Attitudes of College Students toward Credit Cards: A Comparison of Credit Card User Types

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Introduction

Credit card debt accumulated in college can take years to pay off (Manning, 1999), and has led to negative psychological consequences including increased stress and reduced financial well-being (Norvilitis et al., 2006). Researchers have found that 66-95% of college students have at least one credit card for which they are responsible (Hayhoe, 2000; Manning; Norvilitis, Szablicki, & Wilson, 2003; U.S. Public Interest Research Group Education Fund (PIRG), 2008). When combined with student loans and other outstanding debt, credit card debt contributes to a considerable debt burden upon graduation (Manning). With the rising costs of tuition, students increasingly are turning to credit cards to help finance college expenses. Over half of students surveyed in 2008 reported that they used credit cards to finance day-to-day expenses, such as textbooks and tuition (PIRG). Mounting debt has forced students to obtain or increase employment and/or scale back on enrollment in college classes (Manning).

Purpose

Researchers have studied the use of credit cards by college students for over a decade, and have examined the profiles of such students (Lyons, 2004). Studies have been conducted to determine differences in the spending habits of this population (Hayhoe, Leach, Turner, Bruin, & Lawrence, 2000), to examine their personality factors (Norvilitis et al., 2006), attitudes about money (Hayhoe, Leach, & Turner, 1999; Norvilitis et al., 2006), financial knowledge (Norvilitis et al., 2006), factors that influence their levels of credit-card debt (Norvilitis, Szablicki, & Wilson, 2003), and attitudes about credit and credit cards (Hayhoe, 2000; Xiao, Noring, & Anderson, 1995). What has not yet been determined is whether financial education about credit and credit cards is useful in changing attitudes toward credit cards, and whether such attitudes are different for those who carry a credit card balance and those who pay their bills in full each month. The current study was designed to examine these concepts. Based on the review of past studies of college students' credit card attitudes and behaviors, the following hypotheses regarding college students were proposed.

> H1: Attitudes toward credit cards will change following financial education about credit.
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> H2: Attitudes toward credit cards will be less positive for those who carry a credit card balance than for those who pay credit card balances in full each month.

Method

The instrument selected to measure attitudes toward credit cards was adapted from an instrument developed in 1995 by Xiao et al. The adapted measure differentiated attitudes into four dimensions: Apprehension (trepidation about credit card use), Acquisition (intention to obtain additional credit cards), Usefulness (perception that credit card ownership was useful and something to be proud of), and Usage (frequency of the utilization of credit cards). The research design was quasi-experimental, using a test and control group.

The sample of undergraduate students at a large Midwestern university consisted of students in a personal finance class (test group, $n = 47$) and those in an introductory human nutrition class (control group, $n = 64$) who completed both the pre- and post-tests. Since intact classes were used, randomization of subjects and treatment to groups was not possible. Demographic characteristics were compared to determine equivalency of groups at the start of the study; there were no differences in gender, ethnicity, marital status, number of credit cards, or total amount owed on credit cards. There were differences in age, $Z = -3.16$, $p < .01$ (control group was younger), and student classification, $Z = -3.26$, $p < .001$ (control group had more sophomores than the treatment group, which was made up of predominantly juniors and seniors).

A survey questionnaire was administered at two different time periods during the fall of 2008 to both groups, with the pre-test conducted prior to the delivery of financial education about credit in the personal finance class. The instructor of the course spent four 50-minute class periods delivering education about credit. Topics included types

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of credit, credit management, credit card use, credit reports, setting debt limits, and dealing with overindebtedness. Classroom activities consisted of lecture with PowerPoint slides, discussion, small-group activities, and demonstration/practice with mathematical calculations. The post-test was administered near the end of the semester, approximately one month following the end of the credit education segment.

Results

A series of paired t tests tested the first hypothesis that students' attitudes toward credit cards would change following financial education about credit. There was partial support for the hypothesis. Scores for Acquisition increased from pre- to post-test for both groups. That is, students reported they intended to obtain additional credit cards. Usage scores also were higher post-test for the personal finance students, indicating they intended to use their credit cards more frequently and for the majority of purchases.

Independent samples t tests tested Hypothesis 2, that students' attitudes toward credit cards would be less positive for those who carried a credit card balance than for those who paid balances in full each month. For this analysis, data for all students at the start of the study (n = 149) were used. There was partial support for the hypothesis; those who paid their credit card bills in full each month were less fearful about using credit cards (Apprehension) than were those who carried credit card balances. Those who paid their credit card balances in full each month also were more likely to perceive that having credit cards was useful (Usefulness) than were those who carried a monthly balance.

Discussion

The college students in this study who had credit card debt carried heavy debt burdens overall. Students who carried credit card debt reported negative psychological burdens as well, including worry and loss of sleep because of their financial situation. Students who carried a monthly balance on their credit cards were apprehensive about using credit cards, and did not view them as useful financial tools. An unexpected finding of the study was that, following the delivery of financial education, students in both groups reported a desire to acquire even more credit cards. Since the same was true for both groups, this finding could not be attributed to the financial education session. One explanation for the finding is that, between the time of the first data collection in early October 2008 and the second in late November 2008, the economy suffered a diminishing of global credit, major stock market losses, and an enormous number of job losses. This in turn spawned a global recession predicted by former U.S. Federal Reserve Chairman Alan Greenspan to be the longest and deepest since the 1930s (Worst recession since 1930s, 2009). The students in this study, like many other Americans, may have experienced loss of employment for both themselves and family members; additional access to credit may have seemed like the only viable short-term solution for meeting the semester's expenses.

Following financial education sessions about credit, students in the test group also expressed increased intentions to use their credit cards frequently and for the majority of their shopping. Hayhoe et al. (1999) found that those with four or more credit cards were more likely to have more positive attitudes about credit, and were more likely to have taken a course in personal finance. Perhaps students in the current study, armed with new financial knowledge about credit card use, perceived they now were capable of handling credit card debt more responsibly.

Implications

It is important that students grasp the ramifications of current credit practices on their financial futures. It is interesting to note that students in this study who carried monthly credit card balances had less positive attitudes about using credit cards, yet overall, students intended to acquire additional credit cards. These seemingly conflicting findings can provide guidance for financial educators. Typically, college students are reactive rather than proactive in seeking information about managing debt (Hayhoe et al., 1999). This suggests that strategies for good financial management should be in place before students acquire and begin to use credit cards. The implication is that high school consumer education classes can provide a foundation for learning how to manage credit card spending. Emphasis on setting financial goals and distinguishing between wants and needs can provide the framework within which to discuss saving to buy desired but nonessential items, controlling discretionary spending, and avoidance of the immediate gratification that credit cards often provide.

For college students already accumulating credit card debt in excess of their ability to pay it off, financial educators should emphasize the implications of poor credit histories, including elevated automobile insurance rates and increased difficulty securing housing and/or employment following graduation. Emphasis on the length of time needed to pay off credit card debt acquired while in college could help provide needed motivation to manage spending appropriately. Indeed, Hayhoe (2000), in a study of college students' attitudes about credit at two different points in time, found that attitudes about credit became less positive after graduation. Alumni who misused credit during college and were facing the realities involved in debt repayment apparently had changed their perceptions about the favorableness of using credit during college.

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