

# THE FACTORS AFFECTING THE ATTRIBUTE ATTITUDE TOWARDS CREDIT CARD; THE CASE STUDY OF CREDIT CARD FOR BANGKOKIAN'S GENERATION X AND Y

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**Abstract:** *This study aimed to understand the factors that affect attitude toward credit card by bangkokian and also find the difference between generation X and Y in attitude toward credit card. The questionnaire was conducted and collected 410 respondents by convenience, quota and snow-ball sampling method. The methods used to analyze the data are linear regression and independent sample t-test. The result shows free spending has the strongest effect to attitude toward credit card and there is significant difference between Gen-X and Y in attitude toward credit card.*

**Keywords:** *Attitude, Financial Product, Credit card, Anxiety, Need for precautionary saving, free spending, Generation X, Generation Y*

## Introduction

Nowadays, credit card is the worldwide payment device that consumers use as a medium of payment. In the USA, credit card is identified as the second most non-cash usage (Chakravorti, 2003). Credit cards have boosted world economy and also enlarge customer's purchasing power (Braunsberger, Lucas and Roach, 2004; Foscht, Maloles, Swoboda and Chia, 2010). Credit cards also expand the world of transaction. People can make any transactions across the world. Chakravorti (2003) said that credit card provides many advantage that other instrument never provide before. It can said that credit card is the revolution of financial transaction.

With coming of credit card, Consumption motivations, perceptions towards risk and value of money are also gradually changing. People in Generation Y that have more self-esteem, higher willingness to take risk than people in Generation X because they focused on enjoy their life and care about social image (Twenge and Campbell, 2008). They are also highly educated, more technologically knowledge than Generation X. On the other hand, They lack of financial awareness and financial knowledge that cause high levels of debts and lacking retirement planning during young adults (Chen and Volpe, 1998).

This research studied attitude toward credit card the difference between people in Generation X and Generation Y or not. In addition, what factors are influence attitude toward credit card. This paper also aimed to understand attitude toward credit card of Thai people in Generation X and Y.

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## **Literature review**

### **- Attitude toward Credit card**

Etzel and Jones (1978) found that attitude toward credit card may affect purchasing behavior and the usage of credit card. In this study, it also found that there are differences between Installment, Convenience and Inactive credit cardholders. From this separated group, we classified that Convenience credit card user used credit card when they made small amount of purchases. They also avoid interest rates. Installment credit card users are difference from Convenience credit card users. They can accept credit or debt because they have ability to purchase although they are currently unaffordable. Inactive credit card users feel that credit card is not appropriate or necessary for their lifestyle. They cannot find any advantage from credit card. Credit card is the last choice for making purchase. Etzel and Jones (1978) confirm Awh and Waters (1974) result that inactive credit card users have negative attitude towards credit cards and they consider credit cards is only for emergency or unexpected situation only.

### **- Anxiety**

Anxiety is called a person who feels unsure and worried about financial issues. It may feel doubt and insecurity that lead and correlate to delay financial decisions. Anxiety is also about mournful after decide or not decide to do something Fünfgeld and Wang (2009) said that anxiety consists of two things that effect difficulty to making financial management: unstable and procrastination preferences.

### **- Precautionary Saving**

Fünfgeld and Wang (2009) found that people who need precautionary saving perceived future financial requirement or plan. They will find that it hard to survive without having precautionary saving for covering and securing any damaged or influenced from unexpected, unpredicted and unforeseeable events. They consider it is necessary to saving for unpredictable future.

### **- Free Spending**

Cryder, Lerner, Gross, and Dahl (2008) found that special offers can attract easily with some people. Fünfgeld and Wang (2009) also found that person who like free spending tend to perceived that money can fulfill self-contained value not only purchase something but also emotional purchasing. "Living today" person is described this type of people and if compared with person who like to saving or "living tomorrow" person, a "living today" person is easily buying. They want to enjoy their short-term happiness to present themselves

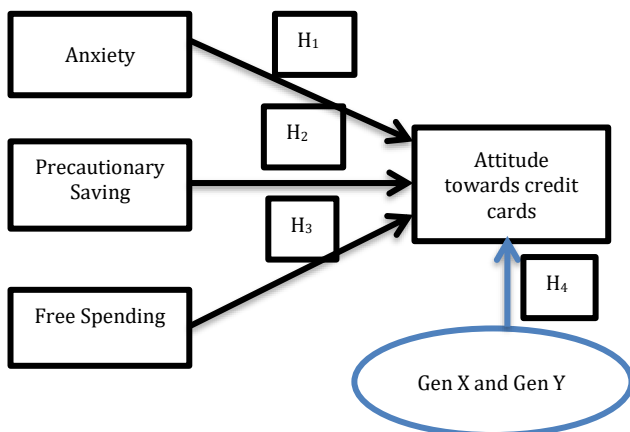
### **- Age and Spending Behavior**

Devlin, Worthington and Gerrard (2007) found that the older people have one or more credit cards compared with college students. However, a number of debts from young credit cardholders are become higher compared with older (Kara, Kaynak and Kucukemiro, 1994; Norvilitis and Maria, 2002) The reason is young credit card holders perceived less about debt and financial problem. They assume that it is easily to manage and repaid their debts. From this point, Ming-Yen, Siong-Choy and Yong (2013) found that age is significant factor that correlate with credit card holder's behavior.

## Research Framework and Methodology

For this research conceptual framework is developed in Figure 1

**Figure 1: Conceptual Framework of Factors influence Attitude towards Credit Cards**



**Source:** developed by the researcher for this study

This study examined four hypotheses to achieve the research objective.

*H<sub>1</sub>:* Anxiety has significant negative effect on attitude towards credit card.

*H<sub>2</sub>:* Need for precautionary saving has significant negative effect on attitude towards credit card.

*H<sub>3</sub>:* Free spending has significant positive effect on attitude towards credit card.

*H<sub>4</sub>:* There is statistically significant mean difference between Gen-X and Gen-Y for attitude towards credit card

### - Research Methodology

This research is descriptive research which describes the factors that affect attitude towards credit card. The questionnaire was distributed both paper and online survey. Researchers apply two statistical analyses to test hypotheses. First, to find relationship between dependent and independent variables, linear regression

was applied (*H<sub>1</sub>*, *H<sub>2</sub>* and *H<sub>3</sub>*). Another, to compare mean difference between group and dependent variable, T-test was conducted (*H<sub>4</sub>*).

This questionnaire used a five-point Likert scale ranging from 1 represented 'strongly disagree' to 5 represented 'strongly agree'.

### - Measurement of variable

The target respondents for this survey were Thais who live in Bangkok and aged between 19 – 51 years old which is defined into two generations; Generation X who birth in at 1965 - 1979 and Generation Y who birth at 1980 - 1997.

### - Population and Sample

Questionnaires were distributed randomly in Bangkok to 410 respondents selected by convenience, quota and snow-ball sampling method.

### - Reliability Test

Cronbach's Alpha Coefficient was conducted and tested when the respondents of questionnaire reached 30. Practically, the reliability result has to be greater than 0.65 (Cronbach, 1951) in order to meet requirement of reliability of research instrument.

**Table 1: Consistency of the scales test**

Variable	Cronbach's alpha	Number of items
Anxiety about Financial	.655	4
Need for Precautionary Saving	.654	3
Free Spending	.725	3
Attitude toward Credit card	.765	5

#### 4. Result and Discussion

##### - Data Analysis

Statistical application was used to analyze the data to define the relationship between variables and mean differentiate of two groups.

##### - Descriptive analysis

Descriptive analysis was utilized to describe the basic features of the collected data. Table 2 shows the demographic information about all 410 respondents showing 100 %. Gen-X and Gen-Y show 50.2 % and 49.8 % respectively. Next, demographic data reveals 53.7 % of male and 46.3 % of female. For the income per month, 9.0 % of respondent earned less than baht 15,000, 39.8 % earned 15,001-30,000, 29.5 % earned 30,001-45,000, and lastly 21.7 % earned more than 45,001 baht per month.

**Table 2: Demographic information of respondents**

	Frequency	%
<u>Gender</u>		
Male	220	53.7
Female	190	46.3
<u>Age (Generation)</u>		
19-35 years (Generation Y)	204	49.8
36-51 years (Generation X)	206	50.2
<u>Income per month</u>		
Less than 15,000 baht	37	9.0
15,001-30,000 baht	163	39.8
30,001-45,000 baht	121	29.5
More than 45,001 baht	89	21.7

Furthermore, descriptive analysis and correlation between all variables are revealed in Table 3.

**Table 3: Descriptive analysis and Correlation Matrix**

Variable	Mean	SD	ATT	AN	PS	FS
ATT	2.9429	.78417	1			
AN	3.4500	.67996	-.665**	1		
PS	3.8447	.80747	-.574**	.677**	1	
FS	3.1309	.77083	.609**	-.170**	-.008	1

\*\*Correlation is significant at the 0.01 level (Two-Tailed)

The correlation matrix revealed that three variables have correlation coefficients exceeding 0.6. First, there is positive and decent relationship between free spending (FS) and attitude toward Credit card (ATT) at 0.609. Second, there is negative relationship between anxiety about financial (AN) and attitude toward Credit card (ATT) at -0.665. Last, there is positive relationship between anxiety about financial (AN) and need for precautionary saving (PS) at 0.677

##### - Inferential Analysis

The result of regression analysis of independent and dependent variable is shown in Table 4.

**Table 4: Result of Regression**

Variable	Beta Coefficient (Std. error)	VIF
Constant	3.822** (.140)	
Anxiety about Financial(AN)	-.397** (.039)	1.945
Need for Precautionary Saving (PS)	-.327** (.033)	1.889
Free Spending (FS)	.558** (.026)	1.053

R<sup>2</sup> .756

Adjusted R<sup>2</sup> .754

Beta coefficients with standard errors in parenthesis,

\*\* p ≤ .05

Model reveals that only one independent variable (Free spending) has positive effect to attitude toward credit card. Another two independent variables (Anxiety about Financial and Need for Precautionary Saving) have negative effect

to attitude toward credit card. All three corresponding regression coefficients of independent variables are significantly greater than zero ( $b = -.397, p \leq .05$ ;  $b = -.327, p \leq .05$ ;  $b = .558, p \leq .01$ ). And anxiety about financial, need for precautionary saving and free spending can explain variance of attitude toward credit card at 75.4 %. That means  $H_1$ ,  $H_2$ , and  $H_3$  rejected  $H_0$  and this failed to reject  $H_a$ . Therefore,  $H_1$ ,  $H_2$  and  $H_3$  were supported. The result showed related with previous studies that anxiety about financial and need for precautionary saving have negative effect to attitude toward credit card but free spending has positive effect to attitude toward credit cards (Fünfgeld and Wang, 2008).

To test multicollinearity problem, variance inflation factors (VIF) was tested in Table 4. The result revealed the range of 1.053 – 1.945 which does not exceed the maximum value of 10 (Hair, Anderson, Tatham and Black, 1995). Thus, the multicollinearity is not the critical problem in this research.

An independent sample t-test was conducted to compare difference in attitude toward credit card of Gen-X and Gen-Y as shown in Table 5 and Table 6.

## Conclusions and Recommendations

From the empirical analyses of a sample of 413 respondents using linear regression was purposes to examine the factor that affect attitude towards credit card of bangkokian between 19 and 51 years old which consider as generation X and Y. The result present there is significant difference between Generation X and Y in attitudes toward credit card, supporting  $H_4$ . Generation Y tend to use credit card more than Generation X. This result support Ming-Yen, Siong-Choy and Yong (2013) that age is a factor that relate with attitude toward credit card. This research also presents that anxiety about financial and needs for precautionary saving have significant negative effect to attitude toward credit card, supporting  $H_1$  and  $H_2$ .

**Table 5: Result of Group Statistics**

Age (Generation)	Mean	Standard Deviation
Gen-X (36-50)	2.4078	.62089
Gen-Y (18-35)	3.4833	.51530

**Table 6: Result of T-test**

Levene's Test		T-Test		
F	Sig	t	df	Sig (2Tailed)
12.828	.000	-19.077	408	.000
		<b>-19.094</b>	<b>395.923</b>	<b>.000</b>

The result for Table 4 and 5 revealed that there is a significant difference between the Gen-X that exercised ( $M = 2.4078$ ;  $SD = .62089$ ) and the Gen-Y with exercise ( $M = 3.4833$ ;  $SD = .51530$ );  $t(408) = -19.077, p = .000$ . Thus, the research rejects  $H_0$  and  $H_4$  is supported. It means Gen-Y's attitude toward credit card is higher than Gen-X. From this result, it can predict that Gen-Y tend to use credit card more than Gen-X.

On the other hand, free spending also has significant positive effect on attitude toward credit card, supporting  $H_3$ . In addition, linear regression result explain that three independent variables can describe attitude towards credit card by 75.4%.

According to the empirical result on this research, creditor, banking sector and financial companies should focus on customer's anxiety to relieve their anxiety and fearless to spending with credit card. And also convince and give advice to customer for their financial plan and create strategic plan for Gen-X and Gen-Y properly. Moreover, creditor should launch promotions or special offers on credit card to attract people to spend more.



- *Recommendations & Implication for Future Research*

This research is surveyed only within the Bangkok boundary. Thus, it cannot imply to overall country. It will be benefit if it can research in country. And this research focused only two groups (Gen-X and Gen-Y) in attitude toward credit card. From this point, further study should focus in other demographic factors such as income level, education, etc. to investigate relationship of Attitude toward credit card.

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