one) that borrowing money from this company is convenient. It makes life easier.” (Male, age 21)

“Even if we are in debt, financial institutions could help us and lend us a large sum of money to solve the problem.” (Female, age 18)

“Surprisingly, there’s a new way to borrow money now. UA gives a clear guideline. You don’t need supporting documents to borrow money, not even an identity card.” (Male, age 20)

“The UA staff explains how flexible the repayment schedule could be and how easy it is to repay a loan.” (Female, age 18)

Theme 2: Personal loan commercials encourage materialism and over-spending

Twenty-six out of the 38 interviewees said they dislike personal loan advertisements. They perceived that these advertisements promote over-consumption and materialistic values. They commented that as borrowing money was so easy, people would be irresponsible in money management. They would not pay effort to maintaining a healthy financial situation. The term

“shopaholic” was brought up many times, indicating that some of the products’ target audience were addicted to consumption and were not able to exercise self-discipline in spending. Interviewees perceived that personal loan advertisements would encourage people to buy things that they could not afford. Here are three representative quotes:

“Personal loan advertisements seem to encourage materialistic values and convince people the more you buy, the happier you will be.” (Female, age 19)

“These advertisements encourage young people to spend beyond their means. They will be tempted to borrow money without making any effort to save up.”(Male, age 21)

“People can consume any product they want without worrying about lack of money. The advertisements tell us that there is always someone there helping them to solve the debt problem.” (Male, age 25)

Theme 3: The personal loan advertisements are misleading

Thirteen interviewees cast suspicion on the selected advertisements. They perceived that the personal loan service provider did not reveal all the details of the service such as repayment terms, “real” interest rates and so on in the advertisements. They used the words “fraud”, “misleading”, “unclear” or “hidden message” to describe these advertisements. They believed that the devil was in the details. The ultimate and real costs to consumers were made vague and ambiguous in the advertisements deliberately. Here is a representative quote:

“I don’t like these commercials because they don’t tell you the costs. If you apply for a personal loan, they charge you a very high interest rate shown in a small font size at the bottom of the screen. I feel it is unfair to people who never notice this detail when they borrow money.” (Male, age 19)

Theme 4: Personal loan advertisements do not affect me

On the perceived impacts of personal loan service advertisements, 21 out of 38 interviewees reported that the selected personal loan advertisements did not have any impact on them.

Eleven interviewees reported that they would consider the brand or personal loan products if they had money problems in the future. Interestingly, four interviewees reported that the commercials had impact on others, but not on them. The impact on others was namely encouraging people to spend money irresponsibly. Davison (1983) named this response the

“third-person effect”. Here are some typical quotes to illustrate these three different views:

“No influence on me. I will not overspend because of one personal loan advertisement. In other words, I will not change my money management behavior because of one advertisement.” (Male, age 20)

“It (the first advertisement) has some influence on me. Next time I face the same problem, I will consider these services.” (Male, age 18)

“It cannot influence my attitude and behavior as I don’t face any money management problem. However, for people who need money badly, the advertisements will influence their attitude and behavior. They may believe that borrowing money is easy with a quick phone call and money could solve any problem. Eventually these people will spend more than they can afford.” (Male, age 21)

DISCUSSION AND MARKETING IMPLICATIONS

As far as we know, this is the first study on consumers’ responses to personal loan advertising.

From the marketers’ point of view, the three selected personal loan advertisements were effective as the interviewees were able to recall the key message of a hassle-free way of borrowing money. The unique selling points of acquiring the loan without the physical presence or presentation of personal identity documents registered among most of the interviewees. It seems that these commercials were able to differentiate the advertised brand

from its competitors. Some interviewees commented that the product may be useful to them in the future. They may consider the brand when they have such need. This finding demonstrates that the selected personal loan advertisements are able to achieve the advertisers' desired behavioral effect among some of the audience. The audience response profiles demonstrate the dimension of relevant news (i.e. the ad told me about a service that may be useful to me). However, a majority of interviewees also reported that these advertisements were not relevant to them as they did not identify themselves as someone who had poor financial management. Thus, it demonstrated the dimension of alienation (i.e. the ad did not show me anything that would make me want to use the service) in consumer responses using the terminology of a previous study (Steyn et al., 2011).

Although there is a concern among scholars and educators that the debt consolidation advertisements encourage overspending and compulsive purchase (e.g. Bolton et al., 2011), our findings indicate that a majority of the participants are aware of the undesirable influence of these advertisements in encouraging materialism and irresponsible spending. The perceived effect of advertising in encouraging materialism is consistent with a survey finding that 61% of respondents in Hong Kong think advertising in general encourages materialistic values and fuels people's desires to buy and own things (Chan, 2018). The triggered image of "shopaholics" indicates that the interviewees associate the product users with someone who gets into the debt because of an addiction to shopping for unnecessary goods. A survey conducted among 22,000 Internet users in 42 markets indicates that Asian countries had "the world's biggest shopaholics". Among all the surveyed markets, Hong Kong came top in the percentage of respondents who considered shopping as entertainment, not necessity, with 93% (ACNielsen, 2006). It may be because of the negative image associated with "shopaholics"

that some interviewees do not want to identify themselves with the brand. Further studies should explore whether the image of shopaholics leads to negative brand reinforcement.

Some of the interviewees were skeptical about the truthfulness of the advertised offer. The consumer response profile demonstrates that there was negative brand reinforcement (i.e., I know that the advertised brand is not dependable and reliable). This skepticism toward advertising is consistent with a survey finding that only 10% of respondents in Hong Kong think advertising is trustworthy (Chan, 2018). Although some interviewees did show mistrust of the advertisements, their emphasis was on the ultimate interest rate the advertiser was going to charge. None of the interviewees mentioned the possible downside of the tradeoff between the short-term relief of lower monthly payments and the long-term financial burden related to the much higher total interest paid (Bolton et al., 2011). Further studies are needed to examine if the skepticism aimed at personal loan advertisements could lead to the intention to adopt financially protective behaviors.

Although participants were skeptical of personal loan advertisements, a majority of them got the impression from these ads that “borrowing money from financial institutions is easy and trouble-free”. This particular audience response profile can be worrisome to scholars and educators. Instead of minimizing use of credit cards and exercising responsible money management behaviors, personal loan advertisements may encourage consumers to continue or even increase their overspending habits (Bolton et al., 2011).

Personal loan advertisements were perceived as encouraging materialism and not telling the whole truth about the product. What can personal loan marketers do in response to the negative consumer responses? They can promote responsible borrowing in advertisements.

Applying the social marketing concept (Sally and Marylyn, 2013) in advertising may help to moderate young consumers' negative attitudes toward personal loan advertising. To elevate positivity of consumers' perceptions, personal loan commercials could educate the public to use loans to enhance their life and work instead of emphasizing over-consumption and materialistic values. For example, financial services companies could encourage young people to borrow money for continuous education or upgrading of academic qualifications. They could also motivate young consumers to pursue their dreams and start their own business with borrowed money.

Our study reveals limited financial literacy among young adults in understanding the total cost of personal loan products. There is a need for credit counselors, policy makers, universities, and employers to initiate intervention programs to provide financial education to young adults on the serious consequences for consumers of overspending and risky financial behaviors.

LIMITATIONS

This study has some limitations. First, the convenience sampling nature and the small sample size make it difficult to generalize the findings to the population. In the future, a survey can be designed to triangulate the results. Second, this study does not measure behaviors related to use of personal loan services. Although theory of reasoned actions claims that behavioral intention predicts human social behaviors (Fishbein and Ajzen, 1975), an action gap does happen, and this predictive power can be weakened for behaviors without the individual's volitional control (Kuo and Young, 2008). Therefore, future studies can find suitable measurement tools to examine participants' real-world behaviors relating to personal loan services.

CONCLUSIONS

This study of young adults' responses to personal loan advertisements highlights that they are able to recall the key product features mentioned in the advertisements. However, the prevalent perception of these ads is negative. The general sentiment is that the advertisements encourage over-consumption and materialism. Interviewees also cast doubt on the advertisements, perceiving that unfavorable details are hidden from consumers. Although the audience was able to understand or recall the promotional messages, most interviewees reported that the advertisements have limited effect on them. The study indicates that personal loan advertisers need to improve their corporate image through the advocacy of responsible borrowing.

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*No longer exist in the internet. Please contact the authors for the video files.

APPENDIX 1: LIST OF QUESTIONS ASKED

1. Which part(s) of the TV commercial get your attention?
2. What is your perception of this commercial?
3. What do you get out of this commercial?
4. Does this type of personal loan commercials have any impact on you in terms of attitude or behavior? Why?
5. Generally speaking, do you like or dislike personal loan advertisements? Why?
6. Please let me know your age, gender, educational level and type of housing you are living in right now.

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