

Cognitive Bias and Mood Bias in Risky Credit Card Behavior

Sun Young Ahn, University of Arizona¹
Ya-Hui Kuo, University of Arizona²
Joyce Serido, University of Arizona³
Soyeon Shim, University of Wisconsin-Madison⁴

Abstract

This study investigated the associations of cognitive bias factors (i.e., time preference, goal attainment expectation, unrealistic optimism, and overconfidence) and specific negative mood (i.e., anxiety) with a risky financial behavior (i.e., credit card borrowing) of college seniors. Data were collected from a panel of students (N=1,146) during their fourth year of college. Results showed that not only were cognitive bias and a negative mood related to risky financial behavior but they produced interactive effects in explaining risky financial behavior. More specifically, we found a positive association between three cognitive bias factors (i.e., goal attainment expectation, unrealistic optimism, and overconfidence) and risky credit card borrowing behavior. The findings also showed that the higher level of anxiety was positively related to risky credit card borrowing behavior. In addition, anxiety interacted with time preference and unrealistic optimism such that present oriented time preference was negatively related to credit borrowing behavior while unrealistic optimism was positively related to credit borrowing behavior but only for those students with high anxiety levels. The findings are discussed for understanding and preventing risky financial behavior.

¹Doctoral Candidate, Norton School of Family and Consumer Sciences, Retailing and Consumer Sciences Division, 650 N. Park Ave, Tucson, AZ 85721, United States, syahn@email.arizona.edu

²Doctoral Student, Norton School of Family and Consumer Sciences, Retailing and Consumer Sciences Division, 650 N. Park Ave, Tucson, AZ 85721, United States, yahuikuo@email.arizona.edu

³Assistant Research Professor, Norton School of Family and Consumer Sciences, 650 N. Park Ave, Tucson, AZ 85721, United States, jserido@email.arizona.edu

⁴Professor and Dean, School of Human Ecology, University of Wisconsin-Madison, WI 53706 USA, United States, sshim7@wisc.edu