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E-leader Singapore
4 – 6 January 2010

Credit Card Use and Debt in Online-shopping
by Undergraduate Student in Melbourne, Australia

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Acknowledgement

THANK YOU!

Professor Donald Hsu
President of CASA Board



Acknowledgement









This presentation is extracted from the research project titled “Credit Card Use and Debt by Undergraduate Students in E-retailing in Melbourne, Victoria” project. The fund for this project was provided by the Consumer Credit Fund on the approval of the Minister for Consumer Affairs Victoria, Australia (2008). We acknowledge the support of Monash University and the research assistance provided by Ms. Caroline Hubschmann.



This research project was conducted by the author with some advice by Assoc. Prof. Ken Coghill, Monash University.

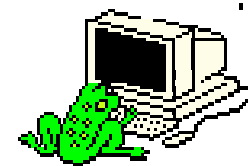
A brief report on this research was published in TMC Academic Journal (2008), Vol. 3, Issue 1, pp. 63-66.

Outline

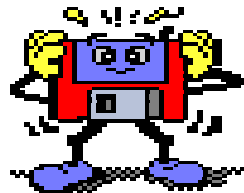
-  **Introduction**
-  **Literature review**
-  **Research objectives**
-  **Research methodology**
-  **Findings & discussion**
-  **Recommendations**
-  **Conclusion**
-  **Questions & answers**

1. Introduction

The number of young people who become e-consumers has significantly increased in Victoria and in Australia.



Only a small percentage of young e-consumers showed concerns about on-line security and privacy incidents which may lead to credit card fraud.



1. Introduction

There has also been insufficient research on

- (i) attitudes pertaining to using credit card for on-line purchases among undergraduate students.
- (ii) how young e- consumers deal with problems relating to on-line credit card fraud and on-line risk.

→ Need to conduct research on

- + credit card use by undergraduates
- + credit card debt due to off-line & on-line shopping by undergraduates
- + financial education for undergraduates



2. Literature review

Acquisition of a Credit Card



Bank/financial institution



MAIL



Mail



from parents



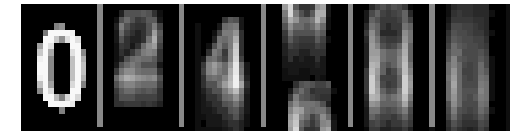
Internet



School

Telemarketing

The number of credit card holders ('000) from 2001 to 2007 in Australia



	2001	2002	2003	2004	2005	2006	2007
General Australian population	9,580	10,301	10,567	11,149	11,804	12,801	13,522

Source: (a) Reserve Bank of Australia. 2007. Credit and Charge Card Statistics (C01). Canberra: Reserve Bank of Australia.

(b) Worthington, S. 2006. Debt as a source of financial stress in Australian households. *International Journal of Consumer Studies* 30 (1):2-15, p. 8

Credit card debt - Australia

Dec 2000: the amount of credit card debt was AUS \$17.4 billion (Valins, 2004). Consumer Affairs Victoria estimated that Victorians owed approximately \$6 billion in credit card debt for the same period (Lenders, 2003a)

Feb 2007: the average balance per credit card = \$3,000, a 20 year high (Saulwick, 2007)



June 2007 (RBA, 2007)

- ✚ the no. of cash advances from 2,981,000 cards = \$1,074,000
- ✚ the total no. of purchases made by credit cards = 105,770,000 purchases, the value of \$15,390,000.



On-line shopping & on-line payment - USA

Figures	Facts
95%	college-age people use the Internet
91%	Internet users have ever purchased goods on-line
79.2%	spent more than \$100 on-line/year
23%	spent more than \$500 on-line/year
55.7%	Used their credit cards

(Lester, Forman & Lloyd, 2005)

Popular services and products purchased on-line =
banking services, concert tickets and clothes
(Lester et al., 2005)

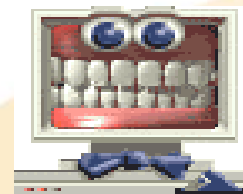
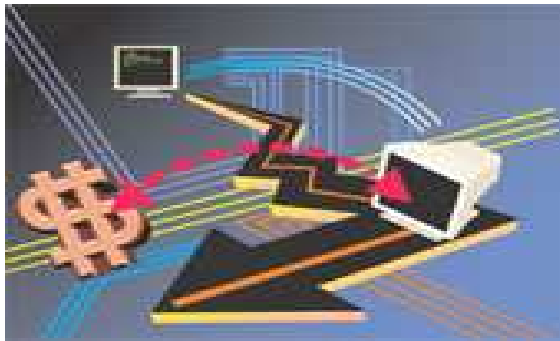


Percentage frequency distribution of young Internet users who purchases goods and services online in Australia

Amount of money (\$)	% (2004 - 2005)
\$1 - \$499	58%
\$500 - \$999	23%
\$1,000 - \$4,999	16%
\$5,000 - \$9,999	2%
Total	100%

On-line shopping & on-line payment - Australia

Very little research has been conducted on attitudes pertaining to using credit cards for online purchases and on attitudes pertaining to online privacy and security among undergraduates.



Factors Affecting Credit Card Debt in Young people

✚ Low level of personal financial literacy

✚ Compulsive consumption



✚ On-line credit card fraud



✚ Other factors: age, gender, employment status

2. Research objectives

This research project aims to

1. Identify demographic factors which affect credit card use and debt, and online shopping by undergraduates in Melbourne;
2. Identify the patterns of credit card use and debt due to online purchases by undergraduates in Melbourne;
3. Examine the awareness of undergraduates in Melbourne of current and potential online risks relating to credit card fraud, which may incur unexpected credit card debt to them;

2. Research objectives

4. Examine how undergraduates in Melbourne deal with online incidents;
5. Make recommendations on consumer credit education targeted towards undergraduate students, based on their awareness of and reaction to online risks and to the use of credit card.

3. Research methodology

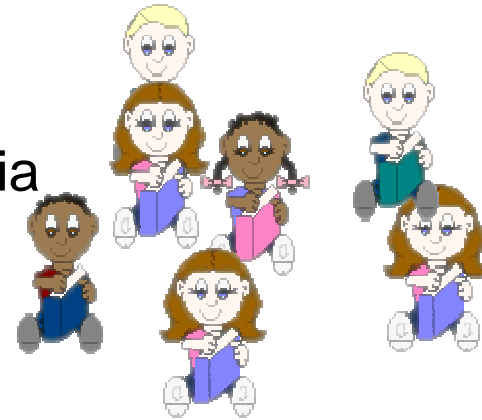
- **Target group**

Undergraduate students in Melbourne, Victoria

- **Research approach**

- Quantitative research
- Conducted survey using web-based & hard-copy questionnaire
- Chi-squared test
- Non-random sampling

➔ This study is explanatory and provides information for further investigation of how to enhance protection to undergraduates.



026c0203ll fotosearch.com

Ethical consideration

- ✚ Prior to conducting the survey, an application accompanied by an Explanatory Statement (ES), the Compliance with Privacy Legislation form, the questionnaire was submitted to Monash Standing Committee on Ethics in Research involving Humans for approval. The respondents could access the ES posted on the website to obtain all necessary information about this study and their rights.
- ✚ Individual respondents could not be identified from the questionnaire

Limitations

- ✚ Non-random sampling method was used to select the sample of the respondents. However, the test results were considered to be valid since the data met the assumptions of the chi-squared test.
- ✚ The researchers were very careful in drawing any conclusion relating to population parameters, and avoiding comparisons which statistical results could not support.

4. Demographic profile of respondents

- 802 valid responses from 8 universities in Melbourne

Demographic profile of respondents

Variable(s)	F (n = 802)	Percentage (%)
Gender		
Female	392	48.9
Male	410	51.1
Marital status		
Single	561	70.0
Married or Co-habiting/De factor	176	21.9
Others	65	8.1

4. Demographic Profile of respondents

Age	F (n = 802)	Percentage (%)
18-19	251	31.3
20-21	283	35.3
22-23	180	22.4
24 and above	88	11.0
Enrolment	F (n = 802)	Percentage (%)
Year 1	88	11.0
Year 2	170	21.2
Year 3	283	35.3
Year 4 (Honours)	173	21.6
Other	88	11.0
International students	F (n = 802)	Percentage (%)
No	661	82.4
Yes	141	17.6

4. Demographic Profile of respondents

Mode of study	F (n = 802)	Percentage (%)
Full-time	598	74.6
Part-time	153	19.1
Other	51	6.4
Weekly income from employment	F (n = 802)	Percentage (%)
\$0	123	15.3
\$1-\$99	119	14.8
\$100 - \$199	187	23.3
\$200-\$299	116	14.5
\$300-\$399	113	14.1
\$400-\$699	88	11.0
\$700 and above	56	7.0

5. Findings and discussion (a)

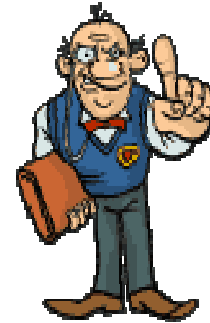
Objective 1: Factors Affect Credit Card Use and Debt, and Online Shopping

- 7 demographic variables:
- (i) age,**
 - (ii) marital status**
 - (iii) year of enrolment**
 - (iv) mode of study
 - (v) international student**
 - (vi) no. of hours working/week
 - (vii) weekly income.**



Age

- ✚ Older undergraduates have more credit cards with a higher credit limit than younger ones.
- ✚ Older undergraduates have the tendency to pay for online purchase, using credit card, and thus they may have high total credit card debt (\geq \$700) due to on-line shopping.
- ✚ Older undergraduates may seek help from parents, financial counsellors, & from other government & non-government organisations to settle their credit card debt. They are likely to declare bankruptcy.



Martial status

- ✚ Married/cohabiting undergraduates are likely to have more credit cards, with high credit limits.
- ✚ They also have the tendency to seek assistance from financial aid counsellors, government agencies, and industry associations or declare bankruptcy if they cannot settle their credit card debt.



Year of enrolment

- ✚ Freshmen undergraduates are likely to shop on-line, and thus their total credit card bill due to on-line purchases will be likely high.



- ✚ Freshmen undergraduates are likely to use MasterCard card to pay for their online purchases.



- ✚ Freshmen undergraduates are likely to ask their parents or relatives for help to settle their credit card debt.

Being an international student

- # are more likely to have credit cards
- # are likely to shop via the Internet and use Visa and/or AMEX cards to pay for their online purchases
 - ➔ they may have high monthly average and/or total credit card bills due to on-line shopping.
 - ➔ parents are likely to pay for their credit card debt.
- # International student = seek help from a third party to settle credit card debt, local students = declare bankruptcy to settle credit card debt.



Weekly income

Undergraduates, who have no income from employment

- ✚ are likely to have fewer credit cards
- ✚ may have high credit limits, e.g. > \$1,700
- ✚ Their parents are likely to pay for their credit card debt.
- ✚ are less likely than students in other income groups, to seek help from a third party (financial aid counsellors, friends, government & NGO, etc.).
- ✚ are less likely than those who work to declare bankruptcy.





Objective 2: Patterns of Credit Card Use & Debt due to On-line Purchase

% of respondents	Patterns of credit card use & debt
12%	often used the entire credit limit of their credit cards
28%	never or rarely had enough money in the bank when they used their credit cards
20%	have ever had to pay the interest to the bank as they did not pay the entire balance of their credit cards
12%	have ever borrowed money to pay for credit card debt
Very few	had a high credit card bills due to on-line shopping
25%	seek help from parents and relatives
17%	are likely to approach a financial aid counsellor for help

Objective 3: Awareness of and Experience with On-line Incidents

% of respondents	Incidents
≤ 5%	have encountered on-line incidents (spyware, phishing, scam, etc.) which may increase their credit card debt.
≥ 15%	are not awareness of on-line incidents
9%	had their credit cards stolen
1.7%	had their credit card accounts stolen when they shopped on-line



Objective 4: Dealing with Debt and Online Incidents

% of respondents	Patterns of credit card use & debt
< 60%	perceived that the current legislation and the activities of relevant government and non-government relating to consumer protection in e-retailing is effective
< 52%	are likely to seek assistance from such organisations to settle their debts
59.2%	used firewall, anti-spyware, anti-spam and anti-virus software

→ Not all respondents engaged in necessary activities to protect themselves from online risks and vulnerable.



→ Most of the respondents would visit websites which they trust.

Objective 5: Consumer Education regarding Financial Management

- ✚ < 40% - attended workshops or seminars relating to financial management. The attendees might not find such events very useful.
 - ✚ < 50% - willing to attend such workshops & seminars in the future.
- Undergraduates may not familiar with such workshops & seminars and/or such workshops & seminars are not designed in a manner that can attract undergraduates.



6. Recommendations

General recommendations

- ✚ Any policies regarding credit card use and debt, and online shopping must take into account 7 demographic variables
- ✚ Need for more policies which aim to assist international undergraduates, younger undergraduates, married/cohabiting undergraduates, freshmen, and non-working undergraduates since they are more vulnerable to credit card use and debt and online risks.



6. Recommendations

Parents and relatives

- ✚ Students are likely to seek help from their parents and relatives



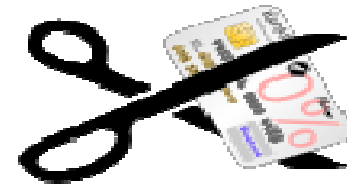
➔ parents and relatives need to explain the consequences of credit card debt and provide guidance on how to be financially responsible for themselves.



6. Recommendations

Credit card issuers (Visa, MasterCard, AMEX)

- ✚ need to demonstrate corporate social responsibility to organise workshops & seminars (facts & information regarding credit card application, credit limit, interest rate, etc. → undergraduates make informed decision & whether they want to possess a credit card.



- ✚ need to control the credit limit by assessing the ability to settle debt by credit card holders, especially students

6. Recommendations

E-retailers

- ✚ need to demonstrate corporate social responsibility to provide secure modes of payment → retain & attract current & new customers, especially undergraduates



6. Recommendations

Government agencies, industry and consumer associations, other non-government organisations

- ✚ re-evaluate the way they conduct financial management related seminars/workshops & disseminate relevant information.
- ✚ review their strategies to increase awareness of consumers & review measures to assist undergraduates having problems with credit card
- ✚ co-operate with each other to address on-going & future issues regarding to credit card use & debt, and how to deal with online incidents.



6. Recommendations

Universities and relevant departments

- ✚ can help students understand the importance of financial management → improve student's academic performance since credit card debt adversely affects their academic results.



6. Recommendations

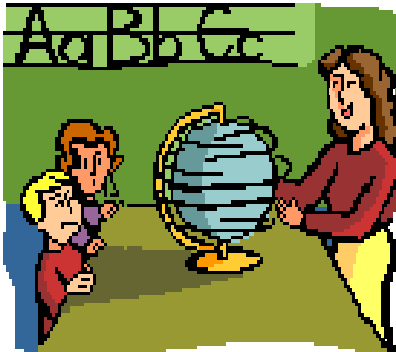
Financial aid councillors

- ✚ conduct financial talks, seminars or workshops relating to financial management
- ✚ provide information on how to settle debt to students
- ✚ Universities can work with relevant organisations which provide counselling services relating to credit card use and debt to organise such events for their students.



8. Conclusion

- ✚ Insufficient information about credit use and debt in relation to on-line purchases by young people and their awareness of on-line risks & the current measures to protect themselves from on-line vulnerability

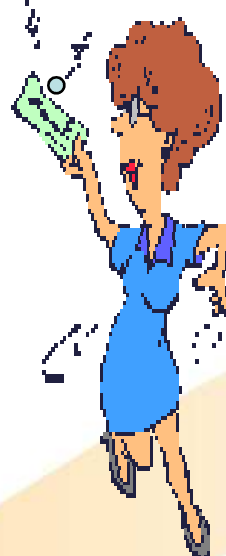


- ✚ Data collected from this research project would be valuable for further research on credit card use and debt in relation to young people in Melbourne, Australia and in other states (Australia) or other countries.

Questions & Answers (Q&A)

**Credit card
use & debt**

**On-line
shopping**



Thank you very much!

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