

Factors Affecting Credit Card Payment Behavior of Undergraduate Students in Bangkok Metropolitan Region

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Abstract

Credit card has been a popular cashless mode of payment worldwide. The number of credit card holders in Bangkok metropolitan region significantly increases along with the amount of spending. One of the possible causes is that credit cards encourage low income consumers to spend extravagantly with the convenience of using a card, leading to a crisis of credit card debts. Interestingly, financial institutions expand target groups of credit card holders to undergraduate student group although the students have a high default risk because of their luxurious lifestyle. This group is easily convinced and most of the time makes quick compulsive decision to purchase.

This research aims to study the demographic factors and marketing mixes, that influencing credit card payment behavior of undergraduate students. The respondents are undergraduate students from state and private universities in Bangkok Metropolitan region. The major findings revealed that majority of senior undergraduate students, who had part time jobs, mostly held only one credit card of Krung Thai bank. Their main reasons on owning a credit card were to use in emergency cases and relaxation. The level of effect from marketing mixes on credit card use was at a high level. The various types of credit cards were also considered as important factors in decision-making. The understanding of Philosophy of Sufficiency Economy was at the moderate level and had an inverse relationship with spending through credit card at a statistically significant 0.05 level.

Keywords: Spending Behavior through Credit Cards, Undergraduate Students, Marketing Mixes, Philosophy of Sufficiency Economy

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1. Introduction

A credit card is another means of payment instead of cash. Due to its increasing popularity, the number of credit card users and purchases are significantly rising. The increasing number of credit card users could be attributed to an adjusted regulation imposed by the Bank of Thailand. It has reduced the age limit of the main credit card holder from 22 to not less than 20 years old (The Bank of Thailand, 2545 (2002). The relaxation on age restrictions aimed to increase competitive capacity of commercial banks against nonbank institutions which are less controlled by regulations and law. Concurrently, this policy also aimed to stimulate Thai economy by increasing the purchasing ability of local people. However, the relaxation on credit card approval might cause extra spending of lower income consumers and bring about a massive bad debt in society.

Unfortunately, one of the customer groups who have high default risk is the undergraduate student group. They are the market target group of companies issuing credit cards because of having high purchasing demand and they are easily convinced to own a credit card even though they have no jobs and no personal income (Lada, 2003: 24). Similarly, undergraduate students in the United States are important target customers of credit card companies. They spend money extravagantly. A massive problem of bad debts from credit cards increased from \$1,879 USD in 2002 to \$2,748 USD per person during 2002 – 2004 (Nellie Mae, 2001).

2. Background and Significance of the Problem

To prevent financial damage on the future economy, education institutions such as universities should analyze the spending behavior through credit card of undergraduate students. It could be possible that these students are unaware of the Philosophy of Sufficiency Economy created by His Majesty King Bhumibol Adulyadej (King of Thailand). At present, the capitalist society encourages youth to spend money extravagantly on luxury items such as fashionable dresses and branded bags. This phenomenon brings about a lot of bad debts in Thai economy. As a result, some of them raise money from illegal ways such as gambling or selling drugs without any regard for ethics or laws because of the need to gain a big amount of money easily and quickly. If no action will be taken by concerned agencies and organizations in Thailand, Thai society might be facing a future with weak economy. In this regard, the Philosophy of Sufficiency Economy could be an appropriate economic framework to improve macroeconomics of Thailand

for equivalence, immunity and sustainability with regards to solving these problems and prevent further problems in the future. Academic institutions should integrate teaching on personal financial management to undergraduate students. In addition, the government should revise regulations on credit cards and inspect credit card approval of commercial banks and credit card companies. Companies issuing credit cards might benefit from the results of this study in choosing appropriate marketing plans for undergraduate students group. These are the factors that motivated the researcher to study the spending behavior through credit cards of undergraduate students in Bangkok Metropolitan region.

2.1 Research Objective

To study the relationship between the knowledge of Philosophy of Sufficiency Economy and credit card spending in Bangkok Metropolitan region.

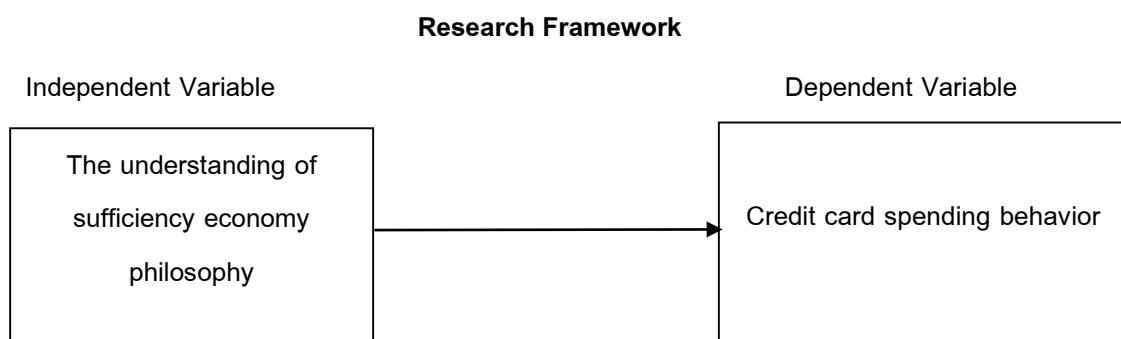


Figure 1: Research Framework

3. Literature Review

This section includes related theories such as Consumer Behavior Theory, Service Marketing Mixes as well as a discussion on the Philosophy of Sufficiency Economy and related research papers.

3.1 Consumer Behavior Theory

Consumer behavior analysis is a process to find out the purchasing and utilizing of products and service of consumers. The results of the analysis could be useful for companies in knowing the consumers' demand and selecting behavior including purchasing experiences and their perception. This theory focuses on purchasing decision behavior by using 7 questions (6Ws 1H): 1) Who is in the target market? 2) What does the consumer buy? 3) Why does the consumer

buy? 4) Who participates in the buying? 5) When does the consumer buy? 6) Where does the consumer buy? and 7) How does the consumer buy? The answers to these questions reveal purchasing decision process of consumers which may be used to perform appropriate marketing mixes of companies to respond to customers' satisfaction (Kotler, 1997: 129).

According to Chaittipornwong (1990), the factors influencing consumer behaviors can be classified based on the following:

1. Cultural Factors: Norms, belief, tradition, value, interest, lifestyle and social class effect on society members' thought, habit and their ways of life, which also influence consumers' behavior.

2. Social Factors: Family, friends, relatives, and social role including group membership may have an effect on consumers' activities including their needs and purchasing decision.

3. Personal Factors: Normally, each person has different major aspects such as gender, marriage status, career, income and education, which influence his/her idea, feeling, lifestyle and personality including purchasing behavior.

4. Psychological Factors: Stimulation, perception, learning and attitude effect on consumer behavior decision. External and internal factors' stimulation bring about perception and learning. Perception is a process of considering stimulators whereas, learning by perception may lead to a change in behavior and attitude based on information and experience.

These four factors have a strong impact on consumer behavior.

3.2 Philosophy of Sufficiency Economy

Since 1950s, His Majesty King Bhumibol Adulyadej (King of Thailand) has created The Philosophy of Sufficiency Economy. With His Majesty's comprehensive understanding of Thai society, he also took into consideration the way of life and social norms of the modern society; however, His Majesty drew concern on the fact that modern economy emphasizes only on the economic growth which might eventually lead the country to crisis as evidenced in the Asian Financial Crisis in 1997. In this light, he has stressed on the income distribution to build the strength and stability of overall economic foundation of the country before moving to a higher level of development.

The philosophy emphasizes that the people should endeavour to produce or consume within a limitation of existing income or resources. Sufficiency economy focuses on the

fundamental principle of Thai culture in improving the way of life based on moderation, prudence, and social immunity. Through this, Thai people are able to gain real happiness in leading their lives. By adhering to the middle path, all members of the society can apply the Sufficiency Economy whether it is on a personal level, family, community, society, or even at a national level.

3.2.1 The Philosophy of Sufficiency Economy and Its Four Pillars

The scope of sufficiency economy involves 4 dimensions: Economy, Mind, Social and Culture. The following are details of each dimension:

1. Economic dimension: This philosophy focuses on one's assiduity, legal occupation and self-reliance to be free from debts and penury. This eventually leads one to gain real happiness by relying faithfully on their economic status.
2. Mind dimension: Sufficiency is a key word that one should keep in mind to stay strong in following the middle path as a way of life.
3. Social dimension: A peaceful society is the aim of this philosophy. Kindness and generosity make everyone live together through sharing and helping each other.
4. Cultural dimension: This philosophy focuses on simple way of life of people in society. One should refrain from living extravagant luxurious lifestyle to be able to increase savings and live a sustainable happy life, which eventually leads to the financial stability of the country.

3.3 Prior Research

Pataipuk (1996) studied the factors affecting the amount of spending money through credit cards of cardholders in Bangkok Metropolitan in 1996. The results revealed that key factors influencing the amount of spending using credit cards were income per month and the frequency of credit card payments. The other factors mentioned such as credit line, gender and marital status did not have a significant impact on the amount of spending using credit cards.

Walmanee (1996) focused on factors influencing the consumer and saving behavior of credit card holders in private business sectors in Bangkok Metropolitan during 1995 – 1996. The results showed that income and interest payment played key role on utilization of credit cards. In addition, the study found, through its respondents' responses, a positive concept on spending with the use of credit cards.

Auksavalurtluk (2000) employed a focus group research that compared female students in regular Master's program and twilight program. The results revealed that the objectives to use credit cards are different. Students in regular program favored spending money for clothes and accessories, whilst, students in twilight program spent money for costs of living. In addition, the factors that encouraged both groups to apply for credit cards were cash management technique (buying goods or service first and paying later within due date), safety and convenience in international transactions.

Davies and Lea (1995) studied the undergraduate students' attitudes towards their debt. Their sample data were collected from universities in the United Kingdom in 1992. Interestingly, the results revealed that factors that played a role on the amount of incurred debts were age, gender, religion and number of credit cards owned. In addition, all those factors have a direct relationship to the amount of debts. With regards to gender, male students had more debts than female students. Similarly, atheist students had more debts than protestant students.

Jatuwan (2003) examined factors affecting the credit card spending behavior of undergraduate students of private universities in Bangkok Metropolitan Region in 2003. The study involved 400 samples that are divided into 2 groups: 1) spending through credit card with 102 samples and 2) spending through other method with 298 samples. The results showed that credit cards encouraged undergraduate students to spend extravagantly. Most of respondents prefer to pay by cash than credit cards. However, factors such as students' age, number of credit card users in the family, individual and family income and secured and convenient payments made undergraduate students prefer spending through credit card to cash. The study also noted male undergraduate students used their credit cards less than female undergraduate students.

Piromrat (2010) studied the way of life of undergraduate students of Rajabhat University in Metropolitan Bangkok in 2010 in accordance to the Philosophy of Sufficiency Economy. The results revealed that most of undergraduate students have better understanding of the Philosophy of Sufficiency Economy and would associate their way of living to the philosophy at a high level. Results showed that the students apply the Philosophy of Sufficiency Economy in their daily life in terms of their saving behavior, and their efficient use of resources. In addition, universities incorporated Sufficiency Economy topic in each subject. Some universities arranged learning through media, student training and exhibition about the Philosophy of Sufficiency Economy.

Intravorapat, Chedsumon and Trimongkolkul (2013) designed a causal model of the accumulated debts by undergraduate students in Bangkok Metropolitan region in 2013. The study showed that the primary causes of students' debt are: 1) expected income after graduation, 2) cost of living, 3) expenses from studying, 4) consumer behavior, 5) economic attitude, 6) family income, 7) positive thinking about debts, 8) purchasing power, and 9) saving behavior. The Sufficiency Economy was the first solution to reduce undergraduate students' debts followed by acquiring financial knowledge, saving recognition and learning personal financial management.

4. Methodology

4.1 Research Hypotheses

The study performs three research hypotheses which are:

1. Personal factors and marketing mix affect spending behavior of undergraduate students in Metropolitan Bangkok Region.
2. The frequency and amount of spending through credit card of undergraduate students in state university are different from those of undergraduate students in private university.
3. The understanding of the Principle of Sufficiency Economy has an inverse relationship with the frequency and amount of spending using a credit card.

4.2 Research Scope

The population of the research was undergraduate students in state and private universities in Bangkok Metropolitan region in 2012. In case of finite population, sample size was computed using the formula:

$$n = \frac{N}{1 + Ne^2}$$

Where: n = Sample size

N = Population size

e = Sampling error

This study employed sampling error at 5% or 0.05. Thus, the sample size was 400 samples. Multi-Stage sampling technique was used by starting with simple random sampling for selecting 2 provinces in Bangkok Metropolitan Region. Then convenience sampling was employed for data collection.

4.3 Data Collection

This study is a survey research. Questionnaires were utilized to collect data. Questionnaires were developed based on prior studies and related documents. The final questionnaires were evaluated by an academician. The researcher initially tried-out 30 questionnaires and tested their reliability by performing Cronbach's Alpha efficient which yielded an acceptable level result at less than 0.70.

4.4 Data Analysis

The study employed two statistical techniques. One, description statistic was used such as frequency, percentage, mathematic mean, median, and standard deviation. Two, inferential statistics was employed to test research hypotheses such as Chi-square test, t-test, ANOVA and Pearson's Correlation.

5. Research Findings

Most of respondents were female, approximately 22 – 23 years old and studying at the fourth year level at the Faculty of Engineering. Their primary family income came from their own business, which provided income of more than 35,000 baths per month. Most students have part time jobs with an average income of 100,001 – 15,000 Baht per month. Most of the students hold only 1 credit card and they prefer Krung Thai credit card. In terms of the spending behavior of the respondents, they prefer cash payment over credit card payment. The minimum amount of spending was approximately 2,000 Baht per usage. They have also withdrawn advance cash for emergency situation at approximately 1 – 2 times a month. The other benefit that the respondents mentioned was that holding or bringing a credit card is safer than holding/bringing cash. Obviously, students' debts from credit card were paid by their families. Most students used their credit card for entertainment and shopping at well-known department stores. They would spend approximately 8,903.25 Baht a month for the aforementioned purpose alone. The frequency of spending through credit card was around 1.35 times a week. The strategy of marketing mix on offering a variety of credit cards created a significant effect on spending behavior of the students. The research also found out that the students have a moderate understanding of the Philosophy of Sufficiency Economy.

At 0.05 significance level of hypothesis testing, the results showed that undergraduate students in state universities have more purchasing power than those students in private universities. In addition, the students from different faculties have different credit limit for spending using credit cards. Income yielded a positive relationship with the amount of money to spend using credit cards. In contrast, the understanding of the Philosophy of Sufficiency Economy provided a negative relationship with the amount to spending using credit card.

Table 1: The Credit Card Spending Behavior Classified by Types of University

Spending behavior through credit card	State University		Private University		t	Sig.
	Mean	S.D.	Mean	S.D.		
The amount of spending through credit card per month	9,245.00	2,570.61	8,561.50	2,773.41	2.56	0.011**

Note: ** means a 5% significance level

Table 2: The Relationship between Understanding the Philosophy of Sufficiency Economy and Credit Card Spending Behavior of Undergraduate Students in Bangkok Metropolitan Region

Spending behavior through credit card	Understanding of the Philosophy of Sufficiency Economy		
	Correlation coefficient	Sig	Analysis
The amount of spending through credit card per month	-0.278	.000***	Negative relationship

Note: *** means 1% significance level

6. Conclusion and Discussion

Based on the major findings as shown above, the researcher has noted and summarized interesting aspects as enumerated below.

1. The research found that most of the young respondents who are around the age range of 22 – 23 years old and are in their third and fourth year in the university are more likely to spend on both products and service under limited income. Senior students have higher demands so they used credit card for payment instead of cash in order to increase their purchasing ability. The University of the Thai Chamber of Commerce (2005) pointed out that Thai students had the highest debts from spending using credit cards on top of the education loans. This situation pushed most of them to resort to illegal lending system which provided a high interest rate under a short term period. As a consequence, they needed to raise funds for settling payments illegally such as gambling and selling drugs that eventually lead to societal problems of the country in the long run. In this regard, the Bank of Thailand should tighten and improve regulations on qualifying applicant's especially undergraduate students. Major qualification requirements must greatly consider the monthly income besides the age of the applicant. Moreover, the age of credit card holder should be adjusted because undergraduate students easily qualify the current age requirement in becoming a principal credit card holder. Giving the undergraduate students the freedom to spend without asking permission from their parents creates massive bad debts. To resolve this problem, the Bank of Thailand should revise the regulation especially age requirement of credit card applicants. Banks should highlight on the family income instead of age to ensure the payment ability of credit card holders. This is consistent with the consumer behavior theory which explains that income is a personal factor that has a significant impact on one's need and purchasing behavior. This theory was also proven in the researches of PtaiPruk (1996) and Walmanee (1996).

2. There is no difference between the credit card expenditures of undergraduate students from both private and state universities. Most of the respondents prefer to pay by cash than by credit card; however, if the cost that they needed to pay is higher than 2,000 Baht, they prefer to pay by credit card. It was also observed that the frequency of advance cash withdrawal was somewhat high. This reflected that credit card was not only for personal liquidity management but also for students' personal loans. Unfortunately, these students did not recognize the interest of their acquired debt which amount to a high financial leverage. The same finding was pointed out

by Intravorapat, Chedsumon and Trimongkolkul (2013) where they noted that the students had a positive thought about loans. Conversely, Auksavalurtluk (2000) found that majority of the students' use their credit card for purchasing items or for personal enjoyment. In terms of purchasing behavior, most of students spend on entertainment and luxurious products. All these findings reveal that credit card is a tool that encourages students to spend money extravagantly. They enjoy shopping in big department stores and dining in restaurants because paying by credit cards made these activities convenient and possible without bringing out a single cent from their pockets.

3. Each of the marketing mixes (7Ps) influenced the undergraduate students to own and spend using credit cards. The primary effect of marketing mixes on credit card ownership was promotion, particularly the payment plans where members can pay off in monthly installments at zero percent interest rate. This installment plan was created because of the advent of technology. These days the fast changing technology creates the students' needs for the latest techie items such as cell phones, notebooks, tablets and personal computers. Katz and Lazarsfeld (1955) stated that marketing mixes: product, price, place and promotion have a great impact on the change of consumers' attitude, taste and behavior. In the case of credit card usage, consumers make decisions to own credit cards immediately whenever they are exposed to emotional stimulators (Patavanit, 1982). The Committee on National Economic and Social Development (2009) stated that Thai youth has valued material consumption leading them to personal debts, family debts and finally economic downturn.

4. The moderate level of understanding of the Philosophy of Sufficiency Economy of undergraduate students both in state universities and private universities reflected that universities should endeavor to promote this philosophy to students because they should recognize a better way of life in the future by preparing themselves today. Therefore, the universities should gradually teach this philosophy to the students in each subject within the curriculum instead of offering it in one subject in that gradual teaching creates a repetition of learning which will make the philosophy more embedded in their thoughts and memories. Furthermore, universities must strive to produce quality students to society who will become model citizens of Thailand.

5. The results of testing hypothesis showed that individual factors such as university affiliation had a significant impact on the amount of expenditures per month using credit card. Undergraduate students in state universities use their credit cards more than those in private

universities. The students in the Faculty of Arts and Liberal Arts gained the highest amount of credit card spending. In contrast, the students in the Faculty of Faculty of Fine and Applied Arts had the lowest credit card spending. This might be because of the difference in the understanding of the Philosophy of Sufficiency Economy. It was clear that students with family business and gaining high income had high credit card expenditures. Interestingly, students who had income of their own of more than 10,000 Baht a month also had greater credit card spending. Pataipuk (1996) stated that income was a major factor on the amount of spending through credit cards.

6. In terms of marketing mixes, the results of hypothesis testing showed that the different marketing strategies affected credit card usage in various ways. Suporn (1997) stated that marketing always has an influence on purchasing behavior of consumers.

7. The results of hypothesis testing on the understanding of the Philosophy of Sufficiency Economy have an inverse relationship with the students' spending behavior with regards to credit card purchases. This supports the mentioned suggestion that universities teach the Philosophy of Sufficiency Economy and encourage the students to use the concept of middle path to direct them towards a better way of life and secured future.

7. Recommendations

Currently, undergraduate students in both state universities and private universities seem to have debts from using credit cards. Most of them expect to pay having their future income after graduation in mind. Most respondents were greatly led by material consumerism and possess a positive thought about credit cards usage. They enjoy shopping and living luxurious life without considering the cost of debts and its effect on sustainable happiness in the long run. In this regard, it is a major concern and duty (of the family and the academe) to help encourage the youth in taking the middle path in living their lives as exemplified in the Philosophy of Sufficiency Economy of His Majesty's King Bhumibol Adulyadej. Additionally, the youth should learn personal financial management so they may be able to practice and observe financial self-discipline to gain a better life for themselves. Eventually, their development will lead to the strength of the community and finally to the progress of the nation.

8. Future Research

To gain more contribution, future research could be developed to:

1. Comparison of quantitative research and qualitative research including secondary data from related government organizations such as the Bank of Thailand, and Ministry of Finance to gain in-depth information;
2. Further study of the impact of personal financial management on funding personal debt.

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