

## Revolving Credit Card Debt: Do the Determinants Differ Between Bank- and Store-issued Cards?

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Credit cards offer a convenient way to borrow. However, using such cards may lead consumers into a debt trap if they regularly revolve the balance on their cards. This paper identifies two types of credit cards (bank- vs. store-issued) and measures the differences in the propensity to revolve debt and the amounts of revolving debt between the two types. Next, it examines how the determinants of both these aspects of borrowing behavior differ by the types of card.

Previous studies described the determinants of revolving credit card debt, consumers' use of bank- and store-issued credit cards, and the effect of using such cards on consumers' buyer behavior. However, no study examined whether or not the amount of revolving credit card debt differs by different types of card, and what explains these differences. This study aims to fill this literature gap.

This study uses the 2013 Survey of Consumer Finances (SCF). The analysis sample is limited to households who own at least one of either bank- or store-issued credit cards. Several regression models are estimated to answer the following questions: (1) do the average amounts of outstanding debt differ by types of credit cards, (2) do the determinants predicting the propensity to revolve credit card debt differ by types of card, and (3) how the determinants of revolving bank-issued credit card debt differ from the determinants of the revolving store-issued credit card debt. Logistic regressions are used to identify the characteristics of households who are likely to be revolvers. Then, the ordinary least squares regression models are used to determine the characteristics of consumers that explain the amounts of revolving card debt, one with log-transformed amount of bank card debt as the dependent variable, and the other with log-transformed amount of store card debt as the dependent variable.

Descriptive statistics and results from regressions are largely consistent with previous studies. Some of the variables that were found to be positively associated with odds of revolving credit card debt were, age, race, marital status, number of children, financial behavior, and history of bankruptcy. On the other hand, variables that were found to be negatively associated with odds of revolving credit debt were, income and assets, age, education, race, employment status, spending history, and financial planning behavior. However, gender, household size, and risk attitude were insignificant in determining the odds of revolving credit debt. Moreover, logistic regression results showed that respondents who have both bank- and store-issued card(s) are more likely to revolve debt than those who have only bank-issued or only store-issued card(s), while respondents who have only bank-issued card(s) are neither more nor less likely to revolve debt compared to respondents who have only store-issued card(s). Some more results show that, among credit revolvers, the average outstanding debt differs significantly by type of card. It amounts to \$5,500 vs. \$900, for bank-issued vs. store-issued cards, respectively.

This study explains some aspects of consumers' revolving use of bank and store card, as well as simple characteristics of those who are likely to be revolvers. The results show that determinants of outstanding debt are different between types of cards. Race, marital status, number of children, attitude towards borrowing, searching for information, and bankruptcy history were found to be positively associated with being a revolver. Age until 54 years old was also found to be positively associated with being a revolver, but the effect becomes negative thereafter. In both regression models, age, race, employment status, attitude towards borrowing, searching for financial information, bankruptcy history, and spending behavior were found to be significant in predicting the amount of outstanding debt on bank and store credit card. Marital status, education, number of children, and risk averse appeared to be significant only in the regression model predicting outstanding debt on store credit card. This may indicate that married households and with children in the house may be encouraged to spend more on store cards for family anniversary or celebrations, whereas those who graduated from college may be more educated about the risk from using store credit card and less likely to spend via store card. The results also indicate the importance of financial planning horizon – those who plan finances few years in advance were found to be less likely to incur outstanding debt on either of bank or store credit card.

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