

## Credit Card Behaviors of University Students: Ethnic Differences

The purpose of the research was to survey university students to determine how credit cards are obtained, use of credit cards, and management of credit card debt. A random sample of 3000 college juniors and seniors were surveyed from three Texas university and 633 usable surveys were returned. Analysis indicated a significant difference among Hispanic, African-American, and Caucasian regarding receiving delinquency notices from credit card companies.

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As the market for credit card owners has become increasingly saturated, the university campus has become fertile ground for credit card companies. Without a job or a source of income, university students apply for and often receive credit cards (Susswein, 1995).

Credit card companies project that by providing a credit card to a university student, brand loyalty and financial responsibility will be developed (Merrick, 1994). In contrast, Consumer Credit Counseling Services report an increase in the numbers of university students seeking advice (Templeton, 1994). The purpose of this research was to survey university students to determine how credit cards are obtained, use of credit cards, and management of credit card debt.

### Methodology

A random sample of 500 college juniors and 500 seniors were surveyed from each of three Texas universities, selected because of the ethnic diversity. A total of 633 usable surveys were returned (response rate of 21.3%). The data were analyzed using descriptive statistical measures and chi-square analysis.

### Findings

Demographic characteristics of the sample include 71.8% under the age of 25, with ethnicity including 44% Caucasian as compared to 28.8% Hispanic and 22.3% African-American. Three-fourths of the sample was single (75%), had an income of less than \$1000 per month (73.9%) which was primarily from a job (46.7%) with parents being the primary source of income in only 26.3% of the sample.

The typical university student with credit had a total debt level over \$1000 and the two most frequently purchased items were clothing/personal and entertainment. Nearly 50% of the credit cards used

most frequently by the students had a annual percentage rate of between 17 - 20% and only 13.5% paid the entire balance before the due date. Nearly one-third (31.7%) use the credit card for cash advances.

When ethnic characteristics were analyzed, the only significant difference was found concerning the receipt of delinquency notices. Forty-four percent of the African-Americans had received delinquency notices as compared with 35.4% of the Hispanics and 27.7% of the Caucasians (significant at the .01 level).

### Conclusions and Implications

Evidence indicates that credit cards are heavily marketed on university campuses. The study confirms that university students in this study are users of consumer credit cards and have high debt levels as a result of this credit usage. Effective consumer credit education would benefit university students in numerous ways.

### References

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### Endnotes

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