

Shopping Motives, Financial Literacy, and Credit Card Utilization Among College Students

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ABSTRACT

This study aims to determine whether there is a significant influence between shopping motives and financial literacy toward credit card utilization among college students. The research method used is a quantitative method through the distribution of questionnaires to college students in Surabaya who have a credit card and have conducted transactions, the results of the questionnaire are then processed using smart pls. The results of the research stated that shopping motive and financial literacy have a significant effect on the use of credit cards among college students.

Keywords: *shopping motives, financial literacy, credit cards utilization*

1. INTRODUCTION

Credit cards are one of the modern payment instruments that are used quite often these days. By having a credit card, a person can get benefits and convenience that can be used for shopping, more practical and safe because there is no need to carry large amounts of cash. According to Bank Indonesia stated in Bank Indonesia regulation number: 14/2/PBI/2012 concerning the Implementation of Card-Based Payment Instrument Activities, a credit card is a card-used payment instrument that can be used to make payments for obligations arising from an economic activity, including spending transaction activities or to make cash withdrawals, where the cardholder's payment obligations are met in advance by the *acquirer* or the issuer, and the card holder is obliged to make payments at the agreed time either in full payment (*charge card*) or with payment in installments. Credit cards today are not just a lifestyle, but are a necessity for modern society to support all financial transaction activities in daily life.

Based on the pre-survey results distributed to 30 students, information was obtained that 50% of students stated that credit cards were used to utilize promos offered by certain merchants, 30% of students stated that the use of credit cards was used in emergencies for example when they were not bring enough cash, or when the transaction with the debit card is not successful, or when the balance on the debit card is insufficient and 20% of students stated that they rarely use a credit card. Most students are encouraged to make purchases when carrying credit cards and tend to spend a lot of money, because credit card bills are paid by their parents, the average student uses a gold type credit card, with an average credit card usage limit of Rp. 10,000,000 to Rp. 20,000,000. Besides that, another advantage of using a credit card is that transactions using a credit card are considered to be safer, faster and easier to use. Ease of transactions tends to trigger an increase in consumption (shopping activities). Therefore we need

financial literacy to literate students, so they can use their credit cards more wisely. Therefore, researchers want to know whether shopping motives and financial literacy influence credit cards utilization among college students?

2. LITERATURE REVIEW

Credit Card

Bank Indonesia Regulation number 7/52/PBI/2012 concerning the conduct of payment instruments using cards, states that credit cards are means of payment using cards that can be used to make payments on obligations arising from an economic activity, including spending transactions and /or to make a cash withdrawal where the cardholder's payment obligations are fulfilled in advance by the issuer, and the card holder is obliged to pay off the payment obligation at the agreed time either in *charge* (*charge card*) or in installments. According to the Indonesian dictionary, a credit card is a small card issued by a bank that guarantees that the holder can shop without paying in cash and will be calculated in the credit card owner's account. In addition to convenience in applying credit card, another advantage of using a credit card is its very wide scope of use, from small transactions to large volume transactions. This is very useful for the community, especially for those who frequently travel, both for business and tourism because credit cards can also be used to make transactions in various countries that accept credit card payments. According to Kasali (1998), consumers choose an item based on human desires to try new things, have interests and demands. Before buying an item, the individual must know the benefits and uses of the goods for theirs. After knowing its usefulness, the individual will look for more detailed information on the item (Kottler, 2005). Interest is a motive aimed at something special. If the individual already has an interest in something, then their attention will automatically be attracted to the object. If someone sees something useful, they will be

interested in it and in return they will get satisfaction, including shopping decisions.

Shopping Motivation

Motivation of consumer spending according to several experts:

1. **Shopping Motivation According to Jin and Kim (2003)**

Jin and Kim in their study of consumer's buyers in Korea found three motives for shopping. The three shopping motives are (Jin & Kim, 2003):

a. *Diversion / Diversion.*

Humans have activities that are routine where the activity or activities are carried out on an ongoing basis with the same method every day. This monotonous behavior causes people to feel bored and want a change in their daily activities. This is what causes people to want to get out of their daily routines with something as different as going shopping at shopping centers (malls).

b. *Socialization.*

Social shopping is a form of shopping activity to look for fun that is done together with friends or family with the aim to interact with others. As social beings, humans cannot live alone. Humans need interaction with others including in their shopping activities. The purpose of socializing include: consumers can find out information related to their shopping activities.

c. *Utilitarian / Benefits.*

In shopping activities, consumers have almost the same motivation between one consumer and another. The motivation is to get the benefits of these shopping activities. The benefits of these shopping activities include getting the items needed, getting low prices, getting good items, getting sales promotions and so forth.

2. **Motivation of Hedonic Shopping According to Arnold and Reynolds (2003)**

One of the motivating factors for consumers in shopping according to Arnold and Reynolds (2003) is hedonic motivation. Hedonic motivation according to Arnold and Reynolds (2003) reflects an instrument that directly presents the benefits of an experience in spending, such as: pleasure, new things.

Factors or elements in hedonic motivation according to Arnold and Reynolds (2003) consist of:

- a. *Adventure shopping.* *Adventure shopping* is a form of experimentation in the context of shopping adventure as a form of experimenting in shopping.
- b. *Social shopping.* *Social shopping* is a form of shopping activity to look for fun that is done together with friends or family with the aim to interact with others.
- c. *Gratification shopping.* *Gratification shopping* is a form of shopping activity in which a person's involvement in shopping is done with the aim of relieving stress as an alternative to relieving negative moods and shopping activities are used to improve mental states.

- d. *Idea shopping.* *Idea shopping* is a form of shopping activity that is used to find out the latest trends as an example of fashion products and to find out new products and product innovations.
- e. *Role Shopping.* *Role shopping* is a form of shopping activity to obtain the best products for yourself and for others.
- f. *Value shopping.* *Value shopping*, is a shopping activity that is caused to obtain value (value) as caused by the presence of *discounts*, sales promotions and so forth.

Buying decision

Ali Hasan (2008) explains that a very strong driving factor in consumer purchasing decision makers is influenced by a number of people having an involvement in purchasing decisions. And people who have an involvement in purchasing decisions are as follows:

1. *Initiator* is a person who realizes the first time there are unmet needs and takes the initiative to suggest buying a certain product.
2. *Influencers* are people who often act as influencers because their views of advice or opinions influence buying decisions.
3. *Decider* is the person acting as a decision maker in determining whether the finished product is purchased, what product is purchased, how to buy, and where the product was purchased.
4. *Buyers* are people who make actual purchases.
5. *Users* are people who consume or use products that are purchased.

The purchasing decisions that are usually made by students include:

1. Shopping for daily needs such as eating, drinking and daily supplies.
2. Shop through online transactions.
3. Shop for fashion at the mall or outlets.
4. Shop for travelling such as buying plane tickets, buying hotel *vouchers*.

Shopping is an activity that is often done by most people. There are several reasons why people shop, among others, to meet the needs supported by a payment system that is popular among the people of today, namely payment using a credit card. The higher the motivation of consumer spending, the higher the frequency of use of the credit card (Robertus & Jones, 2001). Therefore the researchers suspect that the higher the shopping motivation, the more significant it will affect the behavior of using credit cards among students.

Financial Literacy

The use of a credit card facilitate daily transactions, but using credit cards must be more wisely supported by good financial understanding from its users, so that the use of credit cards is based on important needs and in accordance with the financial situation of credit card users, not just based on desire alone. In order to use credit cards more wisely, credit card users should understand the concept of *financial literacy*. Vidovicova (2012) argues that *financial literacy* is an understanding of financial products and concepts with the help of information and

advice, as the ability to identify and understand financial risks in order to make the right financial decisions. Thus, researchers suspect that a good financial understanding of credit card users (financial literacy) will have a significant effect on the credit cards utilizations among college students.

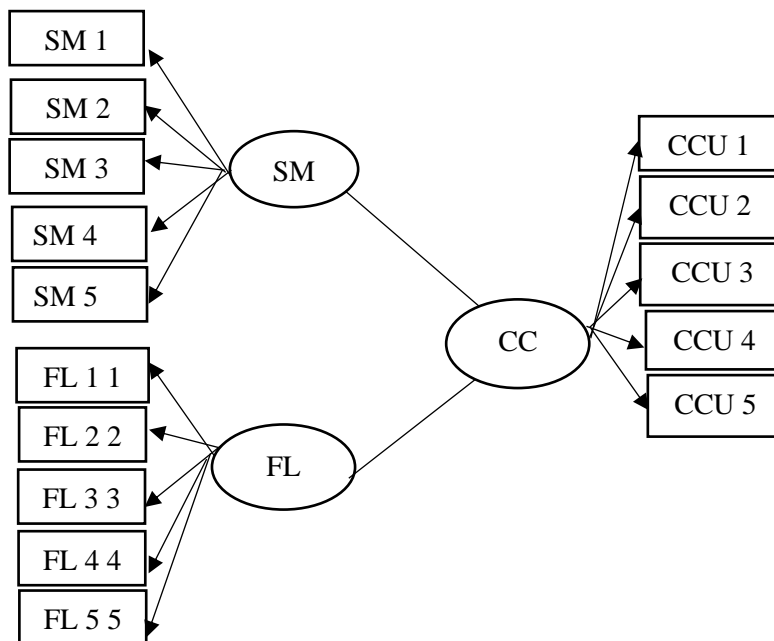
3. DATA AND METHODOLOGY

3.1 Data

Respondent are college students who hold credit cards and have made purchase with credit card, aged 18-23 years, they are from three private universities in Surabaya, namely Petra Christian University, Widya Mandala Catholic University and Ubaya University.

3.2 Research Model

This study uses independent variables, namely shopping motives and financial knowledge, with the dependent variable credit card utilization, and the following research model:



Picture 1. Research Model

Shopping Motives (SM) are things that drive the desire to shop, which is can be shown through:

- Ease and security in using credit card (SM 1)
- Motives for using a credit card (SM 2)
- Commonly purchased items (SM 3)
- Reasons for parents give credit cards to their children (SM 4)
- Total money given by parents every month (SM 5)

Financial literacy (FL) is an individual's understanding of the basic concepts of finance, so they can use their credit cards more wisely, represented by:

- Benefits of personal financial knowledge (FL 1)
- The knowledge about expenses (FL 2)
- The knowledge to check financial health (FL 3)
- Asset liquidity (FL 4)
- The knowledge about compound interest (FL 5)

Credit card utilization (CCU) is a transaction using credit cards for purchasing per month, represented by:

- Use of a credit card for grocery shopping (CCU 1)
- Use of credit card for shopping at the mall (CCU 2)
- Use of credit cards for online shopping (CCU 3)
- Use of a credit card for traveling (CCU 4)
- Credit card usage within a month (CCU 5)

This research used SEM analysis is *partial least square* (PLS) with the calculation process is assisted by the *SmartPLS* application program. PLS is used because it can analyze thoroughly the relationship between variables contained in this research.

4. RESULTS AND DISCUSSION

Profile of respondents

Respondents are 300 college students from 3 private universities in Surabaya, there are 135 students from Petra Christian University, 75 students from Widya Mandala University and 90 students from Surabaya University, with an age range between 17-23 years, consisting of 180 female respondents and 120 male respondents.

The average use of a credit card is used for daily needs (40%), buy food and drink in cafes (30%) and online shopping (30%). The motives of students using credit cards, for security reasons 180 students (60%), and the rest, for

convenience (40%). While the use of credit cards due to promos or discounts offered on average is used to buy clothes (40%) the rest is for buying food and drinks (35%), jewelry (15%) and electronic devices (10%). Whereas the reason parents give credit cards is for convenience and security (45%), as an emergency fund (40%) and in exchange for cash availability (15%). Total amount of money (cash or credit) given by parents, on average of 60% respondents answered Rp. 5,000,000 - Rp. 10,000,000 per month, the remaining 40% respondents answered they received \leq Rp. 5,000,000. The average respondent has good in financial literacy, with a correct answer score of 60% of all questions given. While the average student is the most dominant, 5-6 times a month using credit cards to shop at malls and online shopping, while the use of credit cards for travelling and daily grocery needs is only 3-4 times a month on average.

Results

The outer loading value for all indicators on shopping motives, financial literacy and credit card utilization is above 0.5 or in other words it can be stated that the indicators on the results of PLS have met the requirements of good validity, so they can be used for further analysis. Significance results show that shopping motivation and financial literacy significantly influence the credit card utilization among college students.

Student shopping motivation motivates students to transact using credit cards, are because of they felt more secure and convenience in transactions, benefits due to promos from merchants and banks as credit card issuers, many variations of items that can be purchased with credit cards, and the ease of parents in controlling transactions with cards credit. The various benefits offered by credit cards can significantly influence the credit cards utilization among college students. Empirically this research is in line with the research findings by Robertus & Jones (2001), that the ease of transactions by using credit cards can encourage motivation for shopping, thus it can make a positive contribution in increasing the credit cards utilization among college students. Besides, financial literacy also significantly influences credit card utilization, because on average most respondents correctly answer 60%, this shows that respondents understand about basic financial management related to revenue management and determine the allocation of expenditure appropriately. Although the average credit card usage transactions range between 5-6 times per month, but if income and expenditure can be managed properly, respondents are expected to be wise to use credit cards in each of their financial transactions. This is in line with the empirical results of Vidovicova (2012), that credit card holders who have high in *financial literacy* can be wiser using credit cards.

5. CONCLUSION AND LIMITATIONS

Conclusion

Shopping motive and financial literacy have a significant effect on the credit card utilization among college students,

this shows that the use of credit cards is no longer just a lifestyle but it is a necessity in this millennial era. The use of credit cards is no longer seen as a dangerous debt instrument, if managed properly the credit card will not bring disaster but on the contrary it can bring many benefits to its users.

Limitations

1. Consider to use the respondents from both private and public universities.
2. Consider to use more specific indicator about financial literacy related with credit card utilization.

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