



# CREDIT CARD USE AND COMPULSIVE BUYING AMONG COLLEGE STUDENTS

Jeremy Wethington & Bailey Harper

- Financial stability is very important especially for college students who are just starting out on their own.
- “For the college Class of 2013, the average borrower carried more than \$35,200 in student loan debt.” ([www.debt.org](http://www.debt.org))
- Credit card use and compulsive buying could have a very strong effect on college students’ financial stability.
- “The average undergraduate student carries \$3,200 in credit card debt. The average graduate student now carries \$7,800 in credit card debt, up 60 percent from 1998.” ([www.debt.org](http://www.debt.org))
- These statistics do not take into account debt that students may have from automobile loans or mortgages.

- The purpose of this study was to examine the relationships between credit card use and compulsive buying with money attitudes and financial literacy.
- Financial Literacy: knowledge about personal financial matters, such as banking, interest rates, insurance, and retirement funds
- Money attitudes:
  - Power-Prestige – the use of money for power or status
  - Retention-time – conservative use of money for future planning
- Credit Card Use: how credit cards are used to purchase goods and build credit
- Compulsive Spending: tendency to spend without prior planning

# PREVIOUS RESEARCH

- Norvilitis & Santa Maria (2002)
  - Found that amount of financial knowledge was correlated with credit card debt.
- Norvilitis et al (2006)
  - Found that financial knowledge and money attitudes were strongly correlated with credit card usage.
- Moore & Carpenter (2009)
  - Found a strong correlation between power-prestige money attitudes and lack of financial responsibility in students.

# PREVIOUS RESEARCH

- Chien-Wen (2010)
  - Confirmed the relationship between power-prestige money attitudes and impulse spending. Also confirmed the negative correlation of financial knowledge and impulse spending.
- Norum (2008)
  - Found a negative correlation between retention-time money attitudes and both credit card debt and compulsive spending.

# HYPOTHESES

1. There will be a negative correlation between amount of financial knowledge and credit card use and compulsive spending.
2. There will be a positive correlation between power-prestige money attitudes and credit card use and compulsive spending.
3. There will be a negative correlation between retention-time money attitudes and credit card use and compulsive spending.

# METHOD

- 96 participants who were current Indiana University Southeast students took an online survey.
- The survey contained basic demographic questions as well as four separate sections to measure money attitudes, financial literacy, credit card use, and compulsive buying.
- This study used Pearson's Correlation to measure the relationship between variables.



- Money attitudes were found using select questions on Money Attitude Scale (Yamauchi & Templar, 1982)
  - Money attitudes were measured on a 7 point Likert Scale
  - 8 power-prestige questions, such as:
    - “I use money to influence other people to do things for me.”
    - “In all honesty, I own nice things in order to impress others.”
  - 8 retention-time questions, such as:
    - “I put money aside on a regular basis for the future.”
    - “I follow a careful financial budget.”
- Financial Literacy was found using portions of the Jumpstart Coalition Survey of Personal Financial Literacy (JumpStart)
  - The Personal Financial Literacy Survey was a multiple choice questions test
  - 13 multiple choice questions such as:
    - “When is it acceptable to borrow money?”
    - “Which of the following options will cause you to incur higher finance charges?”



- Compulsive Spending was found using the Compulsive Buying Scale (Valence, et al, 1988)
  - Compulsive Spending Survey used a 5 point Likert Scale
  - 13 questions, such as:
    - “There are times when I have a strong urge to buy.”
    - “When I have money, I cannot help but spend all or part of it.”
- Credit Card use was found using the Credit Card Usage Scale (Roberts & Jones, 2001)
  - The Credit Card Use Survey used a 5 point Likert Scale
  - 12 questions, such as:
    - “I worry about how I will pay off my credit card debt.”
    - “I spend more when I use a credit card.”

# DESCRIPTIVE STATISTICS

Table 1

*Descriptive Statistics: Financial Knowledge, Money Attitudes, Credit Card Usage, Compulsive Spending*

Variable	Mean	Standard Deviation	Range
Financial Knowledge	8.85	2.43	0-13
Power Prestige	22.20	10.16	9-63
Retention Time	33.01	7.69	7-49
Credit Card Usage	26.98	7.17	12-60
Compulsive Spending	32.19	9.62	13-65

*Note:* N = 96

# RESULTS

1. There will be a negative correlation between amount of financial knowledge and credit card use and compulsive spending.
  - This hypothesis was supported.
  - There was a significant weak negative correlation between financial knowledge and credit card use,  $r(94) = -.245$ ,  $p \leq .05$ , two-tailed.
  - There was also a significant weak negative correlation between financial knowledge and compulsive spending,  $r(94) = -.291$ ,  $p \leq .05$ , two-tailed.

## RESULTS (CONT.)

2. There will be a positive correlation between power-prestige money attitudes and credit card use and compulsive spending.
  - This hypothesis was supported.
  - There was a significant weak positive correlation between power-prestige and credit card use,  $r(94) = .290$ ,  $p \leq .05$ , two-tailed.
  - There was a significant moderate positive correlation between power-prestige and compulsive spending,  $r(94) = .411$ ,  $p \leq .05$ , two-tailed.

## RESULTS (CONT.)

3. There will be a negative correlation between retention-time money attitudes and levels of credit card use and compulsive spending.
  - This hypothesis was not supported.
  - There was a weak negative correlation between retention-time and credit card use,  $r(94) = -.133$ ,  $p \geq .05$ , two-tailed, (No significant correlation)
  - There was a weak negative correlation between retention-time and compulsive spending,  $r(94) = -.158$ ,  $p \geq .05$ , two-tailed, (No significant correlation)

# CONCLUSIONS

- Those who have higher financial knowledge are more likely to have lower credit card use and compulsive buying.
  - This supported previous research recorded by Norvilitis et al. (2006), Moore and Carpenter (2009), Lai (2010), and Robb (2011).
- Those who have a power-prestige money attitude are more likely to have higher credit card use and compulsive buying when compared to those who do not.
  - This supported previous research by Lai (2010) and Roberts and Jones (2001).
- We did not find that those who have retention-time money attitude are less likely to have higher credit card use and compulsive buying when compared to those who do not.

# CONCLUSIONS (CONT.)

- Importance/Contribution of Study
  - This study looked at two components that can have a large effect on student debt (Credit Card Use and Compulsive Buying) and looked at their relationship with two other components (Money Attitudes and Financial Knowledge)
- Practical Applications
  - Giving students more opportunities to gain financial knowledge could possibly help keep their credit card use and compulsive buying down, but more research is needed before reaching this conclusion.



# CONCLUSIONS (CONT.)

- There is limited research on Retention-Time money attitudes and credit card debt and compulsive spending, future research in this area is recommended.
- For future research should consider using college students from more than one university.

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QUESTIONS?