



Full length article

The Credit Card Use and Debt: Is there a trade-off between compulsive buying and ill-being perception?



Kelmara Mendes Vieira^{a,*}, Marta Olivia Rovedder de Oliveira^a,
Franciele Inês Reis Kunkel^b

^a Department of Management Science, Federal University of Santa Maria, Brazil

^b Federal University of Santa Maria, Brazil

ARTICLE INFO

Article history:

Received 1 November 2015

Received in revised form 16 February 2016

Accepted 6 March 2016

Available online 20 April 2016

JEL classification:

D120

D140

M310

Keywords:

Credit Card Use

Credit Card Debt

Materialism

Compulsive buying

Ill-being

Structural Equation Modeling

ABSTRACT

The differential of this paper is to consider that compulsive buying and ill-being perception constructs act in opposite dimensions on credit card use and debt. While compulsive buying leads the individual to a higher credit card usage and therefore more debt, the perception that future financial problems would cause ill-being acts as a controlling force of the credit card use and consequently of the debt. Besides the model development, this study aims to evaluate if the model is suitable for men and women. A survey was conducted with 1831 individuals of three regions of Brazil. Results support the idea that in the purchase decision-making process with credit card, two forces act in opposite directions, while the compulsive buying stimulates usage and debt, the ill-being perception discourages it. However, this trade-off is unbalanced, because the impact of compulsive buying's coefficients is superior to the ill-being perception ones.

© 2016 Elsevier B.V. All rights reserved.

1. Introduction

In current consumer society, values and materialistic goals have proved to be increasingly dominant (Garðarsdóttir and Dittmar, 2012). Through the “consumption ethical”, which equates the satisfaction of needs for consumption and material possessions to happiness, consumers are induced to buy more and more, organizing their lives around the consumption of material goods (Watson, 2003). As a result of this consumerist ideology, more people increasingly put the acquisition of material goods as the

central purpose of their lives, devoting considerable time to plan future purchases, and imagining the positive results that come from purchasing (Richins, 2011).

In this materialistic society, the urge to compulsively buy may boost the use of credit cards. In Brazil, for example, the number of credit cards in circulation reached the level of 178.8 million Units in 2013, with BRL 4.9 billion operation in 2014 (Brazilian Association of Credit Card and Services—ABECS, 2016). These figures show the growing integration of credit card in Brazilians day-to-day lives and its diffusion as a mean of payment.

The credit card rapid popularization is linked to its multi-functionality acting as a payment tool and a credit resource (Kim and DeVaney, 2001). Credit card promotes an increased personal and household debt, due to the elimination of an immediate need for money and ease of payment (Wang et al., 2011). In individual

* Correspondence to: Roraima 1000, 74C, 4212, Santa Maria, RS, 97105-900, Brazil. Tel.: +55 55 99027779.

E-mail addresses: kelmara@terra.com.br (K.M. Vieira), mrovedder@gmail.com (M.O.R. de Oliveira), francikunkel@hotmail.com (F.I.R. Kunkel).

terms, the access to credit cards has exerted a strong influence on lifestyle and purchasing power (Mendes-da-Silva et al., 2012), providing users with ease, convenience and transaction security (Bertaut and Haliassos, 2005). However, the indiscriminate use and/or mismanagement of credit may lead to debt accumulation, which may compromise the domestic financial health (Norvilitis et al., 2006; Macgee, 2012), as well as physical and mental well-being (Lyons, 2004). If, in one hand, the card provides a number of benefits related to consumption, on the other, it stimulates impulsive/compulsive spending which may lead to accumulation of debt (Bernthal et al., 2005; Macgee, 2012).

In this context, several researchers have stated that the credit card debt, apart from being influenced by socio-economic environment and the individual financial condition, is affected by personal characteristics as well as behavioral and psychological factors (Davies and Lea, 1995; Chien and Devaney, 2001; Norvilitis et al., 2003; Wang et al., 2011; Tan et al., 2011). Among behavioral factors, Norvilitis et al. (2006) suggest over-consumption and the attitude to credit and debt. Bernthal et al. (2005) state that the consumption culture of the contemporary society have greatly contributed to an increased personal debt.

Among the possible card debt consequences, there are risks of financial and psychological problems, arising from poor management (Lyons, 2004). Financial problems, such as insolvency; health problems, such as stress and anxiety; a lower perception of money manageability, a lower sense of financial well-being and negative emotions are usually reported by people in debt (Norvilitis et al., 2003, 2006; Keese and Schmitz, 2010). Therefore, more and more people faced the dilemma of seeking to satisfy their buying desires and the fear of feeling bad about the potential debt, caused by their purchases.

Although several studies (Davies and Lea, 1995; Chien and Devaney, 2001; Norvilitis et al., 2003; Lyons, 2004; Wang et al., 2011; Tan et al., 2011) on credit cards use have been developed and already been proved that this issue goes beyond the economic and social universe, there is still much uncertainty on what are actually its causes and consequences. In this sense, this research aims to develop a model that examines the behavioral factors influence, specifically, materialism, compulsive buying and ill-being perception in credit cards use and debt.

The differential of the proposed model is to consider that Compulsive Buying and Ill-being constructs act in opposite dimensions on Credit Card Use and Debt. While Compulsive Buying leads the individual to a higher card usage and therefore more debt, the perception that future financial problems would cause ill-being acts as a controlling force of the Credit Card Use and consequently Debt.

If, on one hand, reason tells the individual to save and control costs, avoiding financial problems; on the other, emotion encourages the purchase, specifically through the card, since it has, as one of its features, the “illusion of money”. It is a trade-off between the consumer desire and aversion to future ill-being, arising from potential financial problems.

In this sense, another differential of this study is focusing on well-being/ill-being. While some studies analyze well-being as a result of an adequate financial management – Dittmar et al. (2007), Edwards (1993), Gutter and Copur (2011), Koram et al. (2006), Kyrios et al. (2013), Lejoyeux and Weinstein (2010), Park and Burns (2005), Phan et al. (2012) and Roberts (1998) –, i.e., as an *ex-post* factor, this study differentiates itself by treating the perception that financial problems would cause discomfort as an *ex-ante* force, i.e., which acts at the decision-making time of the card use.

Besides the model development, this study seeks to test the model invariance to gender. Some evidences point out gender differences for constructs used in this work, but there are still divergences regarding the results. Some studies suggest that women are less materialistic: LaBarbera and Gürhan (1997), Kaminen (2005); more compulsive buyers: Faber and O’Guinn (1992), and D’astous et al. (1990), and use credit card more appropriately (Wang et al., 2011) than men. However, evidences that women are more materialistic (Grave, 2008), less compulsive buyers (Block and Morwitz, 1999), and showing higher risk behaviors in the card use, can also be found (Lyons, 2004, 2007; Berg et al., 2010). There are still other studies as Davies and Lea (1995), Norvilitis et al. (2003, 2006) and Hancock et al. (2013), who found no significant differences in debt between men and women. Aiming to contribute to this issue, this paper also examines gender differences, but unlike the mentioned studies that examine differences by construct, it uses a methodology to test the model invariance as a whole, i.e., analyzing all constructs simultaneously.

Also noteworthy is the fact that the study examines a heterogeneous population, composed of individuals from the country’s (Brazil) different regions, ages, incomes and occupations. These results may support to credit policies organizers and financial educators, helping consumers to better manage their credit use, avoiding the traps embedded in the overuse and misuse of credit card.

2. The model

One of the last century most striking trends refers to the consumption evolution as an environment culturally accepted to pursue happiness, success and subjective well-being (Burroughs and Rindfleisch, 2002). Within this perspective, Watson (2003) states that individuals acquire goods not only to meet their survival needs, but also for power and social prestige, compensating individual weaknesses, as low self-esteem.

In Mick’s (1996) point of view, materialism represents a value for the individual, by which he/she defines the material possessions importance degree in his life. Whereas Belk (1985) understands materialism as the importance attached to worldly possessions. According to the author, as the individual becomes more materialistic, possessions begin to assume a central role, becoming a providing source of satisfaction and dissatisfaction. Richins and Dawson (1992) defined materialism as the importance attributed to the possession and acquisition of material goods, in achieving life goals or desired states and they

Download English Version:

<https://daneshyari.com/en/article/931675>

Download Persian Version:

<https://daneshyari.com/article/931675>

[Daneshyari.com](https://daneshyari.com)