Credit Card Usage BehaviorAmong Working Student
(Gelagat Penggunaan Kad Kredit di Kalangan Pelajar yang Bekerja)

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ABSTRACT

This study seeks to examine the credit card usage behavior among working students. Research questionnaires were distributed among young working adults who are pursuing their Bachelor Degree in the executive mode at Universiti Kebangsaan Malaysia (UKM). T-test showed there is no significant different between male and female in terms of credit card usage. However, ANOVA analysis showed that there are significant different in credit card usage behavior among respondent within different gross monthly income.

Keywords: Credit card, woking student, usage pattern.

ABSTRAK

Kajian ini bertujuan untuk menguji gelagat penggunaan kad kredit dikalangan pelajar yang bekerja. Borang soal selidik penyelidikan diagihkan dikalangan pekerja muda yang sedang melanjutkan pelajaran diperingat Ijazah Sarjanamuda melalui mod eksekutif di Universiti Kebangsaan Malaysia (UKM). Ujian-t menunjukkan tiada perbezaan yang signifikan diantara lelaki dan perempuan dalam penggunaan kad kredit. Walaubagaimanapun, ujian ANOVA menunjukkan terdapat perbezaan yang signifikan dalam gelagat penggunaan kad kredit di kalangan respondent yang pendapatan kasar berbeza.

Kata kunci: Kad kredit, pelajar bekerja, corak penggunaan.

INTRODUCTION

Credit cards are almost necessary for all working adults because of various reasons. Some own credit cardsfor convenient and for some credit cards are symbol of status. Credit card is an electronic instrument which allow purchases of goods and services without using physical cash. Some of today's transaction make it more convenient to use credit card such as online purchase and online booking. Credit card has changed the way how consumer spend and how business transaction are performed.

However, the mismanagement of credit card can lead to a long term credit card crisis, Malaysian consumers are committed to various debt, where 51% took car loan, 39% possessed credit cards (90% had up to 2 credit cards and 10% had 3-6 credit card), 33% took study loan, 28.9% took personal loan. This survey shows that working adult in Malaysia prefers to use credit card but many of them trap into credit card debt crisis (Agensi Kaunseling dan Pengurusan Kredit (AKPK) 2013). In Malaysia, the Department of Insolvency Malaysia had restructured 80, 348 bankruptcy cases between 2005 – 2009, on average, everyday 41 young worker were declared bankrupt, where 50 percent of those who seek financial counselling advised are those below 40 years old. It is revealed that more than 60 percent of young workers in Malaysia are over debt.

According to Malaysian Institute of Economic Research (MIER), Malaysia's household debt-to-GDP ratio was one of the highest in the region, although some other countries have racked over 100 per cent. Malaysia's household indebtedness has steadily increased from 75.8 per cent in 2010 to 76.6 per cent in 2011 and to 80.5 per cent in 2012, prompting calls for vigilance from financial analysts in the region. Government through Bank Negara Malaysia has set policy to control this situation before it become worst by introducing Overnight Policy Rate (OPR). The Overnight Policy Rate (OPR) will be the indicator of the monetary policy stance and as a target rate for the day-to-day liquidity operations of the Central Bank.

Bank Negara has set RM24,000 as the new minimum annual income requirement for credit card applicant, initially it was set up at RM18,000. In addition, cardholders who earned RM36,000 or leas per year would be able to hold credit card from no more than two card issuers. According to central bank data, 50% of the 3.2 million credit card holders in Malaysia have an income below RM36,000.

According to Agensi Kaunseling dan Pengurusan Kredit (AKPK), the number of people that attend the counselling about debt management in year 2013 is about more 248,491 people and from this statistic from January to December. According AKPK, 100,871 people referred it to debt management programme in year 2013 compare 84,102 in year 2012. The breakdowns of the reasons for unmanageable debts are shown in Table 1:

Table 1. Breakdown of Reasons for Unmanageable Debt

Description	Percentage
Poor financial planning	22.8
High medical expenses	18.1
Others	5.7
Failure or slowdown in business	15.3
Lost control on usage of credit cards	11.1
Lost job/retrenched	9.9
Death and/or loss of breadwinner	1.4
Failed investment	1.1

Source AKPK 2013

New challenges for bank institution are gen Y consumer, it is because the attitude of Gen-Y towards managing their finances is distinctly different than the Baby Boomers. The values of the technology oriented Gen-Y will shape consumer spending they believe in living in the present "spending now, saving later". They desire the luxury which their predecessors enjoyed in retirement and that is why most of them are often in a cash-crunch. According to KPMG survey September (2008), 57 percent of the Gen-Y population spend half their salaries on social purchases like holidays and technology.Therefore this study is intended to determine credit card usage pattern among working students to discover whether the same scenario happen

at national level do happen among working student polulation.

LITERATURE REVIEW

Demographic Factor

Syed Sharaf (1998) in his study on credit card usage among consumers in Penang, Malaysia found that there were significant differences in credit card usage according to several demographic variables such as marital status, educational level, sector of employment, and race. Nevertheless no differences were found to exist in credit card usage between males and females. Gan and Maysami (2006) found that gender, education, age and occupation were significant variables of credit card usage.

Hayhoe et al. (2000) indicated that there are significant relationships between gender and financial practices, financial stress, affective credit attitude and the number of credit cards with a balance. Munro and Hirt (1998) found that there were significant differences between demographic factors such as race, and academic standing with credit card payment practices. Armstrong and Craven (1993), in the other hand demonstrated that females tend to have a higher number of credit cards than males, but found that on average, females carry lower balances.

In addition, Joo et al. (2001) found that there are no differences between genders in terms of the number of credit cards held, balances, amount of monthly payment, or general attitudes toward credit. However, there was no significant difference between females and males regarding the number of credit cards held, the amount of monthly credit card balance, and attitudes towards credit usage and debt (Joo & Grable 2003). Hayhoe et al. (1999) found that females are more likely to have four or more credit cards. Lyons (2004) identified financially at-risk college students, noting that while females do not appear to hold excessive amounts of credit card debt, they do have a problem making payments on time. Hayhoe et al. (2000) reported no gender differences in terms of making minimum payments.

Several studies have reported that the demographic and socio-economic background of individuals has a strong influence on their credit card practices (Kaynak and Harcar, 2001). Slocum and Mathews (1970) found that upper-income consumers have more favourable attitudes toward credit card practices compared to lower-income consumers. However, Hayhoe et al. (2000) found no significant difference in financial confidence. Although these studies examine various aspects of gender, few have explored the role of gender on financial independence, financial confidence and security, or credit recovery behaviors. Gan et al. (2008) analysed credit card usage pattern of Singaporean customers. Their results indicated that credit card use was influenced by income and gender.

Credit Card Usage

Consumers use credit cards, which are issued by financial institutions, as a payment device and a source of revolving credit (Bernthal et al. 2005). Based on the main use of credit cards and benefits sought, extant literature segments credit card users into two group convenience users and revolvers (Lee and Hogarth 1999). Convenience users tend to use credit cards as an easy mode of payment and typically pay their balance in full upon receiving the account statement. Revolvers, on the other hand, use the card principally as a mode of financing and elect to pay interest charges on the unpaid balance (Lee and Kwon 2002). When consumers use credit cards as a mode of financing, credit cards compete with bank loans and other forms of financing (Brito and Hartley 1995). As a result, credit cards account for a substantial and growing share of consumers' debt through incremental borrowing (Bernthal et al. 2005).

Extant literature identifies credit card practices as the reasons for owning credit cards, number of credit cards owned, types of credit card purchases, place of purchase, frequency of usage, payment practices and all other factors associated with owning and using credit cards (Hirschman 1979). Further, economically less privileged persons use credit cards as a means of instalment credit as they are not able to borrow money from banks at a reasonable rate (Kaynak and Harcar 2001; Bernthal et al. 2005).

Abdul-Muhmin and Umar (2007) examined the credit card ownership and usage behavior across Saudi Arabia from the standpoint of the Islamic prohibition of interest across the country. They reported an on going debate about the acceptability of ownership and usage of credit cards across the kingdom. Available industry statistics, however, suggest that credit card ownership and usage may be on the rise despite a low penetration of credit cards across Saudi Arabia. Card usage tends to be selective, and attitude toward debt is a significant determinant of card ownership but not usage behavior, and evaluation of card usage attitudes was found to be fairly positive among Saudi cardholders.

Historically, consumer credit lags rather than leads. The trend has changed over time complicating

the consumer finance scenario. Consumers in Malaysia typically use credit as a substitute for cash (Silvia 2003). Thus, the relationship between credit and indebtedness has been highlighted in the literature with many researchers predicting that a general rise in consumer debt and spending (Griffiths 2000) has resulted in a consequential rise in consumer indebtedness (Ross 2002) and compulsive buying (Parkand Burns 2005)

METHODOLOGY

Data Collection

Research questionnaires were distributed among UKM

Table 2. Background Information

	n	%		N	%
Gender			*Number of Credit Card*		
Male	198	50.9	One only	194	48.5
Female	189	49.0	2 -3	206	51.5
Age Group			*Types of Credit Card*		
18-30	141	35.2	American Express	15	3.8
31-40	172	43	Diners Club	14	3.5
41-50	77	19.3	Mastercard	148	37
More than 50	10	2.5	Visa	143	35.8
			Mastercard and Visa	65	16.3
			Amex and Visa	8	2.0
			All	7	1.8
Marital Status			*Typical Monthly Credit Card Payment*		
Single	155	40.3	Entire Balance	189	47.2
Married	222	57.6	Minimum Balance	163	40.7
Divorced	8	2.1	Other	48	12
Race			*Credit Card Usage Frequency*		
Malay	306	78.5	Daily		
Chinese	34	9.1	Weekly	28	7
Indian	21	5.5	Every two week	112	28
Other	23	6.0	Monthly	55	13.7
			Other	161	40.25
				44	11
Monthly Credit Card Usage			*Missed credit card payment*		
Below RM1,000	167	41.75	Never		
RM1,001 – RM4,000	138	34.5	Sometimes	253	63.2
RM4,001 – RM7,000	68	17	Often	124	31
RM7,001 – RM10,000	27	6.7		23	5.75
Transferred Balance in past year			*Main Utilization of Credit Card*		
			Online shopping		
Never	245	61.25	Travel services	53	13.3
Once	89	22.25	Entertainment	56	14
2-3 times	51	12.7	Borrow/loan/cash advance	32	8
More than 3	15	3.7	Restaurant	15	3.8
			Clothing and shoes	18	4.5
			Petrol	39	9.8
			Groceries	133	33.3
			Medical/dental	42	10.5
				12	3.0

Source: Survey

students who are pursuing their Bachelor Degree in part time mode. Basically they are all working adults with at least 3 years working experience. Respondents are approached to participate in a self-administered questionnaire which takes 12 minutes to complete. Enumerators are trained prior to data collection on how to administer the questionnaire and select respondents with different background. Data collection periods last for two weeks include weekdays (for night class students) and weekends (for weekend students). A total of 450 questionnaires were distributed, where only 400 were usable for further process.

Measurement Instruments

The questionnaire consists of two parts, part one discover respondents demographics profiles and part two comprised of 12 items measuring credit card usage behaviour, where the respondents are asked to ranked the statement based on five-point Likert scale, from 1 = Strongly disagree to 5 = Strongly agree. All instruments were adapted from previous literature with minor adaptation to Malaysian scenario.

RESULT AND ANALYSIS

Background Information

An overview of respondents characteristics are detailed in Table 2.

Credit Card Usage Behavior

According to mean analysis in Table 3, it showed that the working students agree that they have too many credit cards (mean 2.43), where they frequenctly use avaialable credit on one card to make payment to another credit card (mean 2.47). And most of them agree that their credit card are usually at the maximum credit limit (mean 2.55), where they often make only minimum payment on their credit cards bills (mean 2.47). Altough the respondent are not quite agree with the statement"I rarely go over my available credit limit" scored mean of 3.29, the statement "I always pay off may credit card debt" ranks the last with the mean value of 3.64. The respondent also do not agree with the statement that "I seldom take cahs advances on my credit card" which scored a means of 3.19.

Table 3. Credit Card Usage

No	Item	Mean	Standard deviation	Rank
1.	My credit card are usually at their maximum credit limits	2.55	1.23	3
2.	I frequently use available credit on one to make a payment on another credit card	2.47	1.27	2
3.	I always pay off my credit card debt	3.64	1.10	12
4.	I worry how i will pay off my credit card debt	3.14	1.14	9
5.	I often make only minimum payment on my credit card bills	2.79	1.24	4
6.	I am less concerned with the price of a product when I use a credit card	2.84	1.25	5
7.	I am more impulse when I shop with credit card	3.12	1.08	8
8.	I spend more when i use a credit card	2.94	1.23	6
9.	I am seldom delinquent in making payment of my credit cards	3.10	1.06	7
10.	I rarely go over my available credit limit	3.29	1.23	11
11.	I seldom take cash advances on my credit cards.	3.19	1.36	10
12.	I have too many credit card	2.43	1.33	1

Source: Survey (Likert 1 - 5, where 1=strongly agree to 5=strongly disagree

Independent Sample T-test

Independent sample t-test was performed to test whether male and female are different in their credit card usage. Table 4 shows mean for males (2.99) and females (2.93), and the standard deviation equal to 0.5680 and 0.6958 for males and females. It is indicated that males obtained a slightly higher mean and lower value of standard deviation. The result had showed that significant (2-tailed) value is 0.325, which is higher than the significant alpha 0.05. It can be concluded that, there is no statistically significant difference on attitudes towards credit card debts with the gender. This finding is parallel to Syed Sharaf (1998) which also found that there are no differences exist in credit card usage between males and females.

Table 4. Independent T-test for Gender and Credit Card Usage Group Statistics

	Gender	N	Mean	Std. Deviation	Std. Error Mean	T	Sig.(2 tailed)
Usage	Female	198	2.9303	.69583	.04945	-.986	.325
	Male	201	2.9930	.56800	.04006		

Source: Survey

ANOVA Test

The ANOVA test was performed to examine the credit usage on the six income subscale identified. Result illustrates in Table 5, showed that gross monthly income and credit card usage are significantly different (F = 4.806, p=0.000.) This findings are supported by Munro and Hirt (1998) who that there were significant differences between demographic factors such as race, and academic standing with credit card payment practices.

Table 5. ANNOVA Test for Gross Monthly Income and Credit Card Usage

Anova

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	9.237	5	1.806	4.806	.000
Within Groups	151.065	393	.384		
Total	160.302	398			

Source: Survey

IMPLICATIONS AND RECOMMENDATIONS

The study on credit card usage behaviour among working students provides few implications to the policy maker especially Bank Negara Malaysia (BNM) in controlling the credit card mismanagement among young working adults especially Gen Y, who believe in "spending now, pay later".

The current policy of credit card limits and minimum payment should be revised in accordance to the current scenario. The credit limit which is normally set up doubled to their monthly salary actually serves as threats to these young generations, where it is very impossible for them to pay off all the credit card debt at the end of the month if the debt is doubled their salary.

BNM should revise this policy to shape this generation spending behaviour. In addition, the encouragement to use debit card as a new mode of payment instead of credit card is seen as another way to educate the young generation to spend in accordance to their financial ability.

The banks policy to accept a minimum payment of 5% of the total credit card debts is also seen as a trap to this young generation, where majority of them prefer to defer the debt payment to a longer period. In addition they policy on not allowing consumers to commit a new

debt if they cannot pay off the current debt is also seen suitable policy to educate the young generations. Other than that, the financial education to young generation at various level i.e., primary, secondary, and college/university level are seem crucial in the current scenario to increase the financial literacy which may prevent them from involve in mismanagement of debt.

CONCLUSIONS

In conclusion, the current debt scenario happening in the national levels are actually starts in the college/university level or may be earlier than that. Quite a number of young generation that has been raised in a credit card society where credit card is used freely (Ritzer 1995) are trapped in debt because of the mismanagement of debt. The finding of this study proved that there are no significant different in credit card usage behaviour among male and female respondents which means that both male and female are almost the same in their credit card usage behaviour. However, the findings revealed that respondents with different gross monthly income are significantly different in their credit card usage behaviour. In short, it can be said that those in lower income groups are different in terms of their credit card usage behaviour as compared to those with middle as well as higher income groups.

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