

GENDER AND CREDIT BEHAVIORS AMONG COLLEGE STUDENTS: IMPLICATIONS FOR CONSUMER EDUCATORS

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Consumer educators are faced with the challenge of educating students about the appropriate use of credit cards, but research on credit responsibility among students is sparse. Although many extant studies report the number and types of credit cards held by students, few have investigated students' attitudes and behaviors such as financial independence, financial confidence and security, or credit recovery. This study uses descriptive and inferential statistical techniques to examine these attitudes and behaviors across genders. The findings provide valuable direction for consumer educators in terms of helping students become responsible users of credit cards.

Abuse of credit cards by consumers in the United States is widespread. Consumer advocates and financial industry analysts note that the problem will likely worsen over the coming decade (Mandell 2000, 2001). Although research on credit responsibility and related behaviors is becoming more frequent, the literature remains fragmented. College students are known to be heavy users of credit and are a popular target for investigation of financial attitudes and behaviors (Armstrong & Craven, 1993; Hayhoe, Leach, Turner, Bruin, & Lawrence, 2000; Lytton & Grable, 1997; Lyons, 2004; Roberts & Jones, 2001; Warwick & Mansfield, 2000, Xiao, Noring, & Anderson, 1995).

Several studies report the number and types of credit cards students hold and the amount of debt, but few go beyond investigating basic financial practices to examine students' underlying attitudes and behaviors. Armstrong and Craven (1993) demonstrated that females tend to have a higher number of credit cards than males, but found that on average, females carry lower balances. In contrast, Joo, Grable, and Bagwell (2001) reported no differences between genders in terms of the number of credit cards held, balances, amount of monthly payment, or general attitudes toward credit. Hayhoe, Leach, and Turner (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. The majority of researchers investigating differences in the level of financial confidence among males and females report that men tend to be more confident than women (Churaman, 1988; Lytton & Grable, 1997; Prince, 1993). 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. This information would help consumer educators to become successful counselors for the college student population. This study explored financial attitudes and credit behaviors of college students including:

- financial independence (being responsible for one's own finances);

- financial confidence and security (being confident in one's ability to manage his/her own finances and being well prepared to face the future);
- financial stressors (being unable to purchase necessities and to save for emergencies);
- positive credit card usage (e.g., paying the full balance of credit cards each month, paying on time);
- negative credit card usage (e.g., carrying maximum balances, making late payments); and,
- credit recovery behaviors (e.g., seeking financial help, refinancing, attending seminars).

The findings of this study will extend the growing body of academic literature on credit behavior and provide guidance for consumer educators in terms of understanding gender differences in the financial attitudes and credit behaviors of college students.

Method

Data for the study were collected using a sample of college students at a large southeastern university in the United States. The data were collected using a survey methodology. To produce adequate representation across groups of college students, the authors collected the data in undergraduate and graduate classrooms across a variety of majors including business, hospitality, retailing, sport management, and communications ($N=278$). The survey included questions on a variety of credit issues and behaviors including financial independence, financial confidence and security, financial stressors, positive and negative credit card usage, and credit recovery behaviors. Five-point Likert-type scales were used to measure each of the focal constructs. The scales are presented in the Appendix. In addition to financial independence, financial confidence and security was measured using a scale developed specifically for the study anchored by strongly disagree and strongly agree (reliability = .79 and .86, respectively). Financial stressors were measured using the Hayhoe *et al.* (2000) scale anchored by never and very often (reliability = .80) and credit card usage was measured using the Roberts & Jones (2001) scale anchored by strongly disagree and strongly agree (reliability for positive credit card usage = .87; reliability for negative credit card usage = .86). Credit recovery behavior was measured using a scale developed specifically for the study, anchored by never and very often (reliability = .61).

Financial independence, as well as financial confidence and security were measured on five-point Likert-type scales anchored by strongly disagree (1) and strongly agree (5). Scoring high on the financial independence and the financial confidence and security scales indicates that an individual is responsible for their own finances, is very confident managing their own finances, and is well prepared for his or her future. Financial stressors were measured on a five-point Likert-type scale anchored by never (1) and very often (5). Scoring high on the financial stressors scale indicates that an individual is unable to provide for basic needs such as clothing or utilities, does not have savings in place for emergencies, and cannot discuss financial matters without experiencing stress. Positive and negative credit card usage was measured on five-point Likert-type scales anchored by strongly disagree (1) and strongly agree (5). A high score on the positive credit card usage scale indicates that an individual does not carry the maximum balance on credit cards, pays off the balances each month, makes payments on time, and rarely takes out cash advances. In contrast, a high score on the negative credit card usage scale indicates that an individual carries the maximum balance on credit cards, is often unable to make the minimum payment, makes late payments, and often takes cash advances on the card, and worries about

how payments will be made. Credit recovery behaviors were measured on a five-point Likert-type scale anchored by never (1) and very often (5). A high score on the credit recovery behaviors scale indicates that an individual has attempted to seek help from others to manage debt, has attended financial planning seminars/classes, or has refinanced or consolidated debt.

In addition to information on credit behaviors, the survey included questions about the number of credit cards held, school loans, and demographics. Seventy-five subjects were captured in a pretest of the instrument in order to assess clarity and order of questions as well as metric scale properties. Frequencies and descriptive statistics are reported to facilitate analysis of demographic information and background information on credit held by respondents. Independent samples t-tests were used to examine differences between females and males for financial independence, financial security, financial stressors, credit card usage, and credit recovery behaviors.

Results

The sample included 118 males (42.4%) and 160 females (57.6%) ranging in age from 19 to 39 years (mean = 22 years). The majority of respondents were Caucasian (75.8%) followed by African American (17%), Other (2.9%), Asian/Pacific Islander (2.2%), Hispanic (1.8%) and Native American (0.4%). Thirty-nine percent of respondents were seniors, 33% are juniors, 20% are sophomores, 6% are freshmen, and the remaining 2% are graduate students. The percentage of female respondents holding at least one credit card was 87% compared to 76% for males. Males reported having between 1-4 credit cards (mean = 1.71) compared to females having between 1-5 credit cards (mean = 2.04). An independent samples t-test revealed that this difference is significant ($t=-2.279$, $p=.024$, mean difference, $-.325$).

The t-test for differences between males and females for financial independence was significant ($t=2.975$, $p=.003$, mean difference, $.445$), as is the t-test for financial security ($t=3.738$, $p<.000$, mean difference, $.450$). These results suggest that males are significantly more financially independent as well as more financially confident and secure compared to females. The t-test for financial stressors yielded a non-significant result ($t=.789$, $p=.431$, mean difference, $.067$), while the test for positive credit card usage indicated a significant difference between males and females ($t=-2.006$, $p=.046$, mean difference, $-.338$). Therefore, it appears that there is not a significant difference between male and female respondents in terms of financial stressors. However, females indicated higher levels of positive credit card usage. No significant difference is indicated by the t-test for negative credit card usage ($t=-.862$, $p=.390$, mean difference, $-.090$), suggesting that there is no variation in terms of negative credit card usage among male and female respondents. In terms of credit recovery behaviors, the test revealed a significant difference between males and females ($t=2.076$, $p=.033$, mean difference, $.175$), with males showing significantly higher incidence of engaging in credit recovery behaviors.

Discussion

It is important to acknowledge that generalizations of the findings of this study may be limited because the sample was drawn from a single university in the southeast. Readers should bear this in mind when interpreting the results. The results of this study support those of Armstrong and Craven (1993) and Hayhoe *et al.* (1999), demonstrating that female students tend to have a higher number of credit cards as compared to males. This is contradictory to the study by Joo *et al.* (2001) which reported no significant differences in the number of credit cards held. Our findings indicate that male students tend to have a higher level of financial independence

than female students, which is a contribution of the current study to the developing body of academic literature related to the financial attitudes and credit behaviors of college students.

The results of this study support the findings of the majority of the extant literature, demonstrating that male students have a higher level of financial confidence and security (Churaman, 1998; Lytton & Grable, 1997; Prince, 1993). However, this is contradictory to the findings of Hayhoe *et al.* (2000) which indicated no significant difference in the financial confidence of male and female students. Our findings indicate no difference in the level of financial stressors on male and female students. Although Roberts and Jones (2001) examined financial stressors, the study did not address differences in gender.

In terms of positive and negative credit card usage, Hayhoe *et al.* (2000) found no differences between genders for making minimum payments or for paying interest, which contradicts our finding that female students engage in higher levels of positive usage, but agrees with our finding of no significant differences in negative usage between genders. However, our contradictory finding in terms of higher positive usage could be due to the fact that more females in our sample have credit cards, providing them with an increased number of opportunities to engage in credit card usage behaviors in general. Our negative credit card usage finding contradicts that of Lyons (2004) which demonstrated that female students were more likely to have problems making payments on time.

An additional contribution of this study is the inclusion of a comprehensive measure for credit recovery behaviors. Though Hayhoe *et al.* (2000) reported that across both genders, students tend to engage in credit recovery behaviors reactively rather than proactively, the results did not explore specific differences in recovery behaviors. Our results suggest that male students more often engage in credit recovery behaviors such as seeking help from others, attending financial planning seminars/courses, refinancing and consolidating credit card debt. Taken together, our findings indicate that female students have more credit cards, are less financially independent, less confident and secure, and engage in credit recovery behaviors less frequently than male students. Understanding these types of differences in the credit behaviors of male and female students provides essential information to consumer educators and counselors for the development of targeted programs to educate young consumers before credit card abuse becomes a problem.

Future research is needed to profile at-risk students. Though a few researchers have used demographics for profiling, psychographic information could be very useful for understanding why female students appear to be at higher risk than male students. Examining the student's family and social history may be useful to explore the influence of family and friends on credit behaviors. In addition, longitudinal studies that follow students from high school through college and beyond could provide useful information about credit behaviors in the long-term.

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Appendix - Measures

Scale	Items
Financial Independence (strongly disagree to strongly agree)	<p>I am fully responsible for my finances.</p> <p>I am paying for my own college education.</p> <p>I would describe myself as financially independent.</p>
Financial Confidence & Security (strongly disagree to strongly agree)	<p>I am confident managing my finances with no outside help.</p> <p>I have always managed my finances on my own.</p> <p>I am well prepared to face my financial future.</p> <p>I am financially secure enough to handle unforeseen expenses immediately.</p>
Financial Stressors – Hayhoe <i>et al.</i> (2000) (never to very often)	<p>I do not need outside help when managing my basic finances.</p> <p>I am not able to purchase clothing.</p> <p>I am not able to pay utilities.</p> <p>I am not able to save for emergencies.</p> <p>I am not able to discuss financial matters without getting upset.</p> <p>I cannot afford to keep my car running.</p>
Positive Credit Card Usage – Roberts & Jones (2001) (strongly disagree to strongly agree)	<p>I always pay off my credit cards at the end of each month.</p> <p>I am never late on credit card payments.</p> <p>I never go over my credit limit.</p> <p>I rarely take cash advance on my credit card.</p>
Negative Credit Card Usage – Roberts & Jones (2001) (strongly disagree to strongly agree)	<p>My credit cards are usually at their maximum limit.</p> <p>I frequently use available credit on one card to make a payment on another card.</p> <p>I worry how I will pay off my credit card debt.</p> <p>I often make only the minimum payment on my credit card bills.</p> <p>I am less concerned with the price of a product when I use my credit card.</p> <p>I am more impulsive when I shop with credit cards.</p> <p>I spend more when I use a credit card.</p> <p>I have too many credit cards.</p>
Credit Recovery Behaviors (never to very often)	<p>I have sought financial help from others.</p> <p>I have attended financial planning seminars/courses.</p> <p>I have refinanced my credit cards using a loan or another card.</p> <p>I have consolidated my credit card debt.</p>