Self-Justification, Self-Control, and Credit Card Usage

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Introduction

Research has indicated that many households have difficulty managing their credit card debt. Although credit cards allow people to fulfill their monetary desires, credit card usage is potentially related to the problem of spending restraints, and can cause self-inflicted stress. Those with poor credit payment problems may feel stress from the pressure of wanting to achieve self-control. Self-justification, identifying themselves as the same as other people, is considered one way to relieve this stress, as social conformity theory suggests. The objectives of this study are as follows: 1) to explore the relationship between poor credit card payment history and attitudes about credit card purchases, and 2) to investigate the differences in attitudes about specific expenses of credit card usage between those with a poor credit card payment histories and those without.

Literature Review

Habitual thinking and decision-making in households are under the influence of social norms (Cialdini & Trost, 1998; Festinger, 1954; Solomon, 2002). This includes both explicit and implicit decisions ranging from what and how to buy, to how much to save and spend. Many studies indicate that people try to conform to this socially-prevalent lifestyle, and if they feel that they deviate from this pattern, a sense of failure, guilt, and diminished self-worth can occur as indicated by the theory of social conformity (Diener & Fujita, 1997; Hodgson, 2004; Starr, 2009; White, Langer, Yariv, & Welch, 2006). The self-inflicted stress derived from cognitive dissonance can be either mitigated or exacerbated by one's self-justification mechanism such as identifying themselves as normal, or doing as others do. According to the conformity theory, people tend to base their behavior on what they see other people doing. For those having such poor credit card payment histories, a self-control problem, self-justification can be one way to relieve the stress.

Methods

Data

This study uses data from 2010 Surveys of Consumer Finance (SCF) for its analysis. This triennial survey was conducted by the Federal Reserve Board of Governors to offer reliable and detailed information on the broad financial circumstances of U.S. households. 6,482 households are included. The sample is appropriately weighted.

Variable

Five dependent variables are used to measure the attitude about others' credit card usage. Depending on the types of expense, five dummy variables are measured by answers to the following questions: whether you feel it is all right for someone like yourself to borrow money to cover the expenses of a vacation trip, living expenses, purchase of a fur coat or jewelry, purchase of a car, or educational expenses. Independent variable is poor credit control, which is measured as a dummy variable coded 1 if they had experienced both loan payment problems and credit card revolving charges, and 0 otherwise. Demographic variables (age, education, health condition, income) and financial preference variables (risk tolerance, planning horizon) are also used as control variables.

Results

Figure 1 and Figure 2 show the descriptive statistics on attitudes about credit card usage. When compared to groups without a poor credit payment history, groups with a poor credit payment history tend

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to frequently answer both general and specific questions on the credit card usage of others. In particular, groups with a poor credit history have a more positive opinion (33.09%) on 'In general, do you think it is a good idea or a bad idea for people to buy things by borrowing or on credit' than groups without a poor credit history (20.45%) as presented in Figure 1. To the credit card usage on five types of consumer expenses, which are measured by 'Please tell me whether you feel it is all right for someone like yourself to borrow money', they also have more positive responses (Figure 2): 19.26% for vacation, 58.49% for living expenses, 6.32% for luxuries (fur coat or jewelry), 85.96% for car purchase, and 86.38% for education expenses.
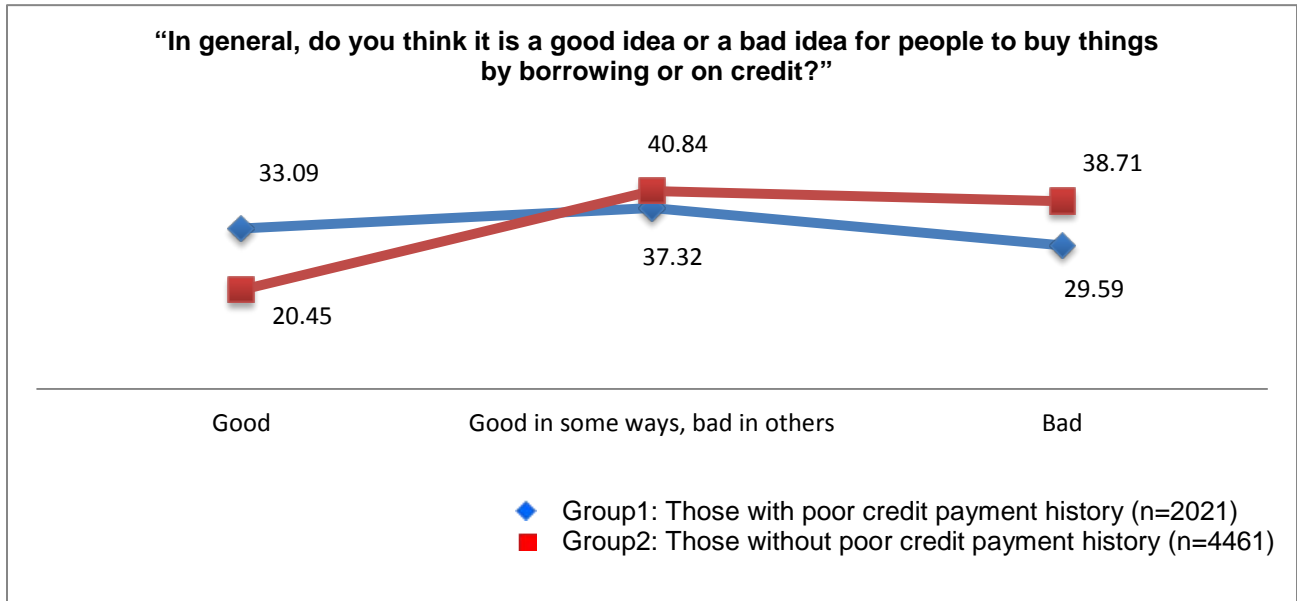

Figure 1. Descriptive Results on Attitude about Credit Card Usage.
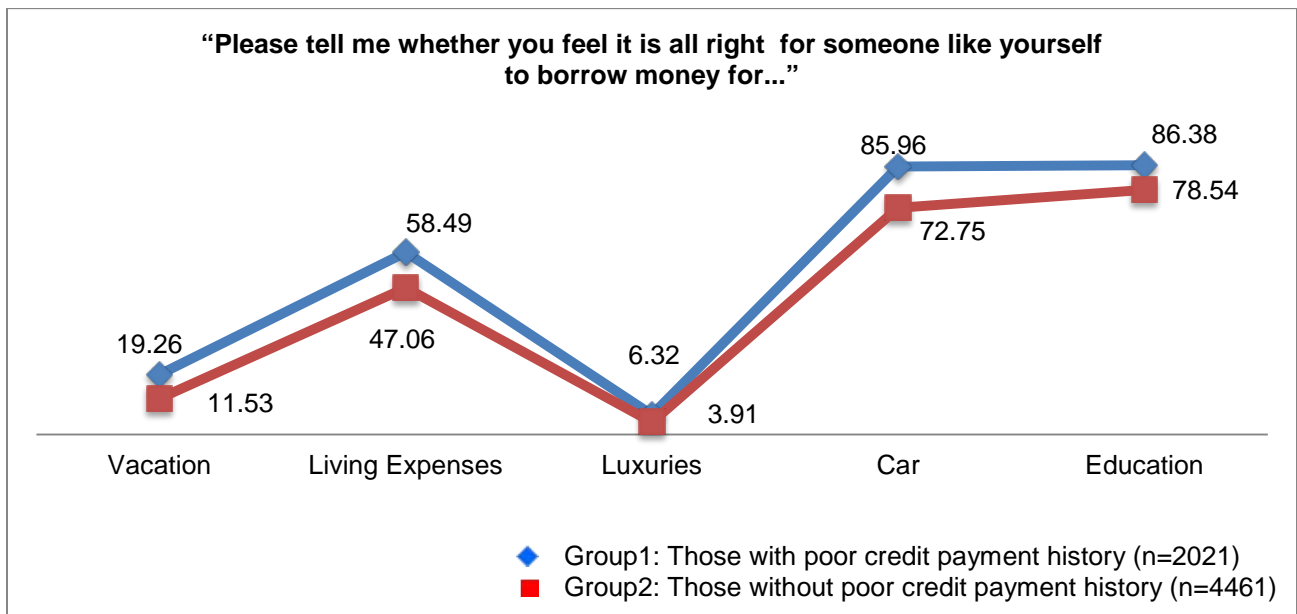

Figure 2. Descriptive Results on Attitude about Credit Card Usage on Five Types of Expenses.

Table 1

Results of Multivariate Analyses on Attitudes about Credit Card Usage on Five Types of Expenses

	Vacation Trip		Living Expenses		Luxuries		Purchase of a Car		Educational Expenses	
	β	ExpB	β	ExpB	β	ExpB	β	ExpB	β	ExpB
Poor Credit History	0.5949***	1.813	0.3967***	1.487	0.3840**	1.468	0.7944***	2.213	0.4370***	1.548
Head age (25)										
30-39	-0.3070**	0.736	-0.4682***	0.626	-0.3139*	0.731	0.00306	1.003	-0.0137	0.986
40-49	-0.2668**	0.766	-0.8635***	0.422	-0.0563	0.945	-0.00879	0.991	-0.4243**	0.654
50-59	-0.1385	0.871	-1.1254***	0.325	-0.2289	0.795	0.000155	1.000	-0.8683***	0.420
60-69	-0.4927***	0.611	-1.2840***	0.277	-0.3619*	0.696	0.0595	1.061	-1.0619***	0.346
70 and over	-0.6858***	0.504	-1.4505***	0.234	-0.8156**	0.442	-0.4406***	0.644	-1.4764***	0.228
Head's education(Less than high school diploma)										
High school	0.3699**	1.448	0.0734	1.076	0.4355*	1.546	0.5131***	1.670	0.3156**	1.371
College	0.32828*	1.388	0.0491	1.050	0.4901*	1.633	0.4418***	1.555	0.4721***	1.603
Grad degree	0.3930**	1.481	0.1176	1.125	0.5009*	1.650	0.4762***	1.610	0.5212***	1.684
Perceived health status(Poor health4)										
Excellent	0.3345*	1.397	-0.2680**	0.765	-0.2413	0.786	0.2474**	1.281	0.2095*	1.233
Good	0.2670*	1.306	-0.2674**	0.765	-0.2151	0.806	0.3042**	1.356	0.1735	1.189
Fair	0.1145	1.121	-0.0123	0.988	-0.4416*	0.643	0.1685	1.183	0.2651**	1.304
Risk tolerance (No risk=1)										
Substantial	0.2444**	1.277	0.0251	1.025	0.3838**	1.468	0.5185***	1.680	0.4815***	1.618
Above avg.	0.2374**	1.268	0.1107*	1.117	0.5065**	1.659	0.3083***	1.361	0.4242***	1.528
Average	0.5684***	1.765	0.1702*	1.186	0.6278**	1.874	0.1987*	1.220	0.3362**	1.400
Planning horizon(Next few month; 0.3month)										
Next year	-0.0996	0.905	0.00414	1.004	-0.5184**	0.595	0.0225	1.023	0.1478*	1.159
Next few year	-0.0460	0.955	-0.1013	0.904	0.0315	1.032	0.3245***	1.383	0.2256**	1.253
Next 5 to10 years	-0.0229	0.977	-0.2509**	0.778	-0.1141	0.892	0.1293	1.138	0.1710*	1.186
Longer than 10 years	-0.00290	0.997	-0.2585**	0.772	0.1698	1.185	-0.1622*	0.850	-0.0254	0.975
Log income	-0.00572	0.994	-0.0119	0.988	0.0253	1.026	0.0344**	1.035	0.0144	1.014
Intercept	-2.3994***		1.1334***		-3.5248***		-0.3081		1.0396***	

Note. Significance level: ***α=0.1%, ** α=5%, * α=10%

In five multivariate analyses using separate logistic regressions on the five specific consumer expenses, influence of the poor credit history on the attitude about other's credit card usage is found significant at 0.1 % significance level. Table 1 shows that the poor credit history group is more likely to respond positively to other people's credit card usage on all the five types of spending. In particular, they are more likely to have positive attitudes about the credit card usage on vacations and luxuries. Some of the demographic variables such as age, education, and health condition, and financial preference variables such as risk tolerance and planning horizon, are found partially significant. Age is negatively related to the attitude about all five expenses: generally, households with older heads tend to less favorably answer. Income is significantly associated with only one type of credit card usage, the purchase of a vehicle.

Discussion and Implications

Households having difficulty managing credit payments have favorable attitudes about others' credit card purchases. In particular, they are more likely to have positive attitudes about the credit card purchase of vacations and luxuries regardless of their income level. Their lenient attitude about others' credit purchases is consistent with the social conformity theory. The findings can be used to inform both educators and policy makers about the influence of perceived conformity on self-control problems, and credit card issues of households. Public service ad campaigns and education could change the perceived norm, and thereby influence credit card payments and attitudes.

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