

MARKET ANALYSIS OF STUDENT'S ATTITUDES ABOUT CREDIT CARDS

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Abstract

The attitudes of students to the use of credit cards is a complex subject, one that when measured needs to combine both demographic and attitudinal data to provide a complete picture of the topic. For this specific research project, fifty students, 25 of which were men and 25 women, were interviewed, and their responses entered into SPSS Version 14 and analyzed using frequency distributions and cross-tabulations. The result is a report that provides a fascinating glimpse into the attitudes of students with regard to credit cards. Highlights from the report include the following:

- The marketing messages from credit card companies are being very effective in pushing emergency uses of credit cards as the rationalization for giving one to a student away at school. What follows however is spending on many other items apart from those that would be considered necessary for an emergency.
- Women, in general, understand credit and know the interest rates of their credit cards with much greater frequency than men.
- The need to feel in control and the need to have their egos gratified are two of the strongest reasons why students continue to accumulate credit cards. The higher the balance for graduate students the greater the feeling of control.
- Tracking expenses online is split between those students with 3 cards and those with 7 or more.
- 14% of students in the sample have a credit card due to their parents' thinking they need one for emergencies, yet have their parents paying a monthly bill at the same time.
- The majority of students feel that credit cards are Ok to be used for meeting daily living expenses and making ends meet.

Research Issue

Ascertaining the attitudes of students relative to credit cards, including their attitudes about their perceived convenience, risk, and potential make transactions cost more than they would if paid in cash were several of the major attitudinal areas studied in this survey. Demographics including both the students' income and their families' income are included in the analysis, the frequency of how often their parents fought about money in general and credit cards specifically, and the number of credit cards they are carrying today were also included in the analysis. What emerged is a dichotomy in the views of students on credit cards and their relative usefulness and risk.

Research Goals

In completing this survey and resulting analysis, the following research goals were first defined:

1. Discover through the use of fifteen attitudinal questions and an additional twelve demographic variables if there is any correlation between student's attitudes to credit card use and awareness of the mechanics of how credit works. Specifically this first goal looks to find if there is a correlation between students' lack of knowing the interest rates on their credit cards relative to who pays their credit card bill.
2. The relationship between years in school and the perception of credit cards as a selective and not all-inclusive spending resource.
3. Measure students' attitudes to using credit cards to feel better about themselves, specifically more in control

of their lives and feeling more important or privileged when they get a credit card.

4. Measure student's attitudes about using their credit card balances to finance a vacation or down payment on a car versus saving credit cards balances for emergencies.
5. Define what percentage of students in the sample have at least one credit card maxed out to its limit and correlate this to their age and income level.
6. Define the overall attitudes of students when it comes to credit cards as a convenience or necessary evil in society.

Methodology

Fifty students were given the printed questionnaire and assured complete anonymity and privacy, and also were left alone in classrooms after sessions were over to complete the survey. A \$3 Starbucks Card was offered to the first ten students to complete the survey, so that motivation to quickly finish the research instrument would be assured. Graduate-level students were asked to complete the survey during an evening course break.

The sampling focused primarily on business students, with an even mix of women and men in the samples to rule out gender bias in the analysis of the results, a research design advocated by Hair, J.F., Anderson, R.E., Tatham, R.L., & Black, W.C. (1995) in their book.

Simple Random Sampling was used in the administering of the questionnaires themselves, and anonymity was assured by having a box at the front of the room where the students could place their responses before leaving class.

The questionnaire itself includes 24 questions, with 12 being focused on demographics and parents' behavior around credit cards, and the remaining 12 being focused on attitudinal variables. An interval-scale questionnaire was created to capture their attitudes to the following questions. Each of these questions were responded to on a four-point scale comprised of Strongly Agree, Somewhat Agree, Somewhat Disagree, and Strongly Disagree. The following attitudinal statements were responded to in the interview process:

- *I feel more in control of my life when I get a new credit card with a high balance*
- *I feel important when I apply and get any credit card*
- *Credit cards are necessary in today's society and provide a needed service*
- *It's easy to overspend when you have a credit card*
- *Credit cards end up costing me more than I think*
- *Credit cards make my spending more convenient*
- *One of the big benefits of spending using a credit card is tracking expenses online*
- *Right now one or more of my credit cards are at their maximum limit*
- *Credit cards are great for establishing credit*
- *Credit Cards are risk-free from identity theft*

- *Credit Cards should only be used for emergencies.*
- *It is OK to charge a vacation entirely on a credit card*

SPSS Version 14.0 for Windows was used for completing the statistical and graphical analysis of results, with the data being input into the Data View and the variables organized in the Variable View.

Analysis of Results

Starting with the research design, the role of sex of respondents were held constant to ensure that this variable would not have to be controlled for in the analysis. The analysis suggests that women students, in general, are more aware of how credit works and its ramifications on their lives going forward.

Sex of Respondents

Sex of respondent

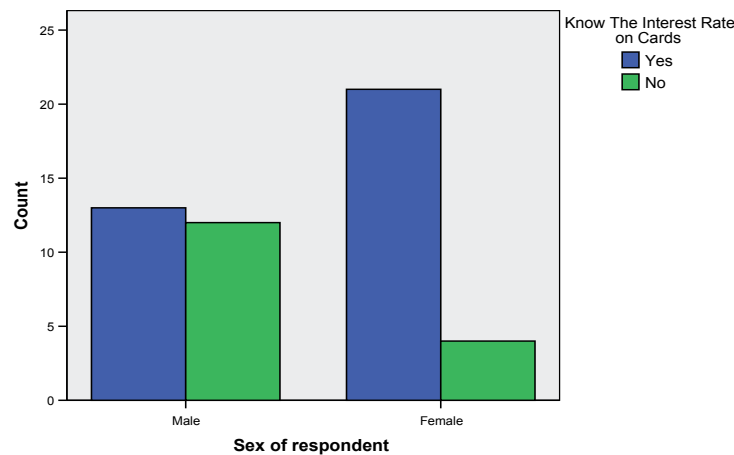
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	25	50.0	50.0	50.0
	Female	25	50.0	50.0	100.0
	Total	50	100.0	100.0	

What's fascinating about the intelligence of women in the sample relative to men is their higher level of awareness of how credit works. See the cross-tabulation below of sex of respondent by awareness of interest rates on credit cards:

*Sex of respondent * Know The Interest Rate on Cards Cross tabulation*

			Know The Interest Rate on Cards		Total
			Yes	No	
Sex of respondent	Male	Count	13	12	25
		% within Sex of respondent	52.0%	48.0%	100.0%
		% within Know The Interest Rate on Cards	38.2%	75.0%	50.0%
		% of Total	26.0%	24.0%	50.0%
	Female	Count	21	4	25
		% within Sex of respondent	84.0%	16.0%	100.0%
		% within Know The Interest Rate on Cards	61.8%	25.0%	50.0%
		% of Total	42.0%	8.0%	50.0%
	Total	Count	34	16	50
		% within Sex of respondent	68.0%	32.0%	100.0%
		% within Know The Interest Rate on Cards	100.0%	100.0%	100.0%
		% of Total	68.0%	32.0%	100.0%

Comparing Men's and Women's Awareness of Interest Rates on their credit cards



Clearly women understand the implications of credit card debt before and at a much more fundamental level than men in this sample as the chart, Comparing Men's & Women's Awareness of Interest Rates on their credit cards which is shown in the graphic to the left

Attitudes towards Credit Cards

The main research objective of this paper is to define student's attitudes' about credit cards. From the research completed by Hayhoe, Leach, Allen, and Edwards (2005) the researchers found that students acquire and spend more to feel more in control over their lives. 36% respondents agree with the hypothesis of the researchers mentioned,

in that they strong agree with the statement that credit cards give them a strong sense of control.

Credit Cards Make Me Feel In Control

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	18	36.0	36.0	36.0
	Somewhat Agree	28	56.0	56.0	92.0
	Somewhat disagree	4	8.0	8.0	100.0
	Total	50	100.0	100.0	

When this attitudinal variable of feeling in control is cross-tabulated by the class rank of the respondent, another fascinating dynamic emerges, showing that the higher the class rank the more in control respondents feel about their use of credit cards. This is attributed to the fact that in general, the higher the class rank the higher the credit limits, and the greater the opportunities to make good and bad decisions in the use of credit cards. The following table shows a cross-tabulation of class rank by the attitudinal variable of credit cards making the respondent feel in control. Notice that not a single respondent completely disagreed with this attitudinal statement – a sure sign being in control is correlated with a high credit limit.

Cross-tabulation of Class in School with attitudinal variable Credit Cards Make Me Feel In Control

		CC Makes Me Feel In Control			Total
		Strongly Agree	Somewhat Agree	Somewhat disagree	
Class in School	Count	1	3	0	4
	% within Class in School	25.0%	75.0%	.0%	100.0%
	% within CC Makes Me Feel In Control	5.6%	10.7%	.0%	8.0%
	% of Total	2.0%	6.0%	.0%	8.0%
Sophomore	Count	0	3	0	3
	% within Class in School	.0%	100.0%	.0%	100.0%
	% within CC Makes Me Feel In Control	.0%	10.7%	.0%	6.0%
	% of Total	.0%	6.0%	.0%	6.0%
Junior	Count	2	4	1	7
	% within Class in School	28.6%	57.1%	14.3%	100.0%
	% within CC Makes Me Feel In Control	11.1%	14.3%	25.0%	14.0%
	% of Total	4.0%	8.0%	2.0%	14.0%
Senior	Count	2	4	1	7
	% within Class in School	28.6%	57.1%	14.3%	100.0%
	% within CC Makes Me Feel In Control	11.1%	14.3%	25.0%	14.0%
	% of Total	4.0%	8.0%	2.0%	14.0%

		CC Makes Me Feel In Control			Total	
		Strongly Agree	Somewhat Agree	Somewhat disagree		
Total	Graduate Student	Count	13	14	2	29
		% within Class in School	44.8%	48.3%	6.9%	100.0%
		% within CC Makes Me Feel In Control	72.2%	50.0%	50.0%	58.0%
		% of Total	26.0%	28.0%	4.0%	58.0%
		Count	18	28	4	50
		% within Class in School	36.0%	56.0%	8.0%	100.0%
		% within CC Makes Me Feel In Control	100.0%	100.0%	100.0%	100.0%
		% of Total	36.0%	56.0%	8.0%	100.0%

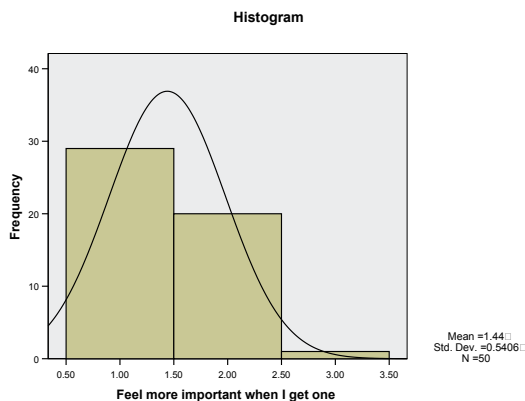
Attitudes to Credit Cards: The Marketing of Ego

For many respondents, applying for and getting a credit card is a big boost to their ego. In the fifty respondents in this survey, not a single one said they completely disagreed with this statement. In fact, many of them feel that this is the biggest pay-off of going for even more cards; there is the validation that they are worthy of someone’s trust with a credit card, and the freedom it conveys is a powerful force in acquiring more and more cards. 58% of respondents strongly agree with this statement, and an additional 40% somewhat agree. This is the most powerful allure of credit cards to students, the feeling that they “are somebody” when they get a credit card. One student also wrote in that getting an American Express card felt better than getting straight As.

Feel more important when I get a Credit Card

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	29	58.0	58.0	58.0
	Somewhat Agree	20	40.0	40.0	98.0
	Somewhat disagree	1	2.0	2.0	100.0
Total		50	100.0	100.0	

When a histogram is produced in SPSS V.14, the results continue to make the point that the ego gratification of getting a credit card far outweighs the risks, and for men students especially, they are more often than not aware of the interest rate payments are based on.



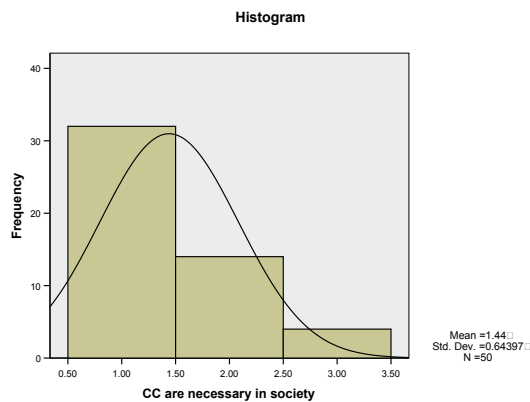
Necessary for Society?

When student respondents were asked if a credit card was essential in westernized society, 64% strongly agreed, followed by 28% somewhat agreeing. There were no overt negative responses to this question, as credit cards have become a fact of life for many of these students.

Credit Cards are necessary in society

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	32	64.0	64.0	64.0
	Somewhat Agree	14	28.0	28.0	92.0
	Somewhat disagree	4	8.0	8.0	100.0
Total		50	100.0	100.0	

The histogram analysis from this specific attitudinal question also shows the prevalence of how critical students see credit cards in society. As is the case with other attitudinal variables that are focused on the pervasiveness of credit cards, the majority of students commented that they did not feel prepared for a semester without at least one credit card with a low enough balance to be used during the year.



Attitudes and Beliefs Regarding Overspending

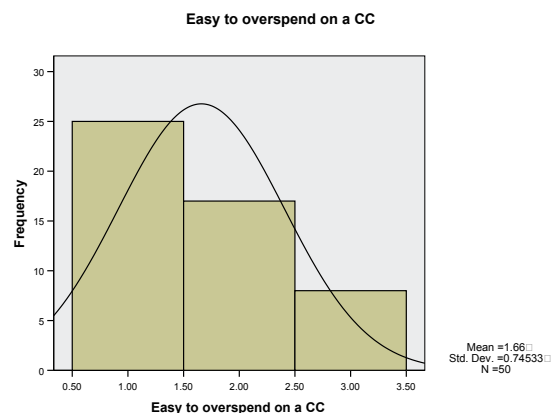
The higher the credit limit the more the attitude prevails that it's easier to overspend on a credit card. The table below that

captures the attitudes of respondents in terms of their attitudes to over-spending. When this attitudinal variable is cross-tabulated to respondent's class rank, graduate students have the greatest fear of overspending.

Easy to overspend on a Credit Card

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	25	50.0	50.0	50.0
	Somewhat Agree	17	34.0	34.0	84.0
	Somewhat disagree	8	16.0	16.0	100.0
Total		50	100.0	100.0	

When this attitudinal variable was cross-tabulated to the total number of credit cards a student has, the median number of 7 total credit cards held was the delineating point where students started reporting heavily that it was easier to overspend with their credit cards.



Credit Cards Cost More Than I Think

A common attitude among the broader consumer population is that credit cards are more expensive than their initial claims suggest, including escalating interest rates and for some cards, an annual renewal fee that can be in the hundreds of dollars. As many of the students in the sample undoubtedly have excellent credit scores due to little or no debt to this point in their lives and the fact that credit card companies are anxious to gain them as new customers, it’s not surprising to see student’s attitudes be contrarian. The following table shows the results of this attitudinal variables’ result, with 22% strongly disagreeing with the statement that credit cards have higher costs than they initially thought.

Credit Cards cost more than I think typically

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	4	8.0	8.0	8.0
	Somewhat Agree	17	34.0	34.0	42.0
	Somewhat disagree	18	36.0	36.0	78.0
	Strongly Disagree	11	22.0	22.0	100.0
	Total	50	100.0	100.0	

This is the customer segment credit card companies want most, and their marketing appears to be working based on this survey.

Credit Cards Making Spending Convenient

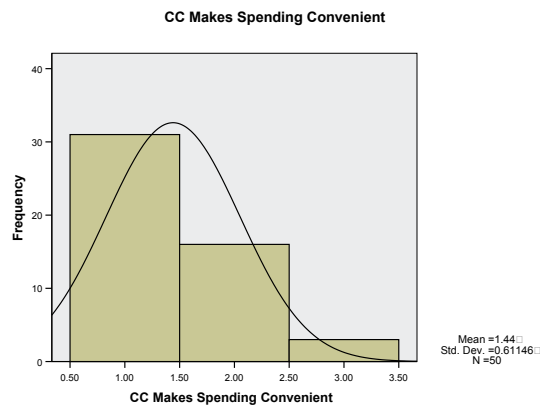
The next attitudinal question, that of how convenient or not credit cards make spending, 62% of respondents strongly

agreed with that statement, and no respondents completely disagreed.

Credit Cards Makes Spending Convenient

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	31	62.0	62.0	62.0
	Somewhat Agree	16	32.0	32.0	94.0
	Somewhat disagree	3	6.0	6.0	100.0
	Total	50	100.0	100.0	

The histogram for this specific variable’s shows that overall student respondents sees the positive aspects of using credit cards, and given the fact they are in the primary target market for many of the credit card companies, it’s again clear to see the messaging is working. One student also mentioned that gift credit cards from parents and relatives were all he asked for during the last holiday season, and he promptly used the gift cards to travel to Mexico for Spring Break.



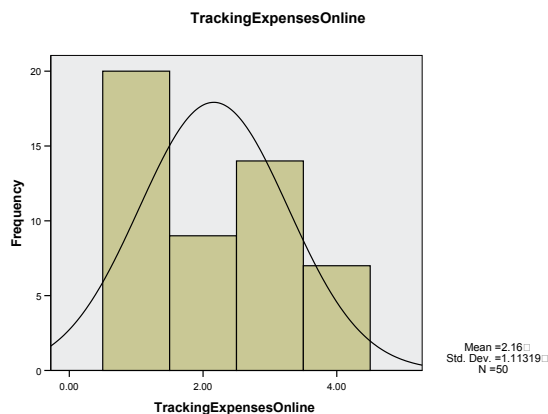
Tracking Expenses Online: The Attitude of Accountability

The focus on accountability from and validation of spending being the respondents' own doesn't seem to nearly as important attitudinally as feeling in control and also getting the ego gratification of getting a new credit card, which is a point validated by Davies, E., & Lea, S. E. G. (1995). Only 40% of the respondents strongly agreed with the point that tracking expenses online was a task that made holding credit cards convenient.

The histogram of the attitudinal variable for tracking expenses online shows the polarity of how students see this specific area attitudinally. When this specific attitudinal variable is cross-tabulated with the total number of cards a student owns, which is shown in the table below, shows the polarity of those student respondents clustered at the 3 and 7 card areas. The 7-card area specifically is the breakout area for respondents who also know their interest rates on cards and have the strongest attitudes towards being in control with higher available balances.

Tracking Expenses Online

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	20	40.0	40.0	40.0
	Somewhat Agree	9	18.0	18.0	58.0
	Somewhat disagree	14	28.0	28.0	86.0
	Strongly Disagree	7	14.0	14.0	100.0
	Total	50	100.0	100.0	



Total Number of Cards by Tracking Expenses Online Cross-tabulation % of Total

	Tracking Expenses Online				Total	
	Strongly Agree	Somewhat Agree	Somewhat disagree	Strongly Disagree		
Total Number of Cards	1.00	2.0%	6.0%	2.0%	10.0%	
	2.00	2.0%	6.0%	6.0%	16.0%	
	3.00	10.0%	4.0%	6.0%	20.0%	
	4.00	2.0%	4.0%	6.0%	12.0%	
	5.00	4.0%	6.0%	2.0%	12.0%	
	6.00	6.0%			6.0%	
	7.00	10.0%	2.0%	4.0%	16.0%	
	8.00	6.0%			6.0%	
	10.00		2.0%		2.0%	
Total		40.0%	18.0%	28.0%	14.0%	100.0%

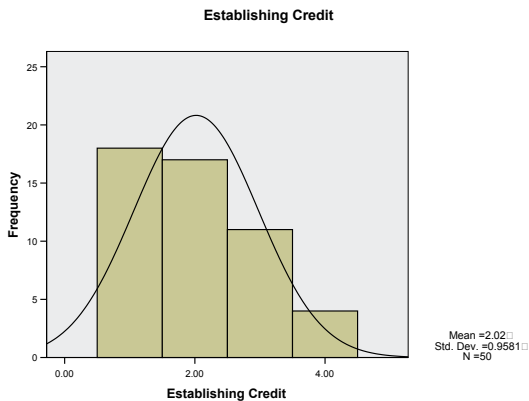
Establishing Credit: Rationalization or Planning for the Future?

Respondents felt mixed about credit cards establishing their credit. 36% agreed with this and had a positive attitude towards this statement, while 30% disagreed and in conversations on this general topic, felt getting a home was by far more important to their credit standing than getting a credit card.

Credits Are Critical for Establishing Credit

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	18	36.0	36.0	36.0
	Somewhat Agree	17	34.0	34.0	70.0
	Somewhat disagree	11	22.0	22.0	92.0
	Strongly Disagree	4	8.0	8.0	100.0
	Total	50	100.0	100.0	

The histogram graphically shows the fact that many respondents feel that this is a positive aspect of getting a credit card, yet just as many are in the most negative attitudinal category, which were not listed on other variables.



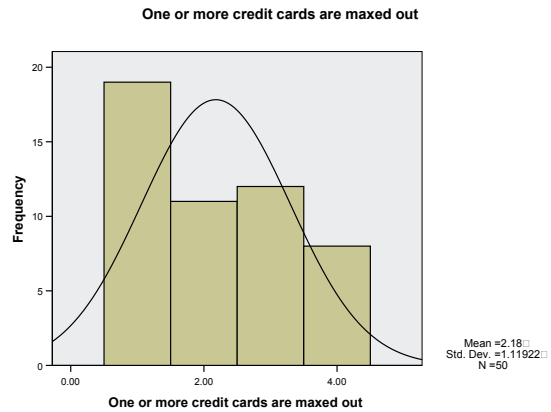
Credit Cards Maxed Out

The attitudes of respondents specifically on credit cards are also very much influenced by how maxed out their credit cards are. 60% of the respondents have maxed out one credit card today.

One or more credit cards are maxed out

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	19	38.0	38.0	38.0
	Somewhat Agree	11	22.0	22.0	60.0
	Somewhat disagree	12	24.0	24.0	84.0
	Strongly Disagree	8	16.0	16.0	100.0
	Total	50	100.0	100.0	

The histogram of responses for this specific attitudinal variable shows the split nature of respondents. On the one hand they have maxed out at least one credit card, yet on the other it is seen as not that important, as the split of the histogram shows.



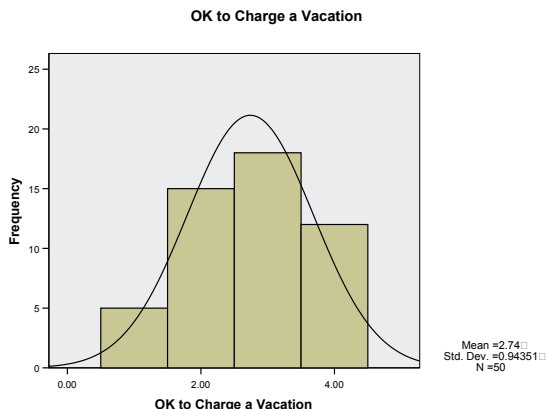
Using Credit Cards for Vacations

Respondents feel that in general credit cards are not a good idea as a means to financing a vacation. 60% of them say that they disagree with the specific idea of using credit cards to pay for a vacation. The assumption behind this is that a vacation costing thousands of dollars is not acceptable as an expense subsidized completely on credit cards.

OK to Charge a Vacation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	5	10.0	10.0	10.0
	Somewhat Agree	15	30.0	30.0	40.0
	Somewhat disagree	18	36.0	36.0	76.0
	Strongly Disagree	12	24.0	24.0	100.0
	Total	50	100.0	100.0	

The histogram for this specific attitudinal variable also shows that the majority of respondents disagree with the point of paying for a vacation using credit cards.



Used for Emergencies

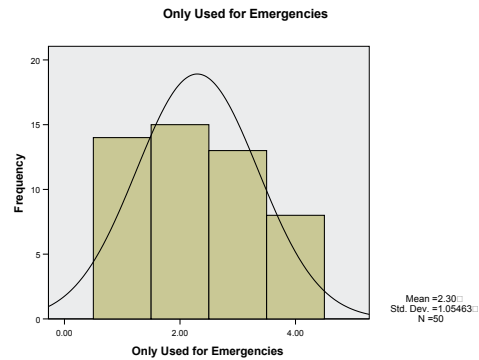
One of the greatest marketing messages credit card companies use is to sell the concept of getting your children credit cards for emergencies. Too often the emergencies are pizza at midnight, a new stereo when one is broken, or even a new laptop. The marketing messages to students and their families however are working when one looks at this attitudinal variable, with 58% agreeing with this assessment.

Only Used for Emergencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	14	28.0	28.0	28.0
	Somewhat Agree	15	30.0	30.0	58.0
	Somewhat disagree	13	26.0	26.0	84.0
	Strongly Disagree	8	16.0	16.0	100.0
	Total	50	100.0	100.0	

From the histogram however it's easy to see how effective the marketing programs of credit card companies are in persuading both students and their families that while emergency uses of cards is a noble goal, many of these same students have high balances and many different cards. Clearly they are more sophisticated at juggling multiple cards and debts than their parents realize, a finding also validated by Churaman, C. V. (1988). The following table shows how students perceive the emergency nature of their credit cards by how they pay their bill, including the dynamic of their parents paying their credit card bill for them. 14% of respondents have the best of both

worlds, their parents pay the bill and it is substantiated with the attitude that it is for emergencies only.



How Credit Cards Are Paid By Only Used for Emergencies Cross tabulation % of Total

		Only Used for Emergencies				Total
		Strongly Agree	Somewhat Agree	Somewhat disagree	Strongly Disagree	
How Credit Cards Are Paid	Online	12.0%	10.0%	18.0%	10.0%	50.0%
	By Mail	2.0%	16.0%	8.0%	6.0%	32.0%
	Parents Pay Bill	14.0%	4.0%			18.0%
Total		28.0%	30.0%	26.0%	16.0%	100.0%

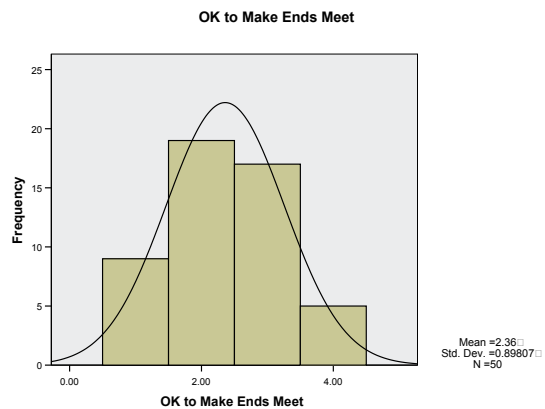
Making Ends Meet with a Credit Card: Attitudes towards Everyday Spending

For many students their first experiences with budgeting are when they go away to school. This next attitudinal variable defines how students feel about credit cards being used to make ends meet. 56% agree that this is OK to do with a credit card, while 44% don't.

The histogram for this specific variable shows that many students actually do use their credit cards to help make ends meet, and some feel guilty about it, while others find this perfectly fine. 14% of these respondents have parents paying the bill, so “dressing up” circumstances can keep the parent paying connection moving.

OK to Make Ends Meet

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	9	18.0	18.0	18.0
	Somewhat Agree	19	38.0	38.0	56.0
	Somewhat disagree	17	34.0	34.0	90.0
	Strongly Disagree	5	10.0	10.0	100.0
Total		50	100.0	100.0	



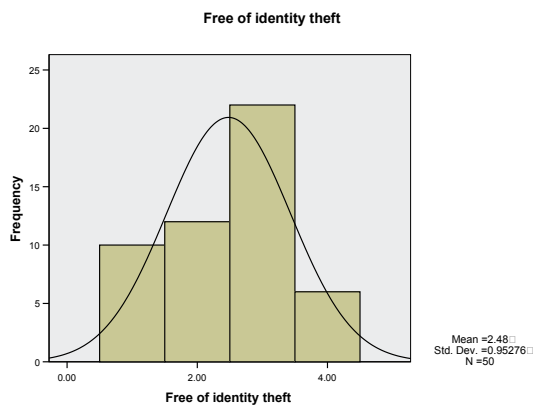
Attitudes and Perceptions of Risk

What’s refreshing in this attitude survey is that 56% of all respondents are concerned about identity theft from using their credit cards, and 44% aren’t. Despite this lack of trust in identity protection credit cards continue being used heavily in the respondent population.

Free of identity theft

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	10	20.0	20.0	20.0
	Somewhat Agree	12	24.0	24.0	44.0
	Somewhat disagree	22	44.0	44.0	88.0
	Strongly Disagree	6	12.0	12.0	100.0
Total		50	100.0	100.0	

The histogram for this specific variable shows that the majority of respondents have a decidedly pessimistic view of security online for their credit cards



Conclusions/Recommendations

The conclusion from this research is that the marketing of credit cards for college students, both to their parents and to the students themselves, is extremely effective. While not measured to statistical relevance, it is clear that to a high level of confidence the messages of control, ego gratification and the rationalization of emergencies is working very well.

Recommendations based on this research are as follows:

1. Greater education into the FICO score definition based on the use of credit cards. The fact that so many students don’t really see credit cards impacting their credit score in the short-term.
2. Focusing on the number of credit cards and their interest rates through greater education is also critical, especially for men students. There is a big gap in how many men know the interest rates they are paying on their credit cards for example.
3. Defining the costs of carrying multiple credit cards is also critical. Many students in the sample believe that there is a lower cost to managing their credit cards than the general public believes.
4. The level of accountability for matching receipts to actual spending is troubling, as only upper division and graduate-level students use online services to check the validity of charges on their account.

Limitations

There are several limitations to this analysis, and these include the following:

1. There needs to be a casual model developed that speaks to the marketing influences on students and their lack of accountability of how they use credit cards.
2. Further research into the impact on FICO and credit scores based on having multiple credit cards in college.
3. The impact of having seven or more credit cards for any student and their future credit score.

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