

The Consumer Behavioural Predictors of Credit Card Misuse

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Background

- Globally growth in credit cards is **comparable to** growth in **bank overdraft and personal loans** (Omar et al., 2014)
- **Personal debt problems** have had a negative impact on 83 per cent of respondents - **relationship problems, health issues** and **ability to carry out jobs** (Consumer Credit Counselling Services, 2010)
- Misuse of credit cards is associated with **suicidal tendency, financial distress, lowering of self esteem** and **increased anxiety** (Drentea, 2000; Drentea & Lavrakas, 2000)
- Credit card misuse is particularly **prevalent among young adults** (Joireman et al., 2010)



Question?

What are the consumer behavioural predictors of credit card misuse ?

→ aim is to link behaviours to outcome

Theory

- The **Self-regulation theory** purports that an individual will consciously regulate his or her behaviour and disposition through a feedback loop towards the attainment of goals or outcomes
- Baumeister and Vohs (2007) four-component model of self-regulation:
 - **Standard** – where the individual sets a benchmark for the behaviour
 - **Monitor** – where the individual evaluates the behaviour via a feedback loop and alters behaviour when necessary to bring it in line with standard
 - **Willpower** – where the individual exercises a modicum of strength, thus creating a state of **ego depletion** (akin to exhaustion), and resulting in a test of self-control
 - **Motivation** – where the individual is driven by a goal, outcome or standard

What do We Know from Prior Research?

Year	Author(s)	Findings
2001	Roberts & Jones	Compulsive buying behaviour leads to credit card misuse
2007	Pirog & Roberts	Personality traits are drivers of credit card misuse
2006	Norvilitis et al	Personality factors, money attitudes, financial knowledge associated with credit-card debt
2016	Horner et al	Childhood overindulgence associated with adult financial behaviours.



Approach

- ▶ Survey instrument developed with **six consumer buying behavioural scales**, **credit card misuse scale** and **demographics**
- ▶ Scales were **already established** in the literature:
 - ▶ credit card misuse (Roberts & Johnson, 2001)
 - ▶ consumer impulsiveness (Puri, 1996)
 - ▶ status consumption (Eastman et al., 1999)
 - ▶ consumer need for uniqueness (Tian et al., 2001)
 - ▶ compulsive buying (Valence et al., 1988)
 - ▶ vanity (Netemeyer et al., 1995)
 - ▶ emotional instability (Mowen, 2000)
- ▶ Final sample of **175** consisted of **over 70% young adults** making it representative of the targeted population
- ▶ **Structural equations** were used for model development and data analysis

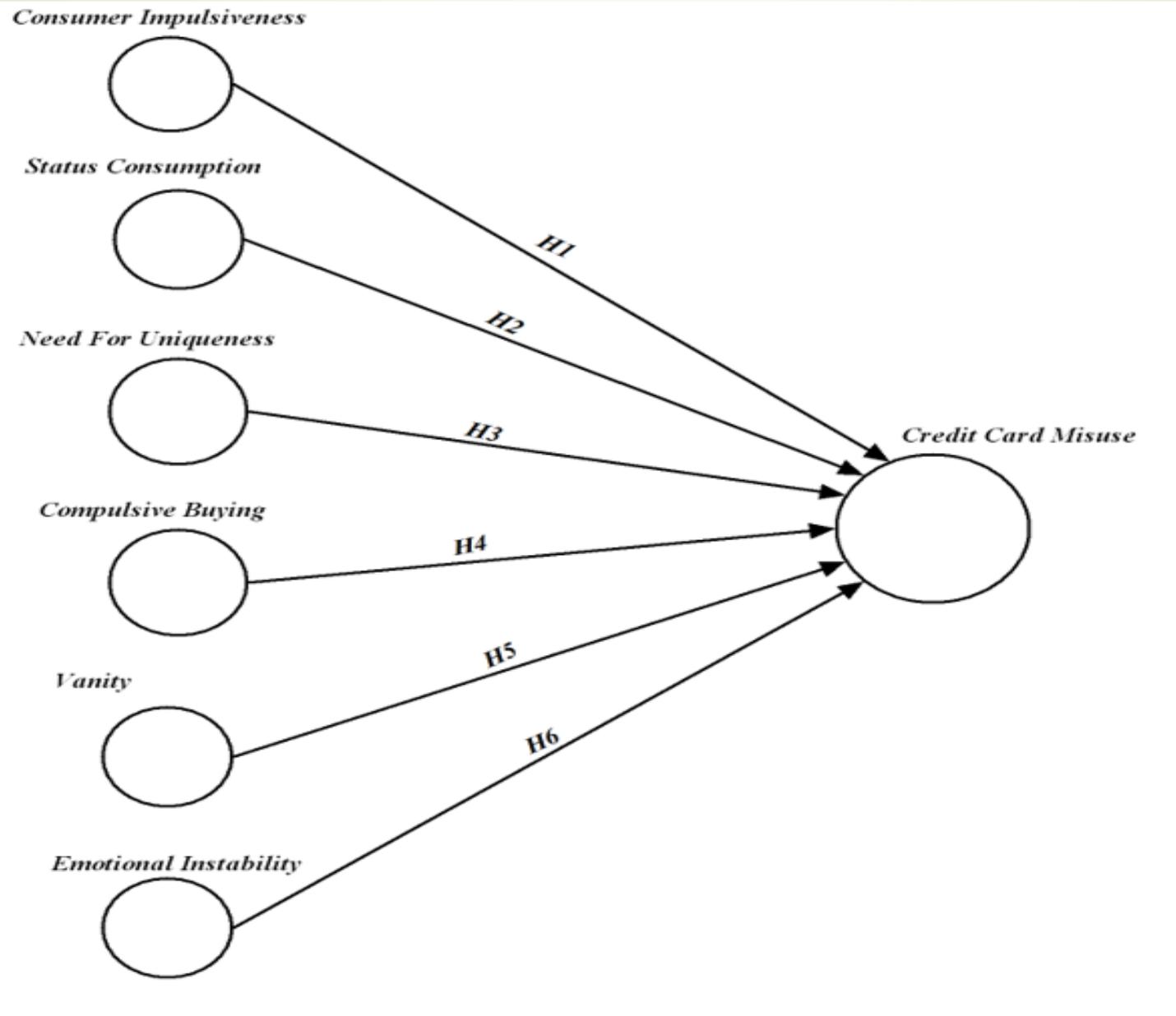
Example of Items on Questionnaire

Scale	Items
Credit Card Misuse	<ul style="list-style-type: none"> • less concerned with price when use card • takes cash advance on card • spends more with card • card is regularly at maximum credit limit • delinquent on payment
Consumer Impulsiveness	<ul style="list-style-type: none"> • impulsive, careless, irresponsible spending • easily tempted • enjoys spending
Status Consumption	<ul style="list-style-type: none"> • buys product with status • pays more for product with status • places value on snob appeal
Consumer Need for Uniqueness	<ul style="list-style-type: none"> • loses interest in brand when it becomes popular • purchases unusual products to create distinctive personal image • avoids brands that have been purchased by the average consumer
Compulsive Buying	<ul style="list-style-type: none"> • when money is available, cannot help spending part or all of it • often excessively impulsive, chronic and addictive buying behaviour • has an irresistible urge to buy something • often buys product not needed
Vanity	<ul style="list-style-type: none"> • overly concerned with self-appearance • believe people notice how attractive he/she is • believe people are envious of good looks • believe body is sexually appealing
Emotional Instability	<ul style="list-style-type: none"> • typically, moodier than others • temperamental (overemotional) • testy (easily irritated) • emotions range up and down

Hypotheses Development

- H1. **Consumer impulsiveness** is **positively** associated with **credit card misuse** (Pirog & Roberts, 2007; Horner et al., 2016)
- H2. **Status consumption** is **positively** associated with **credit card misuse** (Palan et al., 2011; Bhardwaj and Bhattacharjee, 2010; Wang et al., 2011; Lin et al., 2013)
- H3. **Consumer need for uniqueness** is **positively** associated with **credit card misuse** (Wang & Jiang, 2011)
- H4. **Compulsive buying** is **positively** associated with **credit card misuse** (Omar et al., 2014; O'Guinn & Faber, 1989; Joireman et al., 2010)
- H5. **Vanity** is **positively** associated with **credit card misuse** (Krueger, 1988; Park et al., 2008; Nga et al., 2011; Pirog & Roberts, 2007; Lin et al., 2013)
- H6. **Emotional instability** is **positively** associated with **credit card misuse** (Pirog and Roberts, 2007)

Research Model



Sample Description

Variables	Frequency	Percent	Cumulative Percent
Gender			
Male	60	46.9	46.9
Female	68	53.1	100.0
Total	128	100.0	
Marital Status			
Single	89	57.8	57.8
Married	50	32.5	90.3
Separated	9	5.8	96.1
Divorced	5	3.2	99.3
Widowed	1	.7	100.0
Total	154	100.0	
Age			
25-30	57	34.5	34.5
31-40	61	37.0	71.5
41-50	29	17.6	89.1
51-60	13	7.9	97.0
Over 60	5	3.0	100.0
Total	165	100.0	
Income			
<\$1M gross per year	27	17.3	17.3
\$1M to \$2M gross per year	54	34.6	51.9
>\$2M to \$3M gross per year	46	29.5	81.4
>\$3M to \$4M gross per year	13	8.3	89.7
>\$4M gross per year	16	10.3	100.0
Total	156	100.0	
Last Level of Educational Attainment			
Primary	2	1.2	1.2
Secondary	15	8.8	10.0
Tertiary	153	90.0	100.0
Total	170	100.0	
Occupation			
Professional	45	44.6	44.6
Clerical & Support Workers	27	26.7	71.3
Manager	20	19.8	91.1
Other	9	8.9	100.0
Total	101	100.0	

Item Loading for Resulting Outer Model

Constructs	Item loadings
Credit Card Misuse	
- impulsive when shopping with card (ccmu4)	0.868
- spends more with card (ccmu8)	0.718
- card is regularly at maximum credit limit (ccmu10)	0.574
Consumer Impulsiveness	
- impulsive (cimp1)	0.884
- careless (cimp2)	0.711
- responsible (cimp6R)	0.650
Status Consumption	
- buys products with status (stcon1)	0.828
- interest in new product with status (stcon2)	0.865
- pays more for product with status (stcon3)	0.785
- places value on snob appeal (stcon5)	0.574
Consumer Need for Uniqueness	
- sometimes dares to be different by dressing in ways that others are likely to disapprove of (cnfu2)	0.726
- loses interest in product/brand when it becomes popular (cnfu3)	0.655
- purchases unusual products/brands to create a more distinctive personal image (cnfu5)	0.750
- purchases one-of-a-kind products/brands to create own style (cnfu6)	0.855
- avoids products/brands that have been accepted and purchased by the average consumer (cnfu7)	0.574
Compulsive Buying	
- when money is available, cannot help but to spend part or all of it (cb1)	0.809
- often impulsive in buying behaviour (cb2)	0.808
- has an irresistible urge to go into a shop to buy something (cb3)	0.803
- often buys product not needed, while knowing very little money left (cb4)	0.636
Vanity	
- believes people notice how attractive he/she is (van4)	0.607
- believes people are envious of their good looks (van5)	0.944
- believes their body is sexually appealing (van6)	0.602
Emotional Instability	
- typically, moodier than others (ei1)	0.775
- temperamental (overemotional) (ei2)	0.855
- testy (easily irritated) (ei3)	0.874
- emotions go way up and down (ei4)	0.876

Descriptive Statistics, Composite Reliabilities (CR), and Average Variance Extracted (AVE)

Constructs	Mean	SD	CR	AVE
Credit Card Misuse (CCMU)	2.249	0.959	0.769	0.533
Consumer Impulsiveness (CIMP)	1.832	0.866	0.796	0.570
Status Consumption (STCON)	2.061	0.976	0.852	0.594
Consumer Need for Uniqueness (CNFU)	2.397	0.902	0.840	0.516
Compulsive Buying (CB)	1.902	0.849	0.856	0.600
Vanity (VAN)	3.127	0.915	0.771	0.541
Emotional Instability (EI)	2.397	1.038	0.910	0.716

Inter-Construct Correlations and Discriminant Validity

	CB	CCMU	CIMP	CNFU	EI	STCON	VAN
Compulsive Buying (CB)	0.775						
Credit Card Misuse (CCMU)	0.493	0.730					
Consumer Impulsiveness (CIMP)	0.471	0.390	0.755				
Consumer Need for Uniqueness (CNFU)	0.346	0.258	0.243	0.718			
Emotional Instability (EI)	0.438	0.241	0.371	0.321	0.846		
Status Consumption (STCON)	0.271	0.163	0.259	0.378	0.295	0.771	
Vanity (VAN)	0.199	-0.109	0.133	0.329	0.221	0.183	0.735

Note: On-diagonal elements represent the square-root of each construct's AVE; off-diagonal elements are the correlations between the constructs

Findings

- ▶ The results showed that the six predictor constructs explained **34 per cent** of the variances observed in the outcome construct of credit card misuse.
- ▶ Credit card holders who were *impulsive* ($\beta = 0.193; p \leq 0.01$), *compulsive buyers* ($\beta = 0.400; p \leq 0.01$) and had *need for uniqueness* ($\beta = 0.161; p \leq 0.05$) were most likely to misuse their credit cards
- ▶ The *vanity disposed* ($\beta = -0.263, p \leq 0.10$), were good users of the credit card
- ▶ No evidence was found for the association between *status consumption* or *emotional instability* and credit card misuse.

Discussion and Inference

- ▶ Consumer impulsiveness is a **spontaneous response to in-store stimuli**, while compulsive buying is a **chronic and addictive form of purchasing behaviour**.
- ▶ Compulsive buying is, consequently, a **more troubling condition than consumer impulsiveness**. As expected, therefore, these two behaviour types were found to strongly influence credit card misuse with **compulsive buying being twice as strong**.
- ▶ Individuals who display a **need for uniqueness** were found to be misusers of the credit card as they **exhibit consumption patterns of excessive spending and would buy luxury items** even when they could ill afford to do so.
- ▶ While the explanation for the findings on vanity is not clear, the study showed that the **vanity inclined** are **materialistic** and **self-conscious** and **judge** themselves and others on the basis of **financial success**.
 - ▶ It is believed therefore that this **self-regulated behaviour** of **conspicuously thinking of financial success** could contribute to the judicious use of the credit card by the vanity disposed.

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Discussion and Inference

- ▶ The variables of **emotional instability** and **status consumption**, while not associated with credit card misuse **should not be ignored in any future undertaking** as prior research has signalled their inclusion.
- ▶ Their contribution to the model in the very large variance observed in credit card misuse ($R^2 = 0.34$) **should not go unnoticed** when “ R^2 values of 0.20 are considered high in disciplines such as consumer behaviour” (Hair et al., 2014, p. 175).



Limitations

- ▶ Two survey-related **constraints** that must be highlighted.
 - ▶ The survey does not take into consideration **the recursive nature of the behaviour** and will not capture some of the complex issues that are attendant on these behaviours.
- ▶ Second, the survey method is subject to **under- and over reporting**, particularly in its capture of sensitive data
 - ▶ Further research is, therefore, needed using observation and in-depth interviews to better explain nuances of these behaviours in the context of credit card misuse.

Recommendation

- ▶ 4 Part framework of self-regulation (Baumeister & Vohs, 2007):
 - ▶ Individual must first establish good **standards** for the psychological behaviours to which he or she is predisposed
 - ▶ **Monitor** these behaviours against the set standards to ensure that credit card purchases are made in a judicious manner.
 - ▶ For example, if the individual recognizes himself as impulsive, he could *set the standard of not buying the first item that attracts him on entering a store* but, instead, explore options and then *monitor this impulsiveness so as not to buy first item*
 - ▶ Develop the **willpower**
 - ▶ For example, *disciplining himself to always assess his option so as not to make an impulsive purchase.*
 - ▶ Underpin willpower by his **motivation**
 - ▶ For example, *pay no interest on card* by paying off the balance at the end of the month

Conclusion

- ▶ This project was undertaken in response to the **negative psychological repercussions** that cardholders are facing due to **out-of-control debts**.
 - ▶ This study has addressed this **gap**
- ▶ It is expected that **credit card consumers will benefit** from this study as it seeks to **provide insights for reducing personal bankruptcy** due to credit card default and to **help with the psychology** of managing this facility
- ▶ The study is also calling for '**execution**' to be added as a **fifth component** to the four-component model (standard, monitor, willpower and motivation) presented by Baumeister and Vohs (2007) in an **extension of this theory**.
 - ▶ Indeed, the act of execution, as demonstrated that the study's model, will **bridge the gap between the recursive process and the execution of the behaviour towards the outcome**.



Conclusion

- The study presented a **self-regulated model** on consumer buying behavioural predictors of credit card misuse – a contribution
- **Two untapped avenues** for further research:
 - First, the model should be **tested using other theorized predictors** of credit card misuse.
 - This would be useful since there will never be consensus on the number and types of buyer behavioural predictors with such a complex undertaking
 - Second, further research could also **add mediating and moderating variables** to the model,
 - taking into consideration the many intervening factors that could be integral to the self-regulation process.



Thank You!

