Psychological determinants of consumer credit: the role of attitudes

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Since the early 1990s up to the triggering of the financial crisis in 2007, households’ debt has considerably grown up in numerous countries. This phenomenon concerns not only real estate mortgages, but also consumer loans. Additionally to the most well known cases like the United States and Great Britain, various economies of continental Europe have doubled or tripled the ratio of households’ debt to GDP, especially from 2000. In Italy, over the last decade, families have increased their financial liabilities with respect to their equity as well as in absolute terms. At the end of 2009, the ratio of household debt to the annual disposable income was equal to about 60 per cent compared to 33 per cent in 2001, and the incidence of the debt service (comprehensive of both capital and interest payments) on the annual disposable income was equal to about 9 per cent versus 6 per cent in 2001 (Banca d’Italia, 2010).

A fairly extensive literature from the field of empirical psychology has provided evidence that personality factors, the perception of needs and economic situation (also relative to peers), motivations and attitudes may influence individuals’ debt financing decisions significantly (Bertrand M. et al 2005; Tokunaga 1993, Davis e Lea 1995; Lea, Webley, Walker 1995; Kirchler e Zappalà 1995).

This paper investigates the importance of psychological characteristics in credit-related choices by analysing the results of an original survey conducted in 2009 on a sample of 2,000 Italian households. Our goal is to check whether the attitude towards credit of household's decision maker might determine consumer credit use. To this aim, we address three main questions. First, does attitude toward credit help to explain the recourse to consumer credit? Second, is there any relationship between attitude and the motivations for using credit to finance consumption? Third, does attitude affect the way of financing consumption (e.g. credit card, bank debt)?

Following the approach of Lea, Webley and Walker (1995), we assess attitude toward credit over three dimensions: cognitive, behavioural and emotional. Each dimension is measured by a specific set of items in the survey’s questionnaire. Information on households’ economic resources, economic needs and demographic characteristics has also been collected, which allow us to incrementally evaluate the importance of credit attitudes.

According to our analyses, the influence of attitude on consumer credit decisions cannot be rejected. More favourable attitude makes using consumer credit more likely, even taking into account the

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simultaneous effect of other factors that may influence family financial decisions, as per-capita income and earnings expectations. Motivations for using credit are also related to attitude. Large and positive differences in attitude between users and non-user of consumer credit are found with respect to those motivations that are related to conscious or planned recourse to credit. The declared preference for different forms of credit too is influenced by attitudes. As attitude gets more favourable, credit users are more likely to finance consumption with credit cards or point-of-sale lending rather than with direct credit, while the opposite is true for non-users. The cognitive component, which determines the individual's decision-making framework, seems to be crucial in shaping this relation.

Ours is the first extensive investigation of the psychological determinants of consumer credit in Italy. We think that our analyses improve on most existing psychological research on household credit decisions because of the larger than usual sample size and scope, and also for the broad assessment of potentially relevant economic variables. Finally, we believe our results to show that the understanding of credit behaviour may be improved by considering psychological features of decision makers along with factors indicated by models based on economic theory.

**References**


Davis E. e S. Lea, 1995, "Student attitudes to student debt" Journal of Economic Psychology, 16.


