An Examination of the Credit Card Payment Practices of College Students

by

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(ABSTRACT)

Every year, young adults graduate from high school and enter college. Often, college is the first opportunity students have to manage money. For some students, this means owning and managing their first credit cards. Colleges and universities frequently allow credit card vendors to solicit on campus. This practice is subject to criticism by the popular media, which reports horror stories of college students falling victim to great credit card debt. This study examined the credit card payment practices of college students at a large research institution.

To explore the null hypotheses, a convenience sampling technique was employed, and a pencil and paper survey was administered. The researcher sat at a table with a large sign advertising “free stuff” to participants. Participants who completed the instrument were rewarded with a candy bar or small prize. Participants were asked to complete a 50-item questionnaire about their credit card payment practices and were subsequently categorized into two subgroups: students who use their credit cards as a convenience and pay their balance each month; and, students who leave a debt on the card each month. The researcher identified eight locations on the campus where the study was conducted that attracted large numbers of students. Locations included: two dining halls; two residence halls; the black cultural center; an area between the library and the campus bookstore; and, the Graduate Student Assembly. The researcher collected 310 usable surveys to conduct the analysis.

This study had implications for several constituencies. First, students may benefit because establishing a credit history is important for obtaining loans to buy cars, houses, and finance the college education of future children. By better understanding the credit card payment practices of college students, college student affairs officers may better program to the financial needs of students. Credit card companies may benefit from this research, as well. Given a better understanding of the payment practices of college students, credit card companies may be able to better administer their student credit card programs to meet the limitations of students. Parents may also benefit from this research.

Parents often do not understand how, or why their children become burdened with credit card debt. This information may help parents better prepare their students for the financial implications of credit cards.

The results revealed several interesting trends. Students who use their credit cards wisely are primaliarly white, lower division students (Freshmen, Sophomores) who acquired their cards prior to enrolling in college. Those who use less judicious payment practices include minorities, upper division (Juniors, Seniors) and graduate students, those who acquired their cards during college, and those with more than three cards. These findings suggest that credit card payment practices deteriorate as students approach adulthood. This trend may contribute to the rapidly increasing level of personal debt in the United States, and is one which merits attention by college and university students and administrators.

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CHAPTER ONE
INTRODUCTION

Every year, young adults graduate from high school and enter college. Often, this is the first time they have been away from the watchful eyes of their parents. Students learn to make decisions for themselves; eat what they want; do homework when they choose; and find out about the world for themselves.

For many students, college is their first opportunity to manage money. Orientation sessions often offer information about local banks, encouraging new students to open checking accounts. For some students, this is their first checking account. Without good information and guidance, balancing a checking account, managing money, and being responsible for credit cards can be difficult.

Colleges and universities frequently allow credit card vendors to solicit on their campuses. There are several ways these vendors procure on-campus space. Some companies contact on-campus student organizations and ask them to sponsor a credit card fund-raiser. Members of the student organization accompany the credit card representatives as they solicit students to apply for cards. For each completed application, the credit card company awards the student organization a “finder’s fee.” Average completed applications yield between $.25 and $1.00 per application (Discover card representative, personal communication, November 1995).

Companies regularly offer gifts to students who complete credit card applications. Gifts range from bottles of soda, to boxer shorts and thermal mugs. Receiving a “free gift” is attractive, even if one is not a new college student or on a restricted budget. Spending a few minutes to complete an application in exchange for a T-shirt seems harmless. Students may not even think about the potential responsibilities involved with receiving a credit card.

Credit card companies also solicit assistance from college and university development offices and alumni (MBNA Master Card, personal communication, November, 1995). Universities allow credit card companies to picture a popular campus building or photo on the face of the card. In exchange, the credit card companies pay the school a percentage of the interest they earn from card holders. Interest accrues only when a credit card bill is not paid in full at the end of the month. This means that university students who do not pay their monthly bills are charged interest, a percentage of which is returned to the school. Hence, colleges and universities profit from the debt of their students. The higher the student debt, the greater the institutional benefit.

If credit card companies are so willing to give student organizations finders fees, credit card applicants gifts, and colleges a percentage of interest, there must be an enormous amount of profit to be made from college students (Susswein, 1995). One professional at a large research university actively advises student organizations that sponsor credit card fund-raisers to negotiate more than the average $1.00 fee per application, because of the potential profit that the credit card companies may earn (K. Buckley, personal communication, May, 1996).

Talk shows and newspapers occasionally report horror stories about students who apply for credit cards, do not understand the financial implications of owning a card, and find themselves in financial jeopardy. While there is limited data to support any conclusions, the public perception is that college students and credit cards do not mix (McEldowndey, 1994).

The research about college students and credit card payment practices is very limited. Some studies have been conducted about credit cards and status attainment in the general population (Feinberg, Westgate, & Burroughs, 1992). There appears to be a mystique about owning a high prestige credit card. With exotic names like Master Card Premium and Visa Gold, it is reasonable to suggest that there may be an allure to credit cards that goes beyond mere fiscal convenience. In a society where “money talks,” the prestige of “charge it” may be all a student needs to understand before making the decision to apply for a card (Feinberg, Westgate, & Burroughs, 1992).

There are many new responsibilities that come with owning a credit card. Often students may not realize the financial implications that accompany credit cards. Universities are designing initiatives to educate students about the intricacies involved with credit cards. For example, the university selected for this study is planning to present credit card information during the orientation sessions it sponsors for new students. Such initiatives are a reaction to a public perception about college students and credit cards that is relatively new. But is this negative perception warranted? How do students manage their credit cards and responsibilities that accompany card ownership? The present study was designed to examine this phenomenon.

Purpose of the Study

This study examined the credit card payment practices of college students at a large research institution. Participants were asked about their credit card payment practices and categorized into two subgroups: students who use their credit cards as a convenience and pay their balances each month; and, students who leave a debt on their cards each month.

Research Hypotheses

Specifically, the study elicited data to test the following hypotheses:

1. There is no significant relationship between the payment practices of male and female students.
2. There is no significant relationship between students' credit card payment practices and socio-economic status (i.e., family income).
3. There is no significant relationship between payment practices of majority race students and minority race students.
4. There is no significant relationship among payment practices of upper division status students (i.e., Juniors, Seniors), lower division status students (i.e., Freshmen, Sophomores), and graduate students (i.e., master's, doctoral).
5. There is no significant relationship between acquisition period of credit cards and credit card payment practices.
6. There is no significant relationship between the duration of time students own a credit card and their credit card payment practices.
7. There is no significant relationship between payment practices of credit card holders responsible for their own payments and card holders for whom others make payments.
8. There is no significant relationship between payment practices of students receiving financial assistance to pay for their education (e.g.,

grants, loans, work study, minority based incentive grants) and students who do not receive any financial assistance to pay for their education.

9. There is no significant relationship among credit card payment practices for the non-major credit cards, such as department store credit cards (e.g., Sears, J.C. Penny's), gas credit cards (e.g., Texaco, Exxon) and major name credit cards (e.g., Visa, Master Card, Discover, American Express).

10. There is no significant relationship between credit card payment practices and number of credit cards owned.

Implications

This study has implications for several constituencies. First, students may benefit because establishing a credit history is important for obtaining loans to buy cars, houses, and finance the college education of future children. By understanding payment practices, students may make sounder financial decisions when applying for, and using, credit cards.

By better understanding the credit card payment practices of college students, college student affairs officers may better program to the financial needs of students. Student affairs practitioners may identify groups that are at higher risk to be affected by some of the dangers of credit cards.

Credit card companies may benefit from this research, as well. Given a better understanding of the payment practices of college students, credit card companies may be able to administer their student credit card programs to meet the limitations of students. By understanding the payment practices of college students, credit card companies may be better equipped to educate students about the responsibility that is involved with card ownership. If students better understand their credit cards, they may be less likely to default on their payments, and better able to work with credit card companies to address issues of serious debt.

Parents may also benefit from this research. Parents often do not understand how, or why their children become burdened with credit card debt. By understanding credit card payment practices of college students, parents may better understand the financial habits of their children, and be better equipped to teach their children to use and pay credit cards responsibly.

Organization of the Study

This study is organized in five chapters. Chapter One introduced general information about credit cards and college students. Chapter Two reviews relevant literature about credit cards, payment practices, and college students. Chapter Three describes the methodology and procedures of study, and how results were analyzed. Chapter Four presents the findings of the study. Chapter Five provides a discussion of the findings, how they relate to previous research, and what they suggest for future research and professional practice.

CHAPTER TWO
LITERATURE REVIEW

In order to fully examine the phenomenon of credit cards and college students, it is important to review related research. This chapter is organized around seven of the 10 characteristics examined in the hypotheses: gender, income, race, academic standing, financial aid status, level of debt, type of credit card, and age. In each case, literature related to credit cards and the characteristic is reviewed. The remaining three characteristics addressed in the hypotheses (length of card ownership, time of acquisition of cards, and person responsible for payment) are not covered because an exhaustive review of the literature revealed no recent studies related to these characteristics.

Because unsecured credit cards for college students has only been commonplace in the last few years, the literature reviewed will be restricted to research conducted from 1980 to the present. It is reasonable to assume that such an approach might paint a clear picture about college student credit card owners and their payment practices.

Gender

It has long been a source of humor that women are notorious shoppers and are eager to spend money. If these stereotypes hold true, then gender may be a significant factor in the credit card payment styles of college women. Armstrong and Craven (1993) found that women owned more credit cards than men, but carried over lower accumulated balances than their male counterparts.

One reason for this finding suggested by the researchers was that women understood their credit cards better than their male counterparts. This reasoning is consistent with a study about student knowledge about debt from financial aid. Hira and Brinkman (1992) found that females, married, and older students understood more about their finances and loans.

Hira and Brinkmans’ findings are consistent with a study conducted about the influence on attitude and knowledge of college students in a consumer education course. The researchers found behavior changed significantly for women and older students after completion of one consumer education course (Carsky, Lytton, & McLaughlin, 1984).

Income

An examination of the relationship between credit cards and level of income was relevant to the present study. At one time, a person had to demonstrate a certain level of income or length of employment to own a credit card. Today, college students easily obtain credit cards. The average monthly disposable income of college students is $155 (Bailey & Rudge, 1992). It is estimated that 50% of college students with annual incomes below $4,000 have credit cards, and 25% of college students with annual incomes below $8,000 have credit cards (Armstrong & Craven, 1993).

It has been suggested that the greater income, the more knowledge students have about, and the better they understand the rules of their credit cards (Danes, 1994). In a related study about number of cards owned, it was found that people with a high socio-economic status, those who are married, and those with higher education levels have multiple card accounts (Monger, 1992). This lends greater evidence to the impression that people who are wealthy use their credit cards for convenience instead of revolving the debt each month.

Race

Historically, race has been a pivotal factor in dividing people. According to recent research, this also appears to be the case with respect to race and financial knowledge, money management, and credit card behavior.

In a study that examined credit cards and college students, Armstrong and Craven (1993) found that race was significant when predicting the number of cards a student owned. White students owned the most cards, averaging 3.4 cards per owner, while black students owned 2.3 cards per owner. It was suggested that white parents had greater access to credit cards and were more willing to co-sign credit card applications for their students than were black parents. International students appeared to own fewer cards than either white or black students (1.4 on average), though no explanation was offered for this finding.

In studies about stressors on college campuses, researchers found that black students report financial stressors more often than white students. Black students listed finances as a source of stress in both their personal and academic lives (Archer & Lamnin, 1985; Murphy & Archer, 1996).

In a related study about financial concerns, black students were also more concerned about making their monthly credit card payments than were their white counterparts (Brobeck, 1992).

There appears to be strong, though limited evidence that race plays a significant role with respect to credit card practices of college students, but what about issues related to academic standing?

Academic Standing

Research reveals a money management and financial knowledge life cycle. As college students move from freshmen to senior year, they budget less and save less money. Their general financial planning decreases as they near graduation. This is attributed to their impending graduation and expectations related to projected income (Andersen, Camp, Kiss, Wakita, Weyeneth, & Fitzsimmons, 1993).

Other research seems to contradict these results. In one such study, upper-division and off-campus students exhibit greater knowledge about credit cards and general finances than their lower-division and on-campus counterparts (Danes & Hira, 1986). The general results related to money management and academic status, then, seem mixed and do not reveal any clear patterns.

Financial Aid Status

In 1990, $11 billion was loaned to over 4.1 million students in the United States. In a survey tracking understanding of financial aid, students had a low level of understanding about their future responsibilities to repay student loans. Fewer than 50% of students could correctly identify when loan payments would begin and how much per month they would be required to repay (Bilski, 1991).

These findings were consistent with a study about factors influencing the size of student debt (Hira & Brinkman, 1992). Many students do not understand their student loans or how they are going to repay their student loan debt. Of the sample, females, married students, and older students most frequently understood how and when their student loans would be repaid. Student loan programs offer far more education about the loan than does a credit card vendor. If students are not able to understand the debt that they accrue with student loans then perhaps they are also not able to understand the implications of their credit cards, like level of debt, or that different cards charge different interest rates.

Type of Credit Card

Another characteristic relevant to the present study relates to the types of credit cards Americans own. There appears to be an American culture in which some credit cards have more status than others. In a study conducted about the culture of credit, college students report different opinions about the meaning of different credit cards. For example, bank cards (e.g., Visa, Master Card) are associated with terms like: warm, intelligent, masculine, conformist, tame, illogical, relaxed, close-minded. Department store cards, (e.g., Macy's) are identified with terms like: undisciplined, uninteresting, pessimistic, likable, weak, worthless, poor, insecure, lazy, feminine, bland, self-critical, cold, messy, ungracious, emotional, uncultured, wasteful, immature, modest, and phony (Feinberg, Westgate, & Burroughs, 1992). If college students have common beliefs about credit cards, those beliefs may influence their spending and payment practices.

Armstrong and Craven (1993) also reported evidence to support the notion that different cards hold different meanings. They examined which cards were owned more often than others and reported that 70% of college students own a VISA card, 52% own a department store card, 40% own a Master Card, 14% own a gas card, 25% own a Discover card, and 7% own an American Express card.

Level of Debt

In a study conducted about college students and credit cards, evidence indicated that 70% of college students are in a situation of revolving debt. This means that 70% of students who own credit cards leave a balance on their card each month. Of those students, 15% have debt under $200, 25% have debt between $201- $600, 15% have debt between $601-$1,000, 10% have debt between $1,001- $1,600, and 6% have debt between $1,601- $1,800 (Armstrong & Craven, 1993). These statistics contradict reports from the credit card industry that indicate that between 50% and 90% of students pay their credit card balances in full each month, while only about 70% of adult cardholders do so (Murdy, 1995; Rush, 1995).

Age

In the recent past, studies that addressed the extent to which college students own credit cards have been limited. Typically, credit card owners have been studied in the wider contexts of money management and financial knowledge. Among such studies, those that have examined age as a variable usually address age groups of teenagers and adults. However, one study conducted on grade school students provides beneficial information about college age students. In a study reviewing economic textbooks, Garmen and Bach (1995) observed that grade school students may learn more about money management by watching their parents. The authors expressed concern that grade schoolers' lessons might focus more on spending than saving and managing money.

Porter (1992) agreed, and has called for consumer training along with toilet training. She estimates that children ages 4-12 receive between $5 - $230 a week for discretionary spending. Porter estimates that $700 million annually is spent on clothes, and $20 billion annually is spent on video games by children under age 12. About half of all six year olds make purchases in a store at least once per week. By the time children reach age 10, they are purchasing in as many as five stores per week. Many of these children are from single parent homes, or homes where both parents work. These parents have more stress in their lives, and may be providing excellent examples of how to purchase, but poor examples of how to manage money. Their lives are so busy they are not likely to be able to teach money management skills to their children. If a parent teaches by example, and that parent is a poor money manager, then it may be hypothesized that, without intervention, the child will grow up and attend college as a poor money manager.

More research has been conducted on the money management habits of high school students. But, according to Bowen (1995), teens, like grade school children, learn from the example that their parents set. Bowen argues that allowing teens to manage checking and savings accounts for themselves is the best teaching tool to educate them about money management.

It is more important than ever to teach children and teens to manage money today. According to Prather (1991), teens spend $50 million each year on discretionary items. Over half of all teens have regular jobs and earn 85% of the money they spend. Teens report learning from the example set by their parents as their most influential source of money management knowledge, suggesting that education and good examples are important for the teenage consumer. There is some evidence that suggests that teens do not necessarily learn such lessons. Schuchardt, Danes, Swanson, & Westbrook (1991) found that teens seek immediate gratification, do not save money, and are not concerned about monetary planning for the future.

In a study focusing on ATM use and money management habits, Churaman (1985) classified about half of those in her sample as spenders, and half as savers. The study distinguishes spenders and savers by age, and indicates that younger people are spenders and older people are savers. If younger people (or college age people) are more likely to use ATMs and exhibit spending rather than saving tendencies, then they may also be predisposed to using credit cards in a like manner. In a related study about ATM use, researchers concluded that although there was a negative relationship between ATM knowledge and age, all age levels had poor knowledge of ATMs (Hampton, Greninger, Kitt, & Bouton, 1985).

Attitudes towards credit cards have also been examined, and results suggest that students are at least concerned about money management skills. Brobeck (1992) found that younger card holders were particularly concerned about making minimum monthly payments on their credit cards. Specifically, high school age and early college age consumers were concerned about their credit history and wanted to understand more about their rights as credit card holders.

Age-related concerns about credit card payments are consistent with the finding of a study about money management knowledge of college students. Danes and Hira (1987) investigated the money management knowledge of college students and reported that older students have a greater understanding of their finances than first and second year students. It would seem, therefore, that there is some relationship between credit card use and knowledge and age.

Conclusion

The literature reviewed reveals certain patterns of behavior with respect to college students and credit cards. For example, the "convenience" payer (one who pays monthly balances in full) is painted as older, married, white, female, and in a high income bracket. A "revolving" payer, who does not fully pay the balance each month, is described as younger, unmarried, male, minority and from a lower income bracket. But the research has not focused on college aged students, a population that has developed an image of being poor money managers. The present study sought to address this gap in the literature and contribute to the limited body of knowledge about college students and credit cards.

CHAPTER THREE
METHODOLOGY

This study examined the credit card payment practices of college students at a large research institution. Students were asked about their credit card payment practices and categorized into two subgroups: students who use their credit cards as a convenience and pay their balances each month; and students who leave a debt on their cards each month.

The study was designed to investigate the following null hypotheses:

Specifically, the study elicited data to test the following hypotheses:

1. There is no significant relationship between the payment practices of male and female students.
2. There is no significant relationship between students' credit card payment practices and socio-economic status (i.e., family income).
3. There is no significant relationship between payment practices of majority race students and minority race students.
4. There is no significant relationship among payment practices of upper division status students (i.e., Juniors, Seniors), lower division status students (i.e., Freshmen, Sophomores), and graduate students (i.e., master's, doctoral).
5. There is no significant relationship between acquisition period of credit cards and credit card payment practices.
6. There is no significant relationship between the duration of time students own a credit card and their credit card payment practices.
7. There is no significant relationship between payment practices of credit card holders responsible for their own payments and card holders for whom others make payments.
8. There is no significant relationship between payment practices of students receiving financial assistance to pay for their education (e.g., grants, loans, work study, minority based incentive grants) and students who do not receive any financial assistance to pay for their education.
9. There is no significant relationship among credit card payment practices for the non-major credit cards, such as department store credit cards (e.g., Sears, J.C. Penny's), gas credit cards (e.g., Texaco, Exxon) and major name credit cards (e.g., Visa, Master Card, Discover, American Express).
10. There is no significant relationship between credit card payment practices and number of credit cards owned.

Sampling

To explore the null hypotheses, a convenience sampling technique was employed, using face-to-face, pencil and paper surveying. This sampling method was chosen for three reasons. First, students may consider financial information sensitive and would be more likely to complete and return a survey when asked to do so in person. Second, students may be more likely to complete a survey when an instant reward is given. Third, the sampling technique is similar to those used by credit card vendors. Students who may be attracted to complete a credit card application may also be attracted to complete a survey under similar circumstances. If the same students who stop at a table to fill out a survey are also likely to stop at a table to fill out a credit card application, this sampling technique may produce a larger number of multiple card holders.

The researcher identified eight locations on the campus where the study was conducted that were likely to attract a large number of students. Locations included: two dining halls (one from the main campus, and one from a remote area of campus); three residence halls (one all-female, one all-male, and one co-educational); the area outside of the multi-cultural center and the black cultural center; an area between the library and the campus bookstore; and, the commuter student center. The researcher planned to collect between 35 and 50 completed surveys at each location.

Instrumentation

A 48-item survey was developed by the researcher. All of the items employed a multiple choice format. The questions were designed to elicit data about the 10 research hypotheses. The questionnaire was divided into five sections. The first section, five items, determined levels of credit card ownership. If respondents did not own any credit cards, they were asked to complete the demographic information in section five and return their questionnaire.

The second section addressed ownership and payment practices with respect to major credit cards (e.g., Visa, American Express, Discover). The 14 items asked which major cards were owned, the number of cards owned, billing information, payment practices, amount of debt, and when cards were obtained.

The third section, containing 11 items, related to gas cards (e.g., Texaco, Exxon). Questions addressed ownership, number of cards owned, billing information, payment practices, amount of debt accumulated, and time of acquisition of cards.

The fourth section addressed store credit cards (e.g., Sears, J.C. Penny's). The 11 items elicited data about card ownership, number of cards owned, billing information, payment practices, amount of debt, and time of acquisition of cards.

The last section of the questionnaire elicited demographic information and contained seven items. Students were asked two questions regarding income, whether they received financial assistance, their racial or ethnic identity, and whether they had ever completed this survey before, (see Appendix A).

Procedures

Prior to collecting data, the researcher observed all eight data collection locations and interviewed staff at each site to determine the times when students were most likely to visit the locations. The researcher then scheduled data collection times to coincide with times the sites were most frequented by students. Two hours were spent soliciting student participation at each location. At each site, the researcher set up a table and posted a large sign announcing that students who completed a survey would be rewarded with a candy bar, or other small prize. Only students who fully completed surveys received the reward. Data was collected during the month of October, 1996 (see Appendix B for proposed schedule of data collection).

Validity

Validity relates to whether an instrument accurately measures the phenomenon it was designed to measure. To examine the issue of validity of the instrument used in the present research, two steps were taken. First three experienced researchers reviewed the survey. They reported that the study appeared to relate to the issues of credit card payment styles. Second, an informal pilot study was conducted on seven present and former college students. Participants were asked to complete the survey and write comments in the margins reflecting what they believed each item was asking. A discussion was held in which the survey was critiqued. Items that were identified as difficult to understand were re-written with the help of the participants. Additionally, during the initial administration of the instrument in the pilot study, respondents were asked to offer their comments about the instructions. Based upon these suggestions, the survey was modified to provide clearer directions to those completing it. These steps were deemed sufficient to render the instrument valid.

Reliability

When using a survey instrument, the reliability must be tested. Reliability relates to whether an instrument accurately measures the same phenomenon over time and population. To test the reliability of the survey used in this investigation, a pilot test was conducted. A class of graduate students was asked to complete the instrument twice in a seven day time period. Reliability for the two sets of results for each item was calculated. On 87% of the items, 100% of the participants responded exactly the same way on both the test and the re-test. The Kappa statistics on the remaining 13% of items ranged from .63 to .93, suggesting a high degree of reliability. The specific Kappa statistics on those items are reported in Table 1.

The researcher believes that these differences were caused by three factors. First, students may have received a bill or paid a bill between the Test and Re-test. Second, students could have examined their credit card bills between the Test and Re-test and were more informed about their credit cards for the Re-test. Finally, the students may have been embarrassed by the Test and made a conscious effort to pay off any debt they may have accrued. In no case did the students payment practice category change. Overall, the pilot study suggested the instrument designed for the study uses highly reliable.

Data Analysis

All hypotheses were examined using chi-square analysis. Credit card payment style was defined as one of two payment practices: convenience and revolving debt. The Convenience (C) payment style group included respondents who routinely paid their credit card bills in full each month. Participants were assigned to the C payment style category if they answered "yes" to item #13 indicating that they paid their balances in full each month. Participants were also identified as having a C payment style if the average time debt was left on all the reported cards was two months or less (item #14). Participants who did not regularly pay their credit card debt completely within two months were categorized as having a Revolving Debt (RD) payment style.

Gender and Payment Practices

To test for gender differences in payment practices, respondents were divided into four groups: male RDs, male Cs, female RDs, and female Cs. A chi-square analysis was conducted to see if a significant relationship between gender and type of payment style was identified.

Socio-Economic Status and Payment Practices

To examine socio-economic status (SES) and differences in payment practices, an SES descriptor was assigned to all 14 groups of SES identified in item #44. Low SES included any family income reported to be $19,999 or less. Middle SES status was assigned to any family income reported to be between $20,000 and $99,999. High SES was assigned to all cases in which family income exceeded $100,000 per year. To test for SES significance in payment practices, data were divided into six groups: Low SES RDs, Low SES Cs, Middle SES RDs, Middle SES Cs, High SES RDs, High SES Cs. A chi-square analysis was conducted to see if a significant relationship existed between SES and payment style.

Table 1

Reliabitity Results for Select Test/Re-test Items

Item	Kappa
Do you own a Discover Card?	.63158
Do you own an American Express Card?	.86614
How many years have you owned your card?	.93004
When did you establish ownership of your card?	.89172
Do you own any store credit cards?	.84211
Approximately how much balance do you leave on your store credit card?	.88930
How many years have you owned you store card?	.89177
Do you receive any form of financial assistance from the Financial Aid office, a private lender, or some other loan program?	.81967

Time of Acquisition and Payment Practices

To examine time of credit card acquisition and credit card payment practices, respondents were divided into two categories based on their response to item #19: those who had acquired a majority of their credit cards before enrolling in college (BEC) and those who acquired a majority of their credit cards after enrolling in college (AEC). Respondents who acquired their credit cards at another time were eliminated from this analysis. Data were divided into four groups: BEC RDs, BEC Cs, AEC RDs, AEC Cs. A chi-square analysis was conducted to see if a significant relationship existed between time of acquisition and payment style.

Financial Source of Payment and Payment Practices

To examine financial source of payment and credit card payment style, participants were divided into two categories: those who were the primary source of payment (PS) and those who were not the primary source of payment (NPS). Participants were identified as PS if they indicated that they paid the monthly bills on their credit cards (item #12). Respondents we assigned to the NPS group if they answered that someone else paid the monthly bills. To test for significance in financial source of payment and payment practices, data were divided into four groups: PS RDs, PS Cs, NPS RDs, NPS Cs. A chi-square analysis was conducted to see if a significant relationship existed between financial source of payment and payment practices.

Race and Payment Practices

To examine differences in payment style between minority and majority race participants, participants were divided into two categories: minority race, and majority race. All respondents who were non-white (NW) were considered to be minority race. All participants who indicated that they were Caucasian, or white, were placed in the majority race (W) category. To test for significance in payment practices between races, data were divided into four groups: NW RDs, NW Cs, W RDs, W Cs. A chi-square analysis was calculated to see if a significant relationship existed between race and payment practices.

Academic Standing and Payment Practices

To examine differences between payment style and academic standing, respondents were assigned to one of three categories: upper, lower, and graduate standing. All participants who were juniors or seniors were counted as upper academic division (UD), all freshmen and sophomores were considered lower academic division (LD), and all master's and Ph.D. participants were considered graduate standing (GS). To test for significance, data were divided into six groups: US RDs, US Cs, LS RDs, LS Cs, GS RDs, GS Cs. A chi-square analysis was calculated to see if a significant relationship existed between academic standing and payment practices.

Length of Ownership and Payment Practices

To examine differences in length of card ownership and payment practices, respondents were grouped into three categories: participants who owned cards for less than one year (1-), participants who owned cards for between one and two years (1-2) and participants who owned cards for three years or more (3+). To test for significance, data were divided into six groups: 1- RDs, 1-2 RDs, 3+ RDs, 1- Cs, 1-2 Cs, 3+ Cs. A chi-square analysis was calculated to see if a significant relationship existed between academic standing and payment practices.

Financial Assistance and Payment Practices

To examine differences between those who do and do not receive financial assistance to attend college and credit card payment practices, respondents were placed into one of two groups: participants who received financial assistance (FA), and those who did not receive financial assistance (NFA). Participants were assigned to the FA category if they answered "yes" to item #46. NFA participants answered "no" to item #46. To test for significance, participants were divided into four groups: FA RDs, FA Cs, NFA RDs, NFA Cs. A chi-square analysis was calculated to determine if a significant relationship existed between financial assistance status and payment practices.

<u>Type of Credit Cards and Payment Practices</u>

To examine differences between type of credit card and payment practices, credit cards were divided into two groups: major credit cards and non-major credit cards. Major credit cards (MC) were determined to be Visa, Master Card, Discover, and American Express. Non-major credit cards (NMC) included any department store credit card or specialty store cards (SC), and gas cards (GC). To test for significance, participants were divided into four groups for each analysis: MC RDs, MC Cs, SC RDs, SC Cs and MC RDs, MC Cs, GC RDs, GC Cs. A chi-square analysis was calculated to determine if a significant relationship existed between type of credit card and payment practices.

<u>Number of Credit Cards and Payment Practices</u>

To examine differences in number of credit cards owned and payment style, number of credit cards were divided into two categories: 1 card (1) , and 2 or more cards (2+). To test for significance, participants were divided into six groups: 1 RDs, 1 Cs, 2+ RDs, 2+ Cs. A chi-square analysis was conducted to determine if a significant relationship existed between number of credit cards owned and payment practices.

Conclusion

This study sought to examine credit card payment practices among different groups of college students. The methodology described in this chapter was deemed sufficient to elicit data relevant to the research hypotheses proposed in the study.

CHAPTER FOUR
RESULTS

The purpose of this chapter is to report the findings of the study. It describes minor changes that were made with respect to procedures in terms of data collection sites and the survey. Second, a description of the sample is provided. Then, data comparing the sample to the general student body at the institution under study is provided. Finally, the analysis of the 10 null hypotheses is reported.

Procedures

The researcher originally identified eight locations on the campus likely to attract large numbers of students. During actual data collection, two of the data collection sites were eliminated and one was added. The two sites eliminated were the Commuter Student Center, and the Female Residence Hall. The Commuter Student Center was eliminated because of construction at the site that limited student access.

The second site, The Female Residence Hall, was eliminated because further examination of the demographics of the residence hall revealed that the majority of residents in this building were freshmen and sophomore females. At the time data was scheduled to be collected at this Female Residence Hall, a sufficient number of lower division women had already completed the survey, so the researcher elected not to collect data at this site.

The Graduate Student Assembly meeting was added as a collection site to increase the number of graduate student participants. Appendix C provides a revised schedule of the actual collection sites, dates, and times.

Because sites were eliminated and added, data collection was initiated in October, 1996, as proposed, but continued through November 7, 1996, a week longer than originally planned.

Two questions were added to the original 48-item survey initially developed by the researcher, rendering it a 50-item questionnaire. One question was added to identify international students. This question was added to clarify race, since international students were not included in the final analysis for race and credit card payment styles. There was not a large enough representation of international students to complete an analysis using international students as a separate group in the race analysis.

The second question added asked for a participant's age. This question was used to compare the sample to the demographics of the student population as a whole at the institution under study. Further discussion about demographic comparisons between the sample and the institution can be found in later in this chapter. The revised survey appears in Appendix D.

Sample

A total of 464 surveys were completed by respondents, but 154 surveys were eliminated for various reasons. One hundred thirty-three (133) surveys were eliminated because they revealed that the respondents did not currently own credit cards. Five (5) of those 133 surveys were eliminated from the study because the respondents reported they had credit cards revoked by credit card companies. International students were not used in the final analysis, so 21 surveys completed by international students were also eliminated. This resulted in 310 usable surveys for purposes of data analysis. The demographic characteristics of the sample are described below and details are provided in Table 1.

Gender

Fifty-three percent (53%) of the those surveyed were male. Another 45% reported to be female. Eight respondents (2%) failed or refused to report their gender.

Income

Ninety-two (92%) percent of the respondents reported their income to be in the Lower Income category. This category included students who reported an income below $19,999 per year. Middle Income was reported 5% of the sample. The Middle Income category included any income reported between $20,000 and $99,999 per year. Only one respondent, or 0.3% of the sample, reported to be in the Upper Income category. The Upper Income category included all respondents reporting income over $100,000 per year. Six participants (2%) failed to report income.

Race

Seventy-one percent (71%) of the sample indicated they were majority race students. Minority race students comprised 27% of the sample. Six respondents (2%) failed to indicate a race or ethnic identity.

Academic Standing

Forty-eight percent (48%) of the respondents were Lower Division students (freshmen or sophomores), another 28% were Upper Division students (juniors or seniors), and the remaining participants

Table 2

Demographic Characteristics of the Sample

N=310

Variable	n	%
Gender		
Male	163	53
Female	142	45
No Report	4	2
Income		
Lower Income	286	92
Middle Income	17	5
Upper Income	1	0.3
No Report	6	2
Race		
Majority	219	71
Minority	85	27
No Report	6	2
Academic Standing		
Lower Division	147	48
Upper Division	87	28
Graduate	72	23
No Report	4	1
Acquisition Period		
Before Attending College	132	43
During College	161	52
No Report	17	5

Table 2 continued

Demographic Characteristics of the Sample

N=310

Variable	n	%
Length of Ownership		
Less Than 1 Year	79	25
One or Two Years	111	36
Three Year or Longer	111	36
No Report	9	3
Party Responsible for Payment		
Student Responsible	228	74
Other Responsible	79	25
No Report	3	1
Financial Aid		
Yes	169	55
No	137	44
No Report	4	1
Type of Card		
Major Credit Cards	309	99
Store Cards	100	33
Gas	49	17
Number of Credit Cards		
One Credit Card	248	80
More than One Credit Card	59	19
No Report	3	1

Table 2 continued

Demographic Characteristics of the Sample

N=310

Variable	n	%
Age		
16 - 19 Years Old	147	48
20 - 22 Years Old	88	28
23 or older	73	23
No Report	2	1

Note: Total percentages per variable may exceed 100% due to rounding were graduate students (23%). Four respondents (1%) failed to report an academic status.

Acquisition Period

Forty-three percent (43%) of the participants reported establishing ownership of their credit cards before attending college, while 52% reported establishing ownership during college. Seventeen respondents (5%) did not indicate time of credit card acquisition.

Length of Ownership

Twenty-five percent (25%) of the sample had owned their major credit cards for less than a year. Another 36% had owned their credit cards for one to two years, and the remaining 36% had owned their cards for three years or longer. Nine respondents failed to indicate length of card ownership.

Party Responsible for Payment

Seventy-four percent (74%) of respondents reported that they were solely responsible for making their monthly payments. Another 25% responded that someone else was either jointly or entirely responsible for making the monthly payments. Only three respondents (1%) failed to identify who was responsible for the monthly payment.

Financial Aid

Fifty-five percent (55%) of those surveyed reported that they received some form of financial assistance. Forty-four percent (44%) reported that they did not receive any form of financial assistance. Only four respondents (1%) did not indicate a financial aid status.

Type of Card

Subjects owned major credit cards more frequently than they owned store or gas credit cards. Over 99% of the subjects owned major credit cards (American Express, Discover Card, Master Card, and Visa). Only one student did not report owning a major credit card.

When addressing specialty credit cards, subjects owned store cards more frequently then they owned gas cards. One hundred respondents (100), or 33% of the sample, owned store cards, and 49, or 17% of the sample owned gas cards.

Number of Cards Owned

Eighty percent (80%) of the sample reported owning only one credit card. Only 19% owned more than one credit card. Three respondents (1%) did not indicate how many credit cards they owned.

Age

Age of the respondents ranged from 16 years to 50 years. Forty-eight (48%) percent were between ages 16-19. Another 28% reported being between ages 20-22. The remaining 23% reported being older than 23. Only two respondents (1%) did not identify age.

Comparison Between Sample and Institution

Because the sample was taken from an institution that has some unusual demographic characteristics in its student population some further analysis was needed to compare the sample and the student population. These comparisons are illustrated in Table 3.

Gender

The institution under study has an unusually high percentage of male students. Fifty-nine percent (59%) of the population is male. The sample reported a slightly lower percentage of male students (53%).

Income

The institution under study has an unusually high percentage of families in the Middle and Upper Income categories. The sample was

Table 3
Comparison Between Population of Institution Under Study and Sample

Characteristic	% Population	% Sample	Goodness of Fit Test
Gender			*
Male	59	53	
Female	41	45	
Income +			**
Lower	3	94	
Middle	60	6	
Upper	27	0.3	
Race			**
Majority	82	71	
Minority	5	27	
Financial Aid			**
Yes	44	56	
No	54	44	
Age			**
16 - 19 Years Old	47	48	
20 - 22 Years Old	46	28	
23 or older	7	24	

Note: Percentages are based upon valid responses
\+ = sample too small to accurately indicate significance
* = significant at the .05 level
** = significant at the .01 level

not representative of the institution. The raw data suggest that the respondents reported their personal income, rather than their family income on the survey. The institution maintains data on the family income levels of students, and reports that only 3% of students are in the Lower Income category (under $19,999). This is compared to the sample, where 94% of the students reported being in the Lower Income Category.

The institution reports that 60% of students are in the Middle Income category (under $99,999) while only 6% of the sample reported themselves in this category. Finally, of institutional data reports that 27% of students are in the Upper Income category (over $100,000), while only 0.3% of the sample self-reported income at this level.

<u>Race</u>

The institution under study has a very low percentage of minority students. A purposeful effort was made to over sample minority students. The institution reports 82% of its students are of majority race, while only 5% are of minority race. The remaining 13% are international, or Asian American students. The sample reports a lower percentage of majority students. Only 71% of the sample reported being of majority race. The sample also reported a higher percentage of minority race, 27%.

<u>Financial Aid</u>

The institution under study reported that for the 1996-97 academic year, about 44% of the student body received some form of financial aid through the Financial Aid Office. This number is far below the percentage reported in this study (56%).

<u>Age</u>

The institution under study has a rather small population of non-traditional students. The institution reported that 47% of its students were between 16 and 19 years old (Muffo, 1996). The sample was very close to the data for the institution, with 48% reporting themselves to be 16-19 years old.

The institution reported that 46% of its students were between the ages of 20 and 22. The sample reflected 28% in that age group.

When comparing non-traditional aged students, the sample and the reporting percentages of the institution were very different. Only 7% of the students at the institution under study were over age 23 compared to 28%
of the sample.

Data Analysis

This study examined the credit card payment practices of college students at a large research institution. Students were asked about their credit card payment practices and categorized into two subgroups: students who use their credit cards as a convenience and pay their balances each month (convenience payers); and students who leave a debt on their cards each month (revolving debt payers). A subject was considered a convenience payer if he/she answered that the major credit card was paid completely without leaving a balance within two months of incurring charges. A subject was considered a revolving debt payer if he/she did not pay the major credit card balance within the first two months of incurring charges. Analyses revealed significant relationships between characteristics and payment styles ($p<.05$) for seven of the 10 hypotheses examined. Results are described below, and details are provided in Table 4.

Table 4
<u>Analyses of Payment Practices by Characteristics</u>
N=310

Characteristic (n)	% Revolving Payers	% Convenience Payers	Chi-square	df	p
Gender (302)			2.03	2	.36
Male	31	69			
Female	37	63			
Income (304)			11.38	3	.00+
Low	32	68			
Middle	65	35			
Upper	100	0			
Race (304)			5.64	1	.01*
Majority Race	29	71			
Minority Race	44	56			
Academic Standing (306)			34.72	2	.00**
Lower Division	18	82			
Upper Division	41	59			
Graduate	56	44			
Acquisition Period (293)			18.16	1	.00**
Before College	19	81			
During College	42	58			
Length of Ownership (301)			31.66	2	.00**
Less than 1yr	13	87			
1 or 2 yrs	31	69			
3 or more	51	49			
Party Responsible (307) for Payment			8.43	1	.00**
Student Pays	38	62			
Other Pays	20	80			
Financial Aid (306)			16.52	1	.00**
Yes	43	57			
No	21	79			
Store Card (100) Payment Practice			21.44	1	.00**
Convenience	42	58			
Revolving	93	7			
Gas Card (49) Payment Practice			4.53	1	.03+
Convenience	44	56			
Revolving	100	0			

Table 4 continued
Analyses of Payment Practices by Characteristics
N=310

Characteristic (n)	% Revolving Payers	% Convenience Payers	Chi-square	df	p
Number of Credit (307) Cards Owned			1.35	1	.24
1 Credit Card	35	65			
2 or more	27	73			

+ = sample too small to accurately indicate significance
* = significant at the .05 level
** = significant at the .01 level

Gender

No significant relationship was found between credit card payment practices and gender. Thirty-one percent (31%) of males and 37% of females were identified as revolving payers. The remaining 69% of males and 63% of females were convenience payers.

Income

There was a significant relationship between income and payment style. However, a disproportionate number of students self-reported income in the Lower Income category as institutional data revealed that only a small percentage of students enrolled at the school actually come from Lower Income families. The researcher suspects that most respondents reported their personal income rather than their family income. The results of this anaylsis, therefore, should be interpreted in this context.

Race

Race was a significant factor for credit card payment practice. Forty-four percent (44%) of minority students reported using a revolving debt payment practice compared to only 29% of majority students. Fifty-six percent (56%) of minority, and 71% of majority students reported using a convenience payment style. Race was significant at the .05 level.

Academic Standing

Academic standing was significant at the .05 level and was, in fact, significant at the .01 level. Freshmen and sophomores were considered Lower Division students, Juniors and Seniors were counted as Upper Division students, and Masters, Doctoral, and Post Doctoral students were considered Graduate Students.

Only 18% of Lower Division students used a revolving debt payment practice, compared to 41% of Upper Division students, and 56% of Graduate students. Eighty-two percent (82%) of Lower Division, 59% of Upper Division, and 44% of Graduate students reported using a convenience payment style.

Acquisition Period

A significant relationship was identified between payment practice and the time a student acquired a credit card. Nineteen percent (19%) of students who received credit cards before attending college rely on a revolving debt payment practice compared to 42% of those who acquired their cards during college. Respondents using convenience payment styles included 81% of those who acquired their cards before attending college and 58% of those who acquired their cards during college.

Length of Ownership

The relationship between the length of time that a major credit card was owned and payment style was significant. Thirteen percent (13%) of students who owned their credit cards for less than a year were revolving payers, compared to 31% of students who owned their cards from one to two years, and 51% of students who owned their cards for three years or longer. The difference was significant at the .05 level and the .01 level.

Party Responsible for Payment

A significant relationship was found between payment practices and person responsible for paying monthly bills. Thirty-eight percent (38%) of students who were responsible for making the monthly payments reported using a revolving payment practice. When others were responsible for making the monthly payments, only 20% reported using a revolving payment practice. This difference was significant at the .05 level and the .01 level.

Financial Aid

The relationship between payment style and Financial Aid status was significant at the .05 level and the .01 level. Forty-three percent (43%) of students who received financial aid reported using a revolving debt payment practice. Only 21% of students who were not on financial aid reported using a revolving debt payment practice.

Store Card Payment Practice

Only about one-third of the students who owned major credit cards also owned a store credit card. Of that one-third, 93% used a revolving payment style for both their major credit cards and their store credit cards. This is compared to only 42% who used a convenience style for their store credit card and a revolving style for their major credit cards. It appears that if a student uses a revolving style for one card, they also use a revolving style for other cards. This relationship was significant at the .05 level and the .01 levels.

Gas Card Payment Practice

Only one-sixth of students who owned major credit cards also owned a gas card. Ninety-two percent (92%) of those reported using a convenience payment practice for their gas credit cards. Only four students reported using a revolving debt payment practice for their gas card. All four students owned their gas cards through a work site that was responsible for paying the balance each month. Because the minimum expected frequency for this cell was five, and there were only four gas card owners employing a revolving payment style, a chi-square analysis could not calculated with accuracy.

Number of Credit Cards Owned

Number of credit cards owned was not significant in relationship to payment practices. Roughly one-third (35%) of students who owned one card reported using a revolving debt payment practice, compared to a 27% of students who own more than one card.

Conclusion

The fact that significant relationships between credit card payment practices and sample characteristics were revealed in seven of the 10 cases suggests some interesting results. These results, and their implications for future practice and research are discussed in the final chapter of this report.

CHAPTER FIVE
DISCUSSION and IMPLICATIONS

This study examined the credit card payment practices of college students at a large research institution. Using a convenience sampling technique, a small incentive, and a 50-item survey, 310 students were asked about their credit card payment practices and categorized into two subgroups: students who use their credit cards as a convenience and pay their balances each month (convenience payers); and students who leave a debt on their credit cards each month (revolving debt payers).

This chapter discusses the results of the study and their implications for future research. The first section provides further discussion about the seven hypotheses that were found to be statistically significant in the analysis and how these results compare with previous studies. Next, implications for future practice and research are addressed, as are the limitations of the study. Finally the researcher offers some conclusions about students and their credit card payment practices.

Discussion

Race was a significant factor for credit card payment practices. More minority students use a revolving debt payment style than do majority students. Race was also a significant factor for financial aid status. Fifty (50%) percent of majority students reported receiving financial aid while 75% of minority students reported receiving financial aid. These findings were significant at the .01 level. These results indirectly support those of Armstrong and Craven (1993) who reported that race was significant with respect to number of credit cards owned. White students owned an average of 3.4 cards per student and black students owned 2.3 credit cards on average. This difference in number of cards owned could be related to the payment practice of minority students. If minority students are more likely to employ a revolving debt payment style, perhaps credit card companies are less likely to distribute cards to those students.

It is also possible that minority students own fewer cards because they employ a revolving debt payment style. The more cards a minority student owns, the more debt they accrue due to monthly interest charges.

Perhaps owning fewer cards is one way minority students control their credit card debt.

Another study found that black college students reported finances, specifically their monthly credit card payment, as a source of stress in their personal and academic lives. Minority students may be more likely to experience financial stress because of their payment practices (Brobeck, 1992).

In terms of academic status, it would appear that as students progress academically, their credit card payment practices shift dramatically. The results of this study reveal that Lower Division students are much more likely to use their credit cards as a convenience, while Upper Division students, and particularly graduate students, employ a revolving debt payment style much more frequently.

These findings are consistent with a study about money management and the financial knowledge life cycle. As college students move from freshmen to senior year, they budget less and save less money. Their general financial planning decreases as they near graduation. Some of this may be attributed to their impending graduation and expectations related to projected income (Andersen, Camp, Kiss, Wakita, Weyeneth, & Fitzsimmons, 1993; Danes & Hira, 1986).

This trend poses some concerns. It suggests that as students approach independent adult status, they place themselves at greater risk for accruing a significant level of debt. As personal debt levels nationally continue to increase at alarming rates, it is unsettling to see future generations of adults who will contribute to that problem as opposed to reversing that trend.

These findings are consistent with studies that reported that students learn more from observing the financial habits of their parents than other educational sources (Bowen, 1995; Brobeck, 1992; Garmen & Bach, 1995; Porter, 1992;). Students who acquired their first credit cards before college, while still under the supervision of their parents, may have learned by example and reproduced the payment practices of their parents. They may have received guidance from their parents to steer them into good habits and frighten them away from harmful revolving debt payment styles. Conversely, they may have witnessed their parents incur excessive levels of debt, and vowed not to allow that to happened to themselves. Either way, the present study suggests that this trend be monitored as this increasing number of revolving payers achieves adulthood.

Findings related to time of acquisition are further connected to the findings related to length of ownership. In this study, those who owned credit cards less than a year were more likely to use a convenience payment plan than those who had owned cards for one to two years, and those who owned cards one to two years were far more likely to be convenience payers than those who owned cards three or more years. Again, the longer students own cards, the more likely they are to use them to accrue debt.

These results may further inform previous studies about money management and the life cycle (Bowen, 1995; Brobeck, 1992; Garmen & Bach, 1995; Porter, 1992). Upper Division and Graduate Students, who have owned their cards longer, are more likely to be closer to graduation. They have expectations of post-graduation income and are not as concerned about paying their credit cards in full each month. Additionally, students closer to graduation incur expenses directly related to employment, such as interview wardrobes, trips to interviews, and resume materials. There items maybe viewed by students nearing graduating as expenses that will be paid once they are receiving a regular income. However, they may not realize that the expenses associated with becoming a financially independent adult are also high. Costs related to car purchases and maintenance, securing a deposit for an apartment or home downpayment, or the like are considerable. The concern here is that once a pattern of relying on credit cards is established in college, it may be hard to break that pattern as an adult.

The relationship between who is responsible for paying credit card bills and payment style is also interesting. Students responsible for their card payments are more likely to be revolving payers than those for whom someone else makes monthly payments. There could be several explanations for this finding. First, students who are not responsible for making the monthly payment may not pay attention to the effects of different styles of payment. While this lack of understanding may not have immediate effects, it will surely have an impact as those students age and assume responsibility for their own monthly bills. It is also possible students earn less income than a parent, guardian, spouse, or someone responsible for making monthly payments. If someone else is responsible, it could be because that person earns a higher income and is able to pay for the expenses. Again, however, the implications for students when they assume these monthly payments in the future are significant.

Financial aid status is also associated with payment style. Students on financial aid are more likely to be revolving payers than those who are not receiving such aid. This finding may be explained simply by the increasing schism between the “haves” and the “have-nots” in American society today. Those students who are not on financial aid have sources of money that allow them to pay their credit card balances in full each month. Those students who have to rely on financial aid for an education may also be without means to pay credit card balances in full each month.

These findings also relate to previous research about size of student debt (Hira & Brinkman, 1992). In that study, many students did not understand the debt associated with their student loans and could not articulate how they were going to repay those loans. Considered collectively, the results of these two studies suggest that students may be running up multiple kinds of debt (credit cards and loans) without understanding the implications of that debt.

Payment practice also seems to persist regardless of type of card. The results of the present study reveal that students who use a revolving payment style for their major credit cards also use a revolving payment style for their store credit cards. Only 7% of students who used a revolving payment style for their store card used a convenience style for their major credit card.

The concern with this pattern is self-evident. If students is a revolving payer for one type of card then their chances of changing that style for another card is unlikely. This would limit the affect that attitudes about types of cards may have on consumers. Feinberg, Westgate, and Burrogus (1992) found that some cards were perceived as more prestigious than other cards. A student who uses a revolving payment style for a less prestigious card is likely to use a revolving style for a more prestigious card. Since the more prestigious cards typically offer higher levels of available credit, the chances of accruing more debt by such students are higher.

Implications

This study has implications for future practice for several constituencies. First, students may benefit from the results and have a better understanding how their peers generally deal with credit cards. Such findings are important because they directly affect the credit rating of the user. Credit ratings are important when obtaining loans to buy cards and houses, and when financing the college education of future children. By understanding payment practices, and their implications, students may make sounder financial decisions when applying for, and using, credit cards.

University administrators may also use the results of this study to improve practice. By better understanding the credit card payment practices of college students, administrators may identify groups that are at higher risk to be affected by some of the dangers of credit cards, and design programs and services for such students. For example, campuses may address the policies they have regarding credit card solicitation on campus. Or, administrators may regulate the manner in which those solicitors may conduct business. Specific consumer awareness programming can be planned for campus.

Credit card companies may also benefit from this research. Given a better understanding of the payment practices of college students, credit card companies may elect to administer their student credit card programs to meet the limitations of students. For example, companies may wish to extend lower levels of credit to students, or to monitor student accounts more closely to ensure that debt levels do not become excessive. Companies may also better equip themselves to educate students about the responsibility that is involved with card ownership. If students better understand their credit cards, they may be less likely to default on their payments, and better able to work with credit card companies to address issues of serious debt.

Parents of student credit card owners may also benefit from this research. Parents often do not understand how, or why their children become burdened with credit card debt. By understanding credit card payment practices of college students, parents may better understand the financial habits of their children, and be better equipped to teach their children to use and pay credit cards bills responsibly.

The present study also has implications for future research. First, this study might be replicated at other institutions with populations that more closely reflect the demographics of American college students. The institution at which the present study was conducted enrolls a disproportionally high number of men and upper income students, and a disproportuntially low number of minority students. Research on campuses with different student characteristics might reveal different results.

Second, further research might be conducted about the relationship between the socio-economic status of family and credit card payment practices of college students. Participants in this study reported personal rather than family income levels. This resulted in a weak analysis of income. Future research might shed additional light on patterns of payment practices and family income.

Third, further analysis and research might be conducted about the level of debt and payment practices. If practitioners and credit card companies are better informed about how payment practices are affected by the level of debt incurred by students, they may be better able to help students manage not only their credit cards, but their overall levels of debt.

Fourth, further research is needed into the effects of consumer education on credit card payment practices. If campuses develop consumer education programs and services for students, and these efforts do not result in more judicious use of credit cards by the recipients of such efforts, then such efforts are for naught.

Finally, further inquiry is needed into the transition from a high school credit card holder into a college credit card holder. If research reveals why students who own cards before attending college use a better payment style than those who obtain credit cards during college, perhaps that will lead to wiser payment practices in college, and after college.

Limitations

As in all research, there are some limitations to the present investigation. First, this study asked students to discuss personal financial matters. Students may not have been honest about their credit card payment practices. Students who feel uncomfortable about financial issues may not have participated, or they may have participated less than candidly, thereby distorting the results. Also, this study asked students to share information about their credit cards. Some students do not understand the basic rules of their credit cards. If a student did not understand the meaning of debt, he/she might not have responded appropriately to the items on the survey.

Second, the sampling design may have excluded participation by students with very good, or very bad payment histories. Students who had experienced severe credit card trouble may have purposely avoided a setting where prizes for participation were offered. The sample consisted entirely of volunteers, always a limitation in a research design.

Third, data were collected three months after the beginning of the school year. Freshmen students may not have had time to establish a credit card payment style. Other students may have worked over the summer in order to pay off their credit card debt and have little long term activity to report. Also, this study was conducted at an institution that has an intensive fall orientation program. One section of that program pertains to fiscal issues and addresses responsible credit card habits. Participants who attended these sessions may have engaged in behaviors different than participants who did not attend these sessions.

Fourth, this is a self-designed instrument. Although the researcher conducted a pilot study using the instrument, and it was reviewed by three prominent university researchers, the instrument had not been tested prior to this study. The researcher found at least one item when administering the survey that was clearly misunderstood by respondents. The item requesting family income information elicited responses that reflected only student income. If used again, the income question would need to be re-written to address family socio-economic status. It is possible that other items were also misinterpreted by respondents. If so, the results might have been skewed.

Despite these limitations, the study provided useful information to academic administrators. Little is known about college students and credit card payment practices. University administrators allow credit card solicitors on their campuses without much thought to the implications of such activities for students. Perhaps by better understanding the payment practices of students, administrators can make more informed choices when manipulating the campus environment.

Conclusions

This study paints a fairly clear picture of credit card payment practices among college students. Those who use cards responsibly (i.e., convenience payers) are typically non-minority, freshmen and sophomores who acquire their credit cards before matriculating in college or have owned such cards for less than a year. Perhaps most compelling, they are less likely to be receiving financial aid, hence more likely to have sources of income to cover credit card payments.

Students who use less judicious payment practices (i.e., revolving debt payers) are more likely to be racial minorities, upper division or graduate students who acquire their credit cards after enrolling in college and who have owned cards for three or more years. They are more likely to be financial aid recipients, and perhaps most interesting, if they are revolving payers on one type of credit card (e.g., store cards), they are more likely to be revolving payers on all credit cards. This sets them up to incur significant amounts of debt.

The skyrocketing level of personal debt among Americans has gained significant public attention in recent months. The results of the present study suggest that part of that problem may be attributed to the way debt is handled by college students. If debt accrual is a pattern established in adolescence or young adulthood, that pattern is not likely to change as these young adults mature, and become fiscally independent. Without some form of intervention, the pattern of accruing debt may persist, and contribute to the growing level of personal debt nationally.

Ownership of credit cards by college students is a relatively new trend, but it is one that is not likely to dissipate in the near future. Credit card companies will likely continue to solicit on campuses, but the manner in which they do so is critical. College administrators need to address this situation, and ensure that they are assisting students to become responsible credit handlers. Only then, as those students join the larger society, may the national levels of individual debt begin to ebb.

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Appendix A:
Pilot Study Survey

_____ _____ _____ _____
ID: the last four digits of your ss#:

Credit Card Survey

Please circle your answers:

1. Do you have credit cards in your own name? Yes No (Skip to Question #3)

2. How many credit cards do you have in your own name? 1 2 3 4 5 6 7 8 9 or more

3.. Do you have any credit cards in someone else's name? Yes No (Skip to Question #5)

4. How many credit cards do you have in someone else's name? 1 2 3 4 5 6 7 8 9 or more

5. Have you ever had a credit card company revoke the use of your card? Yes No

IF YOU DO NOT OWN ANY CREDIT CARDS IN EITHER YOUR NAME OR SOMEONE ELSE'S NAME PLEASE SKIP TO QU
THANK YOU FOR YOUR PARTICIPATION.

Major Credit Cards

6. Do you own a VISA card? Yes No

7. Do you own a MASTER CHARGE CARD? Yes No

8. Do you own a DISCOVER CARD? Yes No

9. Do you own an AMERICAN EXPRESS CARD? Yes No

IF YOU DO NOT OWN ANY VISA, MASTER CHARGE, DISCOVER OR AMERICAN EXPRESS CARDS PLEASE SKIP TO Q
THANK YOU.

10. How many major credit cards (Visa, Master Charge, Discover, or American Express) do you own?

1 2 3 4 5 6 7 8 9 or more

PLEASE ANSWER THE FOLLOWING QUESTIONS AS IF ALL VISA, MASTER CHARGE, DISCOVER, AND AMERICAN EX
CARDS WERE ACTUALLY ALL ONE CARD?

11. Who receives the monthly bill(s) for your major credit cards?

Self Parent/Guardian Spouse/Significant other Other (please specify)______

12. Who pays the monthly bills for your major credit card?

Self Parent/Guardian Spouse/Significant other Other (please specify)______

13. Is the balance of your major credit card paid off every month? Yes (Skip to Question # 17) No

14. Is the balance of your major credit card paid off within 2 months? Yes (Skip to Question #17) No

15. How many months is a balance kept on your major credit card? 3 4 5 6 7 8 9 10 11 or more

16. Approx. how much balance do you leave on your major credit card?

under $99	$300-$399	$1000-$1499
$100-$199	$400-$499	$1500-$1999
$200-$299	$500 - $999	$2000 +

17. Have you ever failed to pay a monthly payment on your major credit card? Yes No

18. How many years have you owned your major credit card? less than 1yr. 1 2 3 4 5 6 7 8 or more

19. When did you establish ownership of your major credit card?

Before Attending College During College Other: ____________

GAS CARDS

20. Do you own any gas credit card? Yes No (Skip to Question #31)

21. How many gas credit cards do you own? 1 2 3 4 5 6 7 8 9 or more

PLEASE ANSWER THE FOLLOWING AS IF ALL YOUR GAS CARDS WERE ACTUALLY ONE GAS CARD.

22. Who receives the monthly bill(s) for your gas credit cards?

Self Parent/Guardian Spouse/Significant other Other (please specify)______

23. Who pays the monthly bills for your gas credit cards?

Self Parent/Guardian Spouse/Significant other Other (please specify)______

24. Is the balance of your gas credit card paid off every month? Yes (Skip to question #28) No

25. Is the balance of your gas credit card paid off within 2 months? Yes (Skip to question #28) No

26. How many months is a balance kept on your gas credit card? 3 4 5 6 7 8 9 10 11 or more

27. Approximately how much balance do you leave on your gas credit card?

under $99	$300-$399	$1000-$1499
$100-$199	$400-$499	$1500-$1999
$200-$299	$500 - $999	$2000 +

28. Have you ever failed to pay a monthly payment on your gas card? Yes No

29. How many years have you owned your gas credit card? less than 1yr. 1 2 3 4 5 6 7 8 or more

30. When did you establish ownership of your gas credit card?

Before Attending College During College Other: __________________

Store Credit Cards

31. Do you own any store credit cards (e.g. Sears, Lowes, Limited)? Yes No (Skip to Question # 42)

32. How many store credit cards do you own? 1 2 3 4 5 6 7 8 9 or more

PLEASE ANSWER THE FOLLOWING QUESTIONS AS IF ALL STORE CREDIT CARDS WERE ACTUALLY ONE CARD.

33. Who receives the monthly bill(s) for your store credit cards?

Self Parent/Guardian Spouse/Significant other Other (please specify)______

34. Who pays the monthly bills for your store credit cards?

Self Parent/Guardian Spouse/Significant other Other (please specify)______

35. Is the balance of your store credit card paid off every month? Yes (Skip to Question # 39) No

36. Is the balance of your store credit card paid off within 2 months? Yes (Skip to Question # 39) No

37. How many months is a balance kept on your store credit card? 3 4 5 6 7 8 9 10 11 or more

38. Approximately how much balance do you leave on your store credit card?

under $99	$300-$399	$1000-$1499
$100-$199	$400-$499	$1500-$1999
$200-$299	$500 - $999	$2000 +

39. Have you ever failed to pay a monthly payment on your store credit card? Yes No

40. How many years have you owned your store credit card? less than 1yr. 1 2 3 4 5 6 7 8 or more

41. When did you establish ownership of your store credit card?

Before Attending College During College Other: ____________

Demographics:

42. Academic Standing:

Freshmen Sophomore Junior Senior Masters Doctoral

43. Gender: Male Female Other - Specify:-______________

44. What is your PERSONAL INCOME(include spousal income or allowance, exclude parents income)

$0 - $6,000 $20,000-$24,999 $60,000 - $74,999

$6,000 - $9,999 $25,000 - $29,999 $75,000 - $ 99,999

$10,000 - $14, 999 $30,000 - $39, 999 $100,000 - $ 149,999

$15, 000 - $19,999 $40,000 - $49,999 $150,000 - $199,999

$50,000 - $59,999 $200,000 or more

45. Indicate whose income is reflected above.

Self Self+Allowance SpouseSelf+Spouse

Other (please specify) ______________________________

46. Do you receive any form of financial assistance from the Financial Aid office, a private lender, or some other loan program?

Yes No

47. Racial/Ethnic Identity: African American/ Black Asian American/ Pacific Islander

Hispanic Native American

White/ Caucasian International Student

48. Have you ever completed this survey before? Yes No

9/96

Appendix B:
Data Collection Proposed Schedule

Data Collection Schedule:

Date	Location	Time
October 8, 1996	Outside Library	11:30am - 1:30 pm
	Commuter Student Center	5:30 pm - 7:30 pm
October 15, 1996	Owens Dining Hall	11:30 am - 1:30 pm
	All Male Res. Hall	5:30 pm - 7:30 pm
October 22, 1996	Schultz Dining Hall	11:30 am - 1:30 pm
	All Female Res. Hall	5:30 pm - 7:30 pm
October 29, 1996	Black Cultural Center	11:30 am - 1:30 pm
	Co-Ed. Res. Hall	5:30 pm - 7:30 pm

Appendix C:
Data Collection Revised Schedule

Data Collection Revised Schedule:

Date	Location	Time
October 15, 1996	Owens Dining Hall	11:30 am - 1:30 pm
	All Male Res. Hall	5:30 pm - 7:30 pm
October 22, 1996	Schultz Dining Hall	11:30 am - 1:30 pm
October 29, 1996	Black Cultural Center	11:30 am - 1:30 pm
	Co-Ed. Res. Hall	5:30 pm - 7:30 pm
October 18, 1996	Outside Library	11:30am - 1:30 pm
November 7, 1996	Graduate Student Assembly	5:30 pm - 7:30 pm

Appendix D:
Revised Credit Card Survey

Credit Card Survey

Please circle your answers:

1. Do you have credit cards in your own name? Yes No - (Skip to Question #3)

2. How many credit cards do you have in your own name? 1 2 3 4 5 6 7 8 9 or more

3.. Do you have any credit cards in someone else's name? Yes No - (Skip to Question #5)

4. How many credit cards do you have in someone else's name? 1 2 3 4 5 6 7 8 9 or more

5. Have you ever had a credit card company revoke the use of your card? Yes No

IF YOU DO NOT OWN ANY CREDIT CARDS IN EITHER YOUR NAME OR SOMEONE ELSE'S NAME, PLEASE SKIP TO Q
THANK YOU FOR YOUR PARTICIPATION.

Major Credit Cards

6. Do you own a VISA card? Yes No

7. Do you own a MASTER CHARGE CARD? Yes No

8. Do you own a DISCOVER CARD? Yes No

9. Do you own an AMERICAN EXPRESS CARD? Yes No

IF YOU DO NOT OWN ANY VISA, MASTER CHARGE, DISCOVER OR AMERICAN EXPRESS CARDS PLEASE SKIP TO Q
THANK YOU.

10. How many major credit cards (Visa, Master Charge, Discover, or American Express) do you own?

1 2 3 4 5 6 7 8 9 or more

PLEASE ANSWER THE FOLLOWING QUESTIONS AS IF ALL VISA, MASTER CHARGE, DISCOVER, AND AMERICAN EX
CARDS WERE ACTUALLY ALL ONE CARD?

11. Who receives the monthly bill(s) for your major credit cards?

Self Parent/Guardian Spouse/Significant other Other (please specify)______

12. Who pays the monthly bills for your major credit card?

Self Parent/Guardian Spouse/Significant other Other (please specify)______

13. Is the balance of your major credit card paid off every month? Yes- (Skip to Question # 17) No

14. Is the balance of your major credit card paid off within 2 months? Yes- (Skip to Question #17) No

15. How many months is a balance kept on your major credit card? 3 4 5 6 7 8 9 10 11 or more

16. Approx. how much balance do you leave on your major credit card?

under $99 $300-$399 $1000-$1499

$100-$199 $400-$499 $1500-$1999

$200-$299 $500 - $999 $2000 +

17. Have you ever failed to make a monthly payment on your major credit card? Yes No

18. How many years have you owned your major credit card? less than 1yr. 1 2 3 4 5 6 7 8 or more
19. When did you establish ownership of your major credit card?
Before Attending College During College Other: ____________

GAS CARDS

20. Do you own any gas credit cards (e.g. Texaco, Exxon)? Yes No- (Skip to Question #31)

21. How many gas credit cards do you own? 1 2 3 4 5 6 7 8 9 or more

PLEASE ANSWER THE FOLLOWING AS IF ALL YOUR GAS CARDS WERE ACTUALLY ONE GAS CARD.

22. Who receives the monthly bill(s) for your gas credit cards?

Self Parent/Guardian Spouse/Significant other Other (please specify)______

23. Who pays the monthly bills for your gas credit cards?

Self Parent/Guardian Spouse/Significant other Other (please specify)______

24. Is the balance of your gas credit card paid off every month? Yes- (Skip to question #28) No

25. Is the balance of your gas credit card paid off within 2 months? Yes- (Skip to question #28) No

26. How many months is a balance kept on your gas credit card? 3 4 5 6 7 8 9 10 11 or more

27. Approximately how much balance do you leave on your gas credit card?

under $99 $300-$399 $1000-$1499

$100-$199 $400-$499 $1500-$1999

$200-$299 $500 - $999 $2000 +

28. Have you ever failed to make a monthly payment on your gas card? Yes No

29. How many years have you owned your gas credit card? less than 1yr. 1 2 3 4 5 6 7 8 or more

30. When did you establish ownership of your gas credit card?

Before Attending College During College Other: _____________

Store Credit Cards

31. Do you own any store credit cards (e.g. Sears, Lowes, Limited)? Yes No- (Skip to Question # 42)

32. How many store credit cards do you own? 1 2 3 4 5 6 7 8 9 or more

PLEASE ANSWER THE FOLLOWING QUESTIONS AS IF ALL STORE CREDIT CARDS WERE ACTUALLY ONE CARD.

33. Who receives the monthly bill(s) for your store credit cards?

Self Parent/Guardian Spouse/Significant other Other (please specify)______

34. Who pays the monthly bills for your store credit cards?

Self Parent/Guardian Spouse/Significant other Other (please specify)______

35. Is the balance of your store credit card paid off every month? Yes - (Skip to Question # 39) No

36. Is the balance of your store credit card paid off within 2 months? Yes - (Skip to Question # 39) No

37. How many months is a balance kept on your store credit card? 3 4 5 6 7 8 9 10 11 or more

38. Approximately how much balance do you leave on your store credit card?

under $99	$300-$399	$1000-$1499
$100-$199	$400-$499	$1500-$1999
$200-$299	$500 - $999	$2000 +

39. Have you ever failed to make a monthly payment on your store credit card? Yes No

40. How many years have you owned your store credit card? less than 1yr. 1 2 3 4 5 6 7 8 or more

41. When did you establish ownership of your store credit card?

Before Attending College During College Other: _____________

Demographics:

42. Academic Standing:

Freshmen Sophomore Junior Senior Masters Doctoral

43. Gender: Male Female Other - Specify:-_______________

44. What is your PERSONAL INCOME(include spousal income or allowance, exclude parents income)

$0 - $6,000 $20,000-$24,999 $60,000 - $74,999

$6,000 - $9,999 $25,000 - $29,999 $75,000 - $ 99,999

$10,000 - $14, 999 $30,000 - $39, 999 $100,000 - $ 149,999

$15, 000 - $19,999 $40,000 - $49,999 $150,000 - $199,999

$50,000 - $59,999 $200,000 or more

45. Indicate whose income is reflected above. Self Self+Allowance Spouse Self+Spouse

Other (please specify) ________________________________

46. Do you receive any form of financial assistance from the Financial Aid office, a private lender, or some other loan program?

Yes No

47. Are you an: In-state student Out-of-state student International student

48. Racial/Ethnic Identity: African American/ Black Asian American/ Pacific Islander

Hispanic Native American

White/ Caucasian Other: ____________________

49. How old are you today? ____________________

50. Have you ever completed this survey before? Yes No

Thank you for your participation!

Jennifer L. Munro

Education:

Master of Education, Expected May 1997
Virginia Tech, Blacksburg, VA

Bachelor of Arts, History & Sociology, May 1992
Millersville University, Millersville, PA

Experience:

Transfer Student Orientation Program (Graduate Assistant), Office of the Dean of Students Virginia Tech, Blacksburg, Virginia - 8/96 - 5/97

- Advised the Transfer Student Network
- Developed and coordinated Transfer Student Success Seminars
- Trained the Dean of Students staff to assist students who wish to register to vote
- Assisted with the Judicial Review process
- Assisted with all Orientation activities

Internship (Practicum Experience), The Women's Center
Virginia Tech, Blacksburg, VA - 8/96 - present

Voter Registration Campaign

- Coordinated efforts to help students, faculty, staff, and the community register to vote
- Trained The Women's Center staff to assist students who wish to register to vote
- Developed a voter education web page
- Provided programs and materials to assist students with their voting questions

Take Our Daughter To Work Day Coordinator

- Created & chaired the Take Our Daughters to Work Day Committee
- Publicized the project through local schools
- Developed scholarships for underrepresented girls who wished to participate

Technical Recruiter, Phoenix Inegration, Blacksburg, Virginia 10/96 - 3/97

- Worked with local employment agencies and Virginia Tech to recruit computer programmers
- Created contacts with area colleges and universities to recruit students for co-op and internship

Recruitment Coordnator (Graduate Assistant), Student Personnel Program, Virginia Tech, Blacksburg Virginia - 8/95 - 5/96

- Coordinated recruiting trips to historically black colleges
- Served as liaison for graduate student applicants to Student Personnel programs
- Co-authored semi-annual alumni newsletter
- Created an orientation program for incoming masters and doctoral students
- Assisted with the Concepts of College project, coordinated for ACPA

Internship (Practicum Experience), Career Services
Virginia Tech, Blacksburg, VA - 1/96 - 5/96

- Advised students from the College of Arts and Sciences on job search and summer internships
- Coordinated the publication of the Career Services/Arts and Sciences newsletter
- Developed resource sheets for English and Biology majors
- Assisted with desk duty and resume critiques

Housing and Residence Life (Full-time, Professional), Southern College of Technology, Marietta, Georgia - 10/93 - 8/95

- Coordinated and marketed all necessary arrangements for the Summer Conference Housing Programs, tripled summer revenue
- Processed applications, room assignments, and room changes for all SouthernTech on-campus students
- Recruited, selected, assigned and trained, supervised, evaluated, and scheduled all SouthernTech Resident Assistants (RA's)
- Advisor for Residence Hall Association

Activities:

- Chairperson, Social Committee for Association for Student Developement, 1996-97
- Virginia Tech Student Leadership Program Review Committee, Spring 1996
- Chairperson, SouthernTech Athletics Spirit Committee, 1994-95
- Co-Chairperson, SouthernTech "Family Night" Committee, 1994-95
- Housing Ambassador, “TECHFEST,” 1995
- Co-Chairperson, SouthernTech Wellness Committee, 1994-95

Presentations:

- Minority Recruitment: Strategies for Diversifying the Profession, March 1997 ACPA/NASPA Joint Convention, Chicago, IL
- Myths of “Charge It!” Female Students and Credit Cards, February 1997 The Women’s Center, Virginia Tech, Blacksburg, Virginia
- Credit Cards and College Students, Food for Thought. January 1997 Student Affairs Research Committee, Virginia Tech, Blacksburg, Virginia
- Coding Sexism in Secondary Education, March 1996 Womens Studies, Virginia Tech, Blacksburg, Virginia