

## A Conceptual Framework on Social Platform, Compulsive Buying and Responsible Use towards Credit Card Debt among Young Adult

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### Abstract

**Purpose** – The purpose of this study is to investigate the current situation of credit card debt among young Adult who are actively involved in social media. **Design/Methodology** – This article will form a platform of discussion for recent discoveries towards credit card debt. Selected articles from a few journals will be scrutinized for the findings. A comparison would be made with other articles and the conclusion will be discussed towards the end of this article. The respondents came from various countries such as Taiwan, America and China. **Finding** - As a conclusion, this article has discovered that compulsive buying and social platform such as hot sales event, social marketing, social entertainment and especially social media have evolved. More in-depth discussion in terms of external factor of the surrounding environment should be investigated rather than looking at the psychological and behavioral aspects. Credit card debt has also evolved from traditional shopping towards social commerce. The external factors such as credit card responsible use, financial knowledge and social upbringing should be included instead of source of income of the customer and the expenses incurred. Then, social media is a contributing factor in compulsive buying. The compilation of the articles in recent years has shown an increase of compulsive buying in online shopping. It is one of the factors for behavioral aspect. Furthermore, young adult have always shown the tendency of turning to debt for material possession. The findings of one study interestingly showed that even when one has a sound financial knowledge, the tendency for debt making is still high.

**Keywords:** Credit card debt; 'Social platform' compulsive buying; Responsible use and 'young adult'.



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### 1. Introduction

The rise of the use of credit card to young adult is at a worrying level. Many young teenagers have treated credit card as an instrument of wealth. This creates a problem when debt is created to pay for more debt. Credit cards have existed in Malaysia since 1970. Then, it was used by the wealthy as a means to pay for merchandise, only the rich and famous utilised credit card. Nowadays, nearly everybody can apply for a credit card. Credit card is used to pay for nearly every transaction available. Not only for buying clothes or other necessities, it can also be used to pay for hotel and accommodation, petrol, flight ticket and many more. The rise of social media makes the practice of credit card wider. Facebook, Instagram, Whatsapp have offered a platform where credit card can be used for convenience.

Since the birth of Web 2.0, the use of social commerce has spread out to bigger communities. Traditional shoppers have evolved from brick-and-mortar shopping environment to virtual shopping. The rise of Alibaba, Shoppe, Amazon and Taobao has created a fresh environment where shopping can evolve and thrive. However, virtual realities have blurred the line of feelings in terms of buying. The use of credit card has taken out the feeling of guilt in spending and creating debt. Furthermore, social network makes it harder for young adult to control themselves from being influence by their friends. The invention of gaming in Facebook has influence many youngsters to spend on buying point while playing games. There is no attachment or the feeling of responsibilities when spending online because all the transaction is merely a click away. These kids and young adult has been identified as the most vulnerable sectors because of their age. Studies have shown that the younger the age the more irresponsible the way of spending would be. The new millennium has brought more invention than ever as compared to the other generation that existed before. Young adult in their 10's and 20's was born in the internet age and more open to new technologies compared to their parents. According to the statistic in 2010 as many as thirty percent of young adult below thirty years old have been declared bankrupt. As a result of the young adult incompetency, the government of Malaysia has established an agency providing counseling and management of credit called Credit Counselling and Debt Management Agency offers a program where those who have been declared bankrupt will be helped to restructure their debt by making a priority on paying back the debt. This concept paper will take a look at the evolution of credit card debt and the relationship with social media and young adult.

## 2. Methodology

Selected articles were chosen as a basis of comparison. These articles were selected because it represents a good and accurate presentation on the intended variables. These selected articles also represent a very good indicator on what has been discussed through the years. One can see the depth and the evolution of the variables starting from the year 1980's to 2017's.

This paper is a platform of discussion for recent discoveries towards the dependent variable credit card debt, moderating variable credit card responsible use, and two of the independent variables compulsive buying and social platform. The selected articles also represent the views from Malaysia, America, China and a few of developing countries such as Brazil. These countries were chosen because it represents a very good example of credit card debt and the findings may be applied and represents the Malaysian population. A comparison would be made with these articles and the conclusion and findings will be discussed towards the end of this article.

## 3. The Impact of Credit Card Debt to Young Adult

In 2008, a paper published by [Nelson \*et al.\* \(2008\)](#) was conducted to study the relationship of credit card debt, stress and health risk. Credit card debt has been quantified in three options. The first option is none; I do not have any credit card, second option; I pay all my credit card balances every month and third option is credit card balance ranging from 1 dollar to more than 6000 dollars.

In 2009, a paper by [Cliff \*et al.\* \(2009\)](#). Sharpe studied the financial knowledge, revolving balance and non-revolving balance of credit card. The dependent variables were non-revolving balance and revolving balance. Non-revolving balance meant that students paid all of their debt every cycle of the month. Revolving balance was that students paid only a certain amount and the balance of the unpaid balance will be brought forward to next month. This would mean that interest will be charged at the unpaid balance.

In 2010, a paper was published by [Wang L. \*et al.\* \(2011\)](#). The study was concerning credit card debt and the correlation in demographic, attitude, personality and credit card features. The credit card debt were being measured by petty installment and revolving balance. The petty installment is considered mellow as compared to revolving balance. The petty installment will come in amortization table and the payment for the principal will be reduced in time till there were no more balance. However, revolving balance did not have any open-ended date of settlement. The amount that one paid will be available to be borrowed as soon as one pays. One can borrow as many as one want as long as one did not exceed the limit agreed upon.

Through the years we have witness that the credit card debt classification has evolved. The complexity and in depth meaning of credit card have seriously been considered. There are credit card owners who views credit card a necessary tool for paying bills and utilities. This type pays balances on time and spends wisely. There are also other type of users who use credit card as an extension to obtain materialism and debt instrument. Therefore, they mainly prefer paying a certain minimum amount of payment and the balance will be brought forward. For those who do not have financial knowledge they will not know that the balance will be charged with interest. Moreover, in a research conducted by [Nelson \*et al.\* \(2008\)](#), the hypothesis was that a higher knowledge on financial should have a negative relationship with carrying credit card revolving balance. Ironically however, the result showed the contrary. There were no significant relationships in that. It goes to show that it does not matter whether the person has financial knowledge or not, there still is zero revolving credit card balance. Which means that a student with financial knowledge can also have a credit card balance.

## 4. Compulsive Buying on Young Adult

There are many researches done on young adult on compulsive buying. It only involves a small number of them however, many do purchase out of compulsivity ([Roberts and Jones, 2001](#)). In college, many young adult build new roles and identities. They had many friends and it causes stress and creates social pressure. They felt they have to belong in a certain group and comply with the behavior ([Moffatt, 1989](#)). To belong in a group, they had to have money to involve in activities, purchase products and attending social events. As a consequence of peer pressure, they had to make purchase way beyond their limit. The elevated status came with money that they spend. When short of cash, credit card is the new friend. It creates impression that money is no objection and the friends accept them as it is. Young people who suffer from compulsive buying feels that they need to accommodate the pressure and it portrays in their buying spree. As a result, they spend frequently to relieve the negative feeling and incur debt when they had no money

Young adult who suffers compulsive buying usually has more than one credit card and abuse it ([O'Guinn and Faber, 1989](#)). They see money as a symbol of status and it will improve their self-esteem by purchasing more product ([Hanley and Wilhelm, 1992](#)). Inconsistently, they knew that they are having battle with their spending pattern ([Hanley and Wilhelm, 1992](#)). Young adult who has compulsive buying behavior will purchase something to satisfy their psychological desires and doesn't necessarily to satisfy the desire for the product itself. By purchasing a desirable product, it seems that their self-esteem will be fulfilled, nonetheless their debt became heavier.

## 5. The Role of Social Platform on Young Adult

The revolution of Web 2.0 has made internet more useful to young people. We are getting more dependable on internet to satisfy our thirst towards things that matters to us. There are more people who pay bills by using social commerce. More teenagers buy merchandise directly from Alibaba, E-Bay, Lazada, and Amazon rather than going to the shopping mall. More users post their reviews of product in Facebook, Instagram and tweeters and it influences

the decision of buyers to make up their minds on buying certain merchandise. The evaluation of a product can be made accurately without the interference of providers since the users have a genuine experience in using the product (Wang C. N. and Zhang, 2012). Social platform such as social media, hot sales event, social commerce and social entertainment helps to shape the online shopping community.

Hot sales events are a crazed nowadays. There are many different events organized by different social commerce providers ie. In Malaysia Lazada conducted 11.11.2018 sales and the figure of the dates indicates the uniqueness of the providers. The sales usually last for 24 hours and huge promotion in mass media helps to booster the sales. For those who are waiting for big discounts on certain items it is a huge boost for their inner self-satisfaction because they knew that this is the date that they should spent the money. Online consumers can be found to be more impulsive as compared to traditional shoppers (Garcia, 1980). They are more prone to using credit card for online purchases and attracted to market stimuli. However, these events unfortunately agitate the compulsive buyers to satisfy the craved in material possession. Many thought that by spending in the hot sales event will make them save more money but instead poor planning and self-restrain compelled them to buy more and more. Eventually they will regret their poor decision, but these events will occur again, and repetitive mistakes can happen when there are no limitations imposed on the credit card limit.

Social commerce helps to make transaction faster compared to traditional purchase. Ones need to have an account in any preferred banks and need to register for online account. Social commerce is responsible for blurring the lines of burden for spending money. In traditional shopping, customers have to swipe the cards in the machine and key in the safety code for purchase then sign the receipt however the steps are ignored in social commerce platform. Young adult who spend most of their time using Twitter, Facebook and Instagram are bombarded with advertisement 24/7. They are bound to be attracted to one of those products. When ones are used to shop online, the burden of spending money has been lessened because the absence of external environment such as sales attendant, machines and brick and mortar display. The absence of the factors makes them more freely to make decision with the absence of responsibility and guilt (Ritzer, 1995). This symptom is prevalence for youngsters who are also into gaming online gaming scene.

Social entertainment such as online gaming is also responsible for creating credit card debt on young adult. Many young adults play online gaming such as Candy Crush that is available on Facebook. When one is playing further, the game offers more attractive prizes but at a catch. They need to buy the prizes or else the game will be harder and impossible to win. Online games in social media are responsible for putting risk on young teenagers to be in debt (Brigitte *et al.*, 2016).

## 6. The Role of Social Media on Debt of Young Adult.

The studies on social media began late since it was only popular at the turn of the century. In Malaysia the use the most popular social media platform such Facebook, Whatsapp, Instagram have only started in 2008 onwards. Therefore many literatures studying on social media started around that year. The first paper was conducted by Xiang *et al.* (2016). The study was on the parasocial interaction, social relationship factors and impulse buying behavior. The Mogujie.com was chosen as the social commerce platform because in China, the numbers of registered users had exceeded thirty millions users. It was also being visited by three millions users daily and now is one of the most influential website in China. The variables that were chosen to represent the image sharing platform were task relevant (TR) and mood relevant (MR). Task relevant can be defined as “all the site descriptors that facilitate and enable the consumer shopping goal attainment” (Eroglu *et al.*, 2001), and concern the effective and efficient execution of consumer tasks (Babin *et al.*, 1994). Mood relevant can be defined as “an atmosphere that has the potential to make the shopping experience more pleasurable” (Eroglu *et al.*, 2001) and influence the fulfillment of shopping tasks indirectly (Babin *et al.*, 1994).

In 2018 a research completed by Chen *et al.* (2016) was on information quality of advertisement, the trait of impulsiveness, the number of likes and the urge to buy impulsively. Facebook has been used as a platform to study on the urge of buying impulsively. Facebook has been known for conducting social commerce. The customer to customer commercial activities had been done using Facebook group function. The variables that have been measured by using Facebook were textual information quality which can be identify as intrinsic category, contextual category and representational category.

## 7. Credit Debt among Young Adult.

A research by Nelson *et al.* (2008) chose young adult specifically college student was chose as sample because the United States General Accounting Office found that credit card issuer had identified that college students were a profitable long term market. Moreover, they had relaxed the requirement for the credit card so that students with little income and almost no income can apply for the credit card. In addition, college students also possess low financial knowledge regarding credit card interest and payment. The sample was taken from six thousands student from the University of Minnesota

Another research was done by Robb *et al.* (2009). Again, students were chosen because companies were looking to expand their market share and students were a big market at that time. In late 1980's all through 1990's there was a rapid application of credit card from college students. Many students own one credit card or even had more than one credit card. The students were being targeted because they had imperfect knowledge on financial knowledge. Additionally, the responsibilities of owning money were not felt because a majority of them were being sponsored

by parents or scholarship. The samples were taken from 25,000 students from Midwestern University in United States. The students were undergraduate, graduate and professional students.

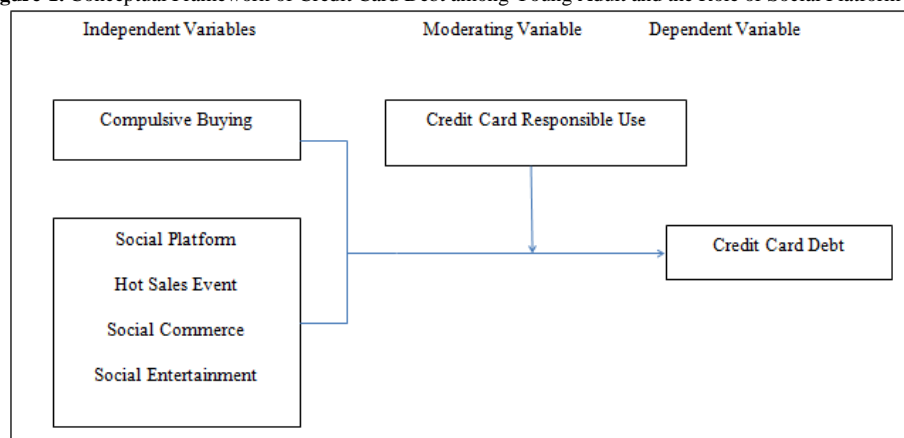
An additional study was also prepared by [Vieira et al. \(2016\)](#). The population focused on Brazilian young adults with the average age of 31 years old, with a total of 178 million of cards in circulation in Brazil, and nearly seventy seven percent of the population used credit card. In this research the sampling was wider and covered different regions in Brazil.

From the researches above we can see that the population of the researches has gradually moved from a specific sample to a wider range. The reason is that the specific population did not give a good representation of what the credit card impact. Some researches have demonstrated that teenagers have limited financial knowledge on credit card. Hence, they are the ones with severe credit card debt. However, there are also other researches that show there is no relationship on age towards credit card debts. Thus the higher the age of the population does not mean the lesser the debt incurred.

## 8. Young Adult and the Responsibilities of Using Credit Card

Most of young adult nowadays possess credit card. Sometimes they have more than once credit card. Credit card is useful when making purchases but sometimes lack of knowledge or simply ignorance will cause them trouble. They knew the negative effects that it brings towards their personal and social lives and even more so towards their finance ([Dittmar et al., 2007](#)). The lack of caution when using credit card stems from the upbringing of the youth. Parents must play a role in educating their children on how to spend wisely. Many young adult recklessly spent their money on unnecessary items. Afterwards, many of them voiced their feeling of guilty by making those purchases. Moreover, young adult need to be educated on credit card uses however this is something that is lacking in school and even tertiary institution nowadays. Parents are the worst offenders. These young adult did not know that it is their responsibilities to pay the credit balance full on each months. They also need to be educated on the late charges and the interest charges. These are hidden costs that customer usually unaware of or simply take it lightly.

**Figure-1.** Conceptual Framework of Credit Card Debt among Young Adult and the Role of Social Platform



## 8. Findings

The credit card debt literature has evolved since its inception in Malaysia in year 1970. The earliest measurement for credit card debt was the balance per month. Since then many aspects has been taken account into such as revolving, non-revolving balance and petty installment. This paper has highlighted that the complexity of the debt itself is very important to show the severity of the debt. A compulsive buyer may rake a high balance each months but the debt might incur by different installment plan that they choose. A petty installment plan was always deemed to be safer than revolving balance however it does not has the flexibility of payment as compared to revolving balance credit card.

The paper also highlights the importance of credit card use as a moderator between compulsive buying and social platform. The credit card responsible use helps to explain findings that were contradict with other researches i.e. Young adult may have financial knowledge but he still incur huge amount of debt. Old people may be wiser but he still incurs a huge amount of debt. Credit card responsible use helps to explain the relationship of social platform and credit card debt. The unilateral relationship between social platform and credit card debt is weak since social platform is an instrument for purchase but an addiction specifically towards the use of internet is huge. As mention above, huge debt incurred by the use of Facebook, Instagram, Lazada and Alibaba warrants the technology itself to be one of the factors that contribute towards creation of credit card debt. The addiction of purchase falls into psychological aspect but the use of the technology explains the behavioral tendency to shop online. The graphic, ease of use of the interface, user friendliness influence the tendency of purchase by using credit card.

Compulsive buying has been established as the major cause of credit card debt. The precedence of compulsive buying such as anxiety and materialism are not being highlighted here because this paper focuses on the social platform. A compulsive buyer's age did not portray the tendency of the addiction. A young adult who has a good financial knowledge can incur debt as an adult in the age of 50's.



The rise of social platform has revolutionized shopping. The graphic, usability, attractive display of website and social media has attracted young adult to embrace the technology faster than adults. The interface of social media such as Facebook, Instagram, Tweeter, Alibaba and Lazada attracted compulsive buyers' attention and the reviews for products were readily available and the price comparison can be made instantly. Credit card responsible moderates the relationship of social platform and credit card responsible use. A young adult who plays online games may not engage in purchase if the credit card is not available. Further, financial knowledge and age also help to explain huge amount of debt incurred by young adult. The ease of use of social media and the poor knowledge of finance will make young adult especially vulnerable to the temptation of making unnecessary purchase.

## 9. Future Recommendation

Credit card debt has never wane its reputation. Although customers have many options for means of purchase but credit card offers much better alternative for purchases. Credit card proposes tantalizing debt instrument such as revolving credit card which customer can make a choice whether to pay in full or bring forward the balances. Nevertheless, because of lack of financial knowledge many are oblivious of the interest charged on the balances.

The credit card debt items has always been ask upon the ranges of amount spent monthly and how much to be paid on monthly basis. However, many were reluctant to open up in regards of how much the incurred debt was. This makes it difficult for researcher to gauge how severe the debt actually is. In Malaysia, Credit Counselling and Debt Management Agency is a government agency that gives advices and help in reducing the burden for those whom are involved in extreme debt. For government worker, a debt is considered extreme when the debt to salary ratio in sixty percent to total salaries. The debt range should be scrutinized as the range should be more detailed and specific. The extremeness of the debt should be calculated based on the income and how much they fail to pay for each cycle of the month. Other factors should be considered such as monthly expenses, and also other source of incomes. A person may incur debt more than sixty percent from total income but it may incur from medical expenses which is out of control from the debtor. From the research of [Robb et al. \(2009\)](#), the research suggested that researcher need to know the lifestyle of the students. The decision to spent money may stem from culture, norms, expectations of their future and financial knowledge. Contrary to previous research, those who are involved in revolving credit may choose to have debt. In fact the higher the knowledge of financial the likely someone is involve in debt.

The mode of purchase also has change since the web 2.0. From traditional purchases made in shopping malls, many have now opted to online purchases which are now a significant phenomenon. There are many online sales events now than ever that offers millions of choices to customers. In the recent 11.11.2018 sales by Lazada we can see that many have taken the chance to shop for items that may not be needed but was more towards fulfilling the desire of owning material possession. The sales that last for twenty four hours had prompt many short term impulse buyers in deciding to make a purchase in a relatively short period of time. The social media also fueled the hype by providing platform from user to give ratings and comments. This medium helps user to have a seemingly reliable indicator of certain products that they are interested upon. The social media influence need to be taken account on making decision for credit card debt. Although compulsive buying was traditionally known as one unable to control ones desire to buy, we cannot deny that even when making a decision, one usually gained information, whether a little or extensive, on a certain product that one purchased. Social pressure in media social can force a person to yield in buying products through social media. In a research by [Seng et al. \(2017\)](#), media social plays a big role in influencing decision of users. Certain users having good experience will spread the news to others using social media especially those who still rely on brick and mortar shopping experience to switch their shopping style. The good experience in shopping through online will increase the tendencies for compulsive buying. The behavior is fuel by recommendation by other users and the availability of abundance of information shared by other users.

## 10. Practical Implication

This article will provide a guideline for young people to be aware of credit card debt. A high percentage of them own credit cards but fail to realize the danger of overspending. The problem has been aggravated by social media which made the physical impact of buying emotionly becoming blurred. There are unwritten rules made by certain quarters of agencies that are concerned towards this phenomenon. This is particularly seen in television where there are advertisement reminding parents to be wary of what their children up to. Moreover, many central banks around the world has increased the interest rates to curb overspending. Credit card companies had also tightened the minimum level criteria of the applicant so that those who can apply are those who have steady amount of income with good background.

## 11. Social Implication

Youngster should be aware of the implication of debts and they should try to avoid it. Parents at home should provide early education on how to spend responsibly to avoid debt and control their children's online activity especially when playing online games. School also should play a bigger role in providing financial knowledge towards their students. They should include the ethic of spending wisely and highlight the consequences of overspending and involvement in debt. Moreover, banks should also incorporate CSR not only in giving charities towards the disadvantaged but also on the implication of not paying credit card on time and the penalties and interest charge when balances are not being paid full on time.

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