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The Relationship between Consumer Credit Card Debt and  
Immigrants in the UK: A Systematic Review

*Paul Thompson*



## The Relationship between Consumer Credit Card Debt and Immigrants in the UK: A Systematic Review

Paul Thompson

College of Management and Technology, Walden University, 100 S Washington Ave  
900, Minneapolis, MN 55401, United States

Email: [paul.thompson2@waldenu.edu](mailto:paul.thompson2@waldenu.edu)

### Abstract

**Purpose:** This paper systematically reviews a reappraisal of the relationship between consumer behavior and credit card debt.

**Methodology:** A thorough search was performed using scholarly databases including EBSCOHost, Google Scholar, Wiley Online Library, JStor, ProQuest, and Taylor & Francis. After a vigorously screening process, a total of 77 articles were accepted with the majority (96%) of articles published after 2012. Several consumer behavior factors were considered such as social factors, psychological factors, impulse buying, compulsive buying, optimism and pessimism, risk-seeking, mental health, age, income, education, immigrants, religion and financial literacy.

**Findings:** Overall, influential factors that contribute to credit debt can be attributed to redlining and predatory lending by financial institutions. Racial inequalities have been shown to play a significant role in credit debt, especially in the UK.

**Unique contribution to theory, practice and policy:** A major knowledge gap concerning immigrants exists and further provide insight on the role played by an individual's ethnic group in the rate of home equity decline as well as the overall net wealth of a household, ultimately affecting their credit debt. It would be useful for policy-makers to examine the biased placed on credit debt and social-economic backgrounds.

**Keywords:** *Credit debt, Immigrants, Consumer behavior, ethnicity, financial inequality*

## 1. Introduction

Since the global credit crisis of 2008, credit has become a worldwide concern (Hays, 2018; Verner and Gyongyosi, 2018). The U.K. Survey of Consumer Finance reported that, in order to pay for household expenses and finance education fees of children, approximately 27% of households carry credit debts and other loans (Telyukova, 2013). After the global credit crisis of 2008, the population of the United Kingdom had \$2,310 billion in personal debt (Harrison & Gray, 2010), where the average credit debt per consumer was approximately \$6,400 (Federal Reserve, 2013). In 2011, the average household debt within the United Kingdom reached a record high of £1.6 billion and was predicted to increase to £2.1 billion by 2015. The result has been large increases in the credit debt-to-income ratio, which, in 2009, was approximately 171%, among the highest rates across the globe (Patel, Balmer, & Pleasence, 2012). In this context, the wealth gap that exists between households of U.K. immigrants and British citizens, show the extreme personal debt on a national scale (Federal Reserve, 2013).

Credit card debt is not equally distributed among all individuals, with some being more vulnerable to credit card related debts than others. Scholars argue that the vulnerabilities associated with certain individuals acquiring more credit card debt than others may be predicted by specific factors, such as personality traits, social norms, socioeconomic status, and other demographic variables (Caputo, 2012; Dean, Joo, Gudmunson, Fischer, & Lambert, 2013; Drentea & Reynolds, 2012; Kamleitner, Hoelzl, & Kirchler, 2012; Oksanen, Aaltonen, & Rantala, 2015; Sotiropoulos & D'Astous, 2013).

There have been papers that examined individual behavioral traits but not many have assessed these traits together in a holistic approach. This review therefore aims to review all studies which examine the relationship between specific consumer behavior and credit debt. In addition, it also aims to identify knowledge gaps that could provide insight into this topic in relation to immigrants.

## 2. Methodology

### 2.1 Search Strategy

To conduct the literature search, the following databases were used: EBSCOHost, Google Scholar, Wiley Online Library, JStor, ProQuest, and Taylor & Francis. Search terms included: *credit card, debt, immigration, ABC model of attitudes, tri-component model, race, and immigrants*. Using these keywords, both individually and in combinations, the databases generated related articles. In total, 77 articles were reviewed, prioritizing peer-reviewed sources. Of those 77 articles, 96.1% were published after 2012 and 2.9% were published before 2012. In the following sections, the theoretical framework is discussed followed by the grouping of relevant studies in categories progressing as follows: social/psychological factors, age, income/socioeconomic status, education/financial literacy, immigrants, and immigration.

### 2.2 Screening Process

The screening of each published paper was performed in three main stages. The first included the title, followed by the abstract and lastly the full text. If the title was vague and did not provide sufficient information for eligibility, then the abstract was screened. Similarly if the abstract did not provide sufficient information again then the full text was looked at. In addition to this, only peer-reviewed papers published in English were considered for this review.

### ***2.3 Theoretical Foundation***

The ABC model of attitudes has been used by researchers to assess consumer attitudes and their relationship to consumer behavior by examining how a consumer processes information that relates to their choices. The ABC model of attitudes was originally proposed by Solomon (2017), who argued that a person's attitude is a direct result of a hierarchy of effects that involve the following components: Affect, behavior, and beliefs. In this context, an attitude is a response to a former stimulus or objects related to that attitude (Breckler, 1984; Solomon, 2017). Affect, behavior, and cognition are three classes of response to that stimulus (Breckler, 1984). Affect refers to an emotional reaction to, or overall feelings about, a brand or product from the perspective of the consumer (Breckler, 1984). These evaluations can derive from personality traits, motives, or social norms (Asiegbu, Powei, & Iruka, 2013). Behavior entails intentions, overt actions, and verbal comments in relation to the object (Breckler, 1984). Demarque, Apostolidis, and Joule (2013) argued that behavior is the product of the interaction between affect and the cognitive component, which takes the form of beliefs, knowledge, structures, perceptual responses, and thoughts. Individuals establish these cognitions through direct engagement with the stimulus to which the attitude relates and information from other persons they come into contact with in their lives (Breckler, 1984; Asiegbu et al., 2013).

While the ABC model has been applied to a variety of fields and topics, the most common area in which it is used appears to be marketing and consumer psychology (Alwi & Kitchen, 2014; Chen & Cheng, 2013; El-Bassiouny, 2015; Fredricksson & Andersson, 2012; Hamzah, 2014; Rocereto et al., 2015; Stegemann et al., 2013). Using the ABC model as a theoretical basis, researchers have provided an empirical synthesis of evidence related to consumer attitudes, which provides useful insights into the model (Asiegbu et al., 2013). The findings of these researchers suggest that individuals' values and beliefs are often shaped by their environments, such as family, organization, and community environments. This finding is of special interest to marketers, since consumers' buying behavior is often influenced by product and brand images (Asiegbu et al., 2013). In another study, Pande and Soodan (2015) found evidence of consumer attitudes, beliefs, and subjective norms influencing purchasing behaviors. They further found that beliefs played a role in developing positive perceptions related to a product's quality, its delivery, price, and availability. These beliefs consequently created positive behaviors related to purchase intention. A common perspective that these studies on consumerism have revealed concerns how attitude, affects, and cognitions influence behaviors, rather than how affects, behaviors, and cognitions influence attitudes (Pande & Soodan, 2015).

Ismail, Amin, Shayeri, and Hashim (2014) found a positive correlation between consumer attitudes toward using credit cards and credit debt. Credit cards are one of the strongest mediators for consumption and have been proven to trigger different affects, behaviors, and cognitions in comparison to cash or checks (Keese, 2012; Khare, Khare, & Singh, 2012; Oksanen, Aaltonen, & Rantala, 2015).

## **3. Results**

### ***3.1 Social Factors Affecting Credit Debt***

Although not many sociology researchers have based their research and analysis on the ABC model, they have drawn on social, psychological, and personality attributes that are similar to the three primary components of the model. For example, in a study of 428 students investigating the influence of social networks on credit card over-spending among young adult

consumers, Sotiropoulos and D'Astous (2012) found that social norms had a strong influence on credit card usage. The researchers' findings also revealed that, in regard to social norms, individuals were more likely to conform to the norms and expectations of those who were more strongly connected to them, with social networks greatly impacting the way individuals managed their credit debt (Sotiropoulos & D'Astous, 2012).

The term social norms encompass both descriptive (how things are) or prescriptive (how things should be) concepts, and relates to the rules agreed upon by a group of people, which may guide or limit how an individual behaves in social situations. Social norms have also been categorized based on people's level of awareness of their influence, which can involve explicit and implicit understandings. Explicit understandings are based on expectations that an individual has and is aware of, while implicit understandings involve expectations that arise without an individual's awareness (Sotiropoulos & D'Astous, 2012).

Many researchers have asserted that people who use credit to purchase goods may be doing so to increase their human or social capital (Dean et al., 2013; Yang & Lester, 2014). The tendency for individuals to compare themselves to those within their social circle and demonstrate their power and status through money and possessions has been found to increase their likelihood of using a credit card (Kamleitner, Hoelzl, & Kirchler, 2013). Kennedy (2013) also mentioned this subject, but referred to it as subjective norms, and agreed with Kamleitner, Hoelzl, and Kirchle (2013) that people often evaluate themselves based on those who do not reflect their own economic status. These researchers further argued that individuals tend to compare themselves to those of a higher financial status, triggering a persistent desire to possess items and live a life beyond their means.

With this in mind, credit cards created a problem in that the problem only became heightened with credit cards as credit cards enable people who cannot afford to do so to attempt to keep up with their friends. Kamleitner et al. (2013) asserted that people may overspend on credit cards because they believe that they should be spending a certain minimum amount when they consume in social situations based on the perceived expectations of others around them. At the same time, if debt is the norm in a particular social circle, this fact could alleviate an individual's concern about being in debt (Kamleitner et al., 2013). This suggests that prescriptive norms guide individuals toward a certain type of behavior and increase the effect of descriptive norms if they reflect prescriptive norms, or reduce the effect if the opposite is the case (Sotiropoulos & D'Astous, 2012).

Overall, the literature on the social effects on financial habits revealed that a person's social circle can have negative effects on their spending habits (Dean et al., 2013; Kamleitner et al., 2013; Sotiropoulos & D'Astous, 2012; Yang & Lester, 2014). When relating the evidence to the present study, differences in the credit debt of immigrants and native citizens may be explained by examining the social connections and affiliations that can affect a consumer's attitude. Immigrants may have different social environments and influences to native citizens. Moreover, immigrants or native citizens of different ethnicities may associate with different social circles that might have different influences on their attitudes toward credit debt.

### ***3.2 Psychological Factors Affecting Credit Debt***

A consumer is a psychological being who has desires, personality, and attitudes. Psychological factors often affect the attitudes and behaviors of consumers, and marketers frequently try to capitalize on these influences (Asiegbu et al., 2012). Some researchers have explored consumer

spending and found that purchasing behavior correlates with how the spender views money. Individuals may spend for personal power, prestige, image, or to satisfy other materialistic desires. On the other hand, some consumer behavior is related to anxiety and distrust (Dean et al., 2013; Khare et al., 2012; Sotiropoulos & D'Astous, 2013;). Credit cards have the power to help spenders achieve a certain lifestyle, and to many consumers they symbolize global reach, a comfortable lifestyle, and a sense of achievement (Khare et al., 2012). Furthermore, many credit card holders believe that the credit limit that their card has is predictive or representative of their future income. In fact, surveys have shown that when a person's credit limit increases, it usually leads to them spending more and using their credit card more often, and that many users calculate their payments based on their credit limit instead of their income (Kamleitner et al., 2012; Dwyer, 2018).

### *3.2.1 Materialism*

Materialism has been identified as another predictor of credit debt. One study found that materialistic individuals tend to seek a certain status or lifestyle and believed that purchasing material possessions will lead them to that goal (Yam et al., 2012). The study by Peltier, Pomirleanu, Endres, and Markos (2013) found that displaying a specific social image through material possessions and purchasing behavior strongly correlated to an increase in credit card use and, often, debt. Their findings also coincided with evidence showing how consumers with high levels of materialism had more favorable attitudes toward borrowing money and were more prone to accruing debt because of this. However, Kamlietner et al. (2012) also showed that materialism is often mediated by issues of self-control, such as impulsivity and difficulty delaying gratification.

### *3.2.2 Impulsive buying*

Self-control has been shown to be an influential variable in terms of determining debt (Mittal & Griskevicius, 2014; Oksanen et al., 2015; Russell, Whelan, & Maitre, 2013; Sotiropoulos & D'Astous, 2013; Yang & Lester, 2014). Impulsive buying is an unintended, less deliberate decision. Impulsive buyers desire immediate actions and often give little consideration to long-term consequences (Peltier et al., 2013). Credit cards magnify this type of behavior as their ease of access allows consumers the ability to buy products immediately and delay the financial responsibilities (Peltier et al., 2013). Similarly, Sotiropoulos and D'Astous (2013) found that credit cards' ease of access and convenience correlated with individuals' increased willingness to use credit cards when purchasing goods and services in comparison to cash. Additionally, it has been found that the more accustomed an individual is to purchasing goods and services with credit, the more likely they are to use credit habitually. Research by Oksanen et al. (2015) and Keese (2012) found men to be more impulsive than women, as well as more debt-ridden. Furthermore, Caputo (2012) found that those with a greater degree of external control were more likely to experience intermittent or chronic debt than those with a greater sense of internal control. Finally, Kamleitner et al. (2012) associated impulsivity and the inability to delay gratification with present orientation, myopia, and a strong disregard for future events; evidence showed that these factors also increased credit use. In contrast, another study showed that those who prioritized paying their expenses, even if it meant compromising certain desires, had a lower probability of debt problems (Russell et al., 2013).

### *3.2.3 Compulsive buying*

A related issue to impulsive buying is compulsive buying, which entails engaging in repetitive or ritualistic purchasing as a response to negative feelings or events (Sotiropoulos & D'Astous, 2013). In the study by Sotiropoulos and D'Astous (2013) on attitudinal and social determinants of credit debt, the authors defined compulsive buying as an individual not being able to control their consumption habits, and associated it with irrational decision-making. Compulsivity in the context of buying can potentially have a negative impact due to the psychological, emotional, and interpersonal consequences of debt (Peltier et al., 2013). Peltier et al. (2013) found that the habit generally provides short-term satisfaction, but often becomes difficult to stop and can lead to harmful consequences. Similarly, Sotiropoulos and D'Astous (2013) found that those who had debt had a more positive outlook toward credit and believed that it was more advantageous to purchase on credit immediately than to wait for the product, even if that meant being able to purchase it at a lower price. It has been found that banks often seek customers who are more inclined to short-term rewards because they are the customers most likely to accrue high interest from debt (Harrison & Gray, 2010). Peltier et al. (2013) also found that compulsive buyers had a greater likelihood of holding a higher number of credit cards and exhibit less control when using those cards.

Certain traits are known to predict compulsive buying, such as low self-esteem, materialism, narcissism, depression, anxiety, and stress (Khare et al., 2012; Nga & Yeoh, 2015; Yang & Lester, 2014). Joireman, Kees, and Sprout (2010) examined how compulsive buying tendencies influenced credit debt; their survey data revealed that compulsive buyers tended to perceive money as representative of power and prestige. Additionally, the authors linked compulsive buying tendencies to lower future time orientation and a reduced tendency to consider future consequences. They further found that those who had higher levels of compulsive buying tendencies reported more credit debt, and that those compulsive tendencies often mediated the connection between an individual's consideration of future consequences and their credit debt. Overall, compulsive buying has been found to be a strong predictor of credit debt in individuals motivated by instant gratification.

Although both impulsive and compulsive consumption behaviors concern the inability to control consumer desires, compulsive buying entails a repetitive loss of control, while impulsive buying is more situational. Furthermore, impulsive buying is sparked by an external stimulus, such as marketing, while compulsive spending arises due to more stable characteristic traits. Therefore, compulsive buying is a repetitive and ongoing need to buy, while impulsive buying is a more spontaneous act (Peltier et al., 2013).

### *3.2.4 Locus of control*

Closely related to self-control is the locus of control (LOC), which is the tendency to view life's outcomes as a result of rewards and punishments. Buyers with an internal LOC believe they control their fate, behaviors, rewards, and punishments (Kamlietner et al., 2012). Hence, these individuals are more proactive in securing desired outcomes, accept more accountability for their behaviors, and often take risk avoidance strategies into account (Peltier et al., 2013). Contrastingly, those with an external LOC view their outcomes and behaviors as something they cannot control. Therefore, they tend to manage their lives by employing risk-accepting strategies and controlling external factors (Lin & Shih, 2012). The psychological concept of LOC has been applied to credit card and financial behaviors. Research has found that individuals with external LOC tend to have more positive views of credit and money, to be

more reckless in regard to managing funds, to act compulsively, and to have higher credit debt (Peltier et al., 2013).

Sotiropoulos and D'Astous (2013) also explored controllability in the context of credit cards, but focused on how it related to self-efficacy. The authors defined controllability as the degree to which people believe that they have control over their behavior. Self-efficacy and controllability can also both be predictors of debt. Credit card users with debt tend to have a lower sense of self-efficacy and feel that they were less in control of their credit card debt. Moreover, people who have more confidence in their ability to manage their own finances and follow through with a financial plan when managing their expenses tend to accrue less debt.

### *3.2.5 Optimism and pessimism*

Optimism and pessimism have also been shown to affect credit use. One study found that optimistic people borrowed approximately double the amount that pessimistic people borrowed; furthermore, the optimists tended to conclude that it would take them less time to pay back their credit debts and, consequently, had higher credit debts (Kamleitner et al., 2012). However, the research on optimism and pessimism affecting credit debt is fairly limited. Kamleitner et al. (2012) suggested that, as with many personality and psychological traits, there are multiple levels and forms of optimism that can have different effects on credit card usage. For example, Kennedy (2013) specified unrealistic optimism as a stimulus of reckless credit card use, and carried out a study to predict credit debt among college students. Of the 143 participants that were surveyed on attitudes, subjective norms, perceived behavioral control, behavioral intentions, financial literacy, and demographic information, 73% reported that they could pay off their credit debt faster than the average college student, whereas only 6% believed it would take them more time than the average college student to pay off their credit debt, and 21% believed it would take them the same amount of time. Similarly, Norvilitis (2014) related unrealistic optimism to lower levels of financial literacy, which the researcher also associated with credit debt.

### *3.2.6 Risk-seeking*

Risk-seeking is another personality trait that has been identified as often leading to increased credit card use (Dean et al., 2013; Kamleitner et al., 2012; Oksanen et al., 2015; Peltier et al., 2013). For example, Kamleitner et al. (2012) found that individuals who desired high sensations tended to risk more and demonstrated more problematic financial behaviors than low sensation seekers. The more cautious a consumer was, the lower their debt tended to be. Similarly, Oksanen et al. (2015) found that impulsivity and risky health behavior correlated with risky credit card behaviors, and that men were more prone to risky financial behaviors than women.

### *3.2.7 Mental health*

It has been found that mental and psychological state affect credit debt, and credit debt can also affect psychological wellbeing. Kamleitner et al. (2012) and Sweet, Nandi, Adam, and McDade (2013) found that those with higher credit debt reported higher levels of anxiety and depression. Additionally, their study found that 23% of debtors suffered from mental illnesses compared to 8% of non-debtors. It is not just actual level of debt that predicts negative psychological health, but the perception of and worry about the existing and future debt level. Indeed, the results of the study by Richardson, Elliot, and Roberts (2013) showed that debt increased the



risk of depression, suicide completion or attempt, mental disorder, neurotic disorders, drug and/or alcohol abuse, and psychotic disorders.

Research by Berger, Collins, and Cuesta (2013) focused specifically on the link between debt and adult depression, and found that debt accumulation was associated with greater depressive symptoms among adults in the United States; short-term debt in particular influenced most of the depressive symptoms, whereas mid-term and long-term debt showed no statistically significant results. McCormack (2014) found that financial education can help reduce stress in those with credit debt. Another mediating factor between debt and psychological wellbeing is optimism and pessimism. Shen, Sam, and Jones (2014) found that both pessimism and optimism led to a decrease in debt stress; while the results for optimism results were expected, the pessimism results were not. However, Shen et al. (2014) attributed this result to the fact that pessimistic individuals are generally better prepared for suspected outcomes. An individual who assumes their financial situation will get worse in the future may take additional steps to increase their income, for instance by taking a second job, or to decrease their expenses by avoiding spending.

The literature on the psychological factors influencing credit debt has reported materialism (Kamleitner et al., 2012; Peltier et al., 2013; Yam et al., 2012), self-control (Mittal & Griskevicius, 2014; Kamleitner et al., 2012; Keese, 2012b; Oksanen et al., 2015; Russell et al., 2013; Sotiropoulos & D'Astous, 2013; Yang & Lester, 2014), LOC (Kamleitner et al., 2012; Lin & Shih, 2012, Peltier et al., 2013), compulsivity/impulsivity (Harrison & Gray, 2010; Joireman et al., 2010; Peltier et al., 2013; Sotiropoulos & D'Astous, 2013), optimism/pessimism (Kamleitner et al., 2012; Kennedy, 2013; Norvilitis, 2014), and risk-taking (Dean et al., 2013; Kamleitner et al., 2012; Oksanen et al., 2015; Peltier et al., 2013) as the strongest predictors of credit debt. However, the studies rarely linked these psychological factors to a wide range of demographics, with immigrants and immigrant status being especially rare. Therefore, the present study will help to promote research linking these issues. If a difference exists between the credit debt of immigrants and native citizens, it may imply that immigrants and immigrant status moderate the relationship between psychological factors and credit debt.

### **3.3 Young Adults and Credit Debt**

Researchers have also examined in depth how a consumer's demographic background and situation affects their financial situation and credit card use. The demographic that has received the greatest amount of attention is young adults, where younger credit card users have been found to accumulate more debt than older users (Dean et al., 2013; Jiang & Dunn, 2013; Kamleitner et al., 2012; Oksanen et al., 2015; Patel et al., 2012; Russell et al., 2013; Sotiropoulos & D'Astous, 2012; Sotiropoulos & D'Astous, 2013; Yang & Lester, 2014). Young adults have been found to have larger amounts of public and private debt (Jiang & Dunn, 2013) and be more likely to experience short-term and intermittent debt (Caputo, 2012). Younger adults may have higher levels of debt because lenders tend to target them more than older adults. This conclusion is supported from findings by Harrison and Gray (2010), who examined the different methods by which banks and other financial institutions profile consumers. After reviewing academic works related to marketing, finance, and management, they found that banks often used research methods to target the consumers they believed would be the most profitable or were financially vulnerable. These methods included buying personal credit card information, using direct mail campaigns, Internet and email communications, and

focusing on those in financial need and thus more prone to taking on a loan or credit card to solve financial issues quickly (Peltier et al., 2013). The study further revealed that younger credit card users often fit these criteria; they were more likely to collect a number of credit sources and accrue larger debts to achieve a certain lifestyle (Harrison & Gray, 2010). Using a credit card allows younger consumers to attain a sense of fulfillment (Houle, 2014; Khare et al., 2012). On the other hand, older adults tend to have more wealth and fewer needs (Dean et al., 2013). Due to this evidence and the research that shows young people have less steady income than other demographics, they are considered more likely to have chronic debt (Oksanen et al., 2015). Overall, it can be concluded that young adult consumers tend to be the most susceptible to credit debt because of their lack of financial knowledge, heightened sensitivity to social influence, and being primary targets of banks and credit lenders.

### **3.4 Students and Credit Debt**

Students are particularly vulnerable to accumulating credit debt. Peltier et al. (2013) looked at both the psychological and social factors that impact credit use in college students. They interviewed 40 undergraduate and graduate students and conducted three focus groups that consisted of general discussions about credit card usage. The researchers found that 84% of students owned a credit card, averaging to 4.6% credit cards per student. In addition, 40% confessed that they charged payments to their card with the knowledge that they did not have the funds to repay it, and 43% said that they endured heightened levels of anxiety because of their credit card balance (Peltier et al., 2013). Moreover, college students often lacked the financial literacy necessary to make informed financial decisions; overwhelming credit card balances led to emotional stress, low self-esteem, decreased confidence in managing financial assets, and overall weakened psychological well-being in graduates (Peltier et al., 2013). The extent of the problem is such that the Obama administration decided to enact the Credit Card Accountability, Responsibility, and Disclosure Act of 2009 (CARD). The Act restricts organizations from giving credit to students under 21 years of age unless the student has a co-signer or has proof that they can afford the repayments (Henegar, Archuleta, Grable, Britt, Anderson & Dale, 2013). It also limits companies from offering free incentives as a part of college marketing campaigns, prohibits credit institutions from revealing student contact details for marketing purposes, and orders release from contracts or agreements relating to credit card marketing (Peltier et al., 2013).

Leaving home for college initially reduces a student's social network; to function in this new social context, they must create new social connections. Initiating and maintaining these ties will often lead students to practice impulsive and risky financial behavior, such as excessive spending, to be accepted and accumulate social capital at college (Peltier et al., 2013; Sotiropoulos & D'Astous, 2013). One study found that students used 30% of their income to pay off their credit debt compared to the suggested 10% (Hancock, Jorgensen & Swanson, 2012). The study by Sotiropoulos and D'Astous (2013) found that although students entered college with anti-debt attitudes, those that eventually acquired credit debt developed more positive attitudes toward debt than those who did not; the university context socialized students to become more liberal in their debt attitudes. This study provided evidence that debt attitudes can transition as students mature. Peltier et al. (2013) referred to this process as consumer socialization. This occurs when children and teens acquire knowledge and attitudes to navigate through the marketplace. Peltier et al. (2013) found that younger consumers are highly influenced by others, by observing their consumer behaviors. Furthermore, younger spenders, more so than other demographics, are prone to the influence of others, especially if they are

students. However, young consumers with positive perceptions of credit debt have been found to often overspend and experience financial and emotional difficulties (Sotiropoulos & D'Astous, 2012). Sotiropoulos and D'Astous (2012; 2013) revealed that young spenders' strong likelihood of over-spending reflected their perceptions of what their social circle valued; the more friends they had who were using credit cards impulsively, the greater the chance that they would do the same.

However, Sotiropoulos and D'Astous (2012) also found that students had a lower tendency to carry credit debt when they had more social support from their families. Parental involvement can thus be considered essential for preparing students to use credit cards while at college. Students in the United States have reported receiving most of their financial knowledge from their parents, much more than at school, from friends, or the media (Kamleitner et al., 2012). Students whose parents often use credit cards have a higher chance of developing favorable attitudes toward credit and credit cards (Peltier et al., 2013). Parental influence also translates into behaviors. For example, Kamlietner et al. (2012) found that explicit parental behavior and mentoring of financial skills correlated with lower credit debt in students. On the other hand, a different study found that those students whose parents had mishandled credit debt relied on credit cards less often than those who observed positive spending habits (Peltier et al., 2013). Furthermore, another study found that students were 2.8 times more likely to have credit debt and 2.1 times more likely to have two or more credit cards when their parents had fought about finances (Hancock et al., 2012). Student credit debt was particularly large when parents avoided talking about finances altogether. Furthermore, a study by Kamlietner et al. (2012) showed that, if parents used money as a reward and immediate spending was allowed, the possibility for impulsive credit card use increased in students. Alkhiary (2015) found that the parenting approach that was the most effective and efficient for teaching financial management is "coaching." This teaches a sense of responsibility for managing financial resources and uses words such as, "little tips", "motivation", and "responsibility". Moreover, the researcher identified three strategies used by parents that best helped to increase students' financial decision-making: equally shared decision-making and management, distinct division of financial responsibilities, and divergent methods. Therefore, positive and frequent parental guidance in all stages of the consumer process is correlated with lower credit debt (Peltier et al., 2013).

The findings about students and credit cards were especially enlightening to the present study, as new college students and immigrants are often in the same state of mind when it comes to credit card usage. Both demographics have low levels of financial knowledge and use social cues and experiences to adjust to their new situations (Painter & Qian, 2016; Peltier et al., 2013; Sotiropoulos & D'Astous, 2013). Therefore, the results from the present study may reflect much of the literature concerning the young adult demographic.

### **3.5 Income and Credit Debt**

Income is another demographic factor that researchers have often associated with credit debt. This association is based upon research findings which have indicated that individuals with low socioeconomic status are at greater risk of being in chronic debt due to higher interest rates on their credit loans (Oksanen et al., 2015). Kamleitner et al., (2012) argued that this happens in part because income level is positively related to responsible financial organization, such as paying bills in a timely manner and saving money. Those with lower income have also been found to be most likely to be turned down in credit applications. However, Naerum and

Vernekohl (2012) found that individuals with higher income and wealth, with the exception of those in the highest income bracket, did not prioritize teaching thrift to their children. As such, the relationship between credit card usage and income is curvilinear in many cases.

Income level also affects what families use credit for. For example, the results of the study by Kamleitner et al. (2012) showed that lower income families tend to rely on credit cards to pay for basic living necessities and maintain a stable lifestyle. In contrast, higher-income families use credit cards to improve their lifestyle. Shefrin and Nicols (2014) found similar results. They investigated the use of quick and frugal heuristics to help identify consumers' financial habits when using credit cards to participate in spending and borrowing, and found that the higher the individual's income, the greater the likelihood of them using different cards for different reasons. Specifically, those with higher incomes were more likely to use their credit card for both everyday purchases and emergency or big-ticket items. Overall, Shefrin and Nicols (2014) concluded that middle-income consumers have a higher tendency to pay their credit card balances than lower-income consumers. Research has also showed that income affects the type of credit used. Higher income brackets tend to use credit with lower interest rates, while middle- and low-income brackets use higher interest credit cards; younger families with dependent children in particular tend to fall into this category (Kamleitner et al., 2012).

While some researchers have provided evidence of income being positively correlated with credit debt (Oksanen et al., 2015; Russell et al., 2013; Drentea & Reynolds, 2012; Kamleitner et al., 2012), the findings of Dean et al. (2013) showed otherwise. They examined the effect of negative credit card habits on other forms of credit debt. Through the use of random digit dialing and convenience sampling, Dean et al. (2013) found that a respondent's income level was unrelated to the presence of credit card, installment, or personal loan debt. The researchers suggested that, although individuals were in receipt of more income, this did not necessarily mean that they were paying off their current debt; indeed, sometimes they were accumulating more. Moreover, Dean et al.'s (2013) findings demonstrated that, like the studies on young adult debt, people are more concerned with maintaining a desired lifestyle than paying off debts. This can be damaging, as Dean et al. (2013) found that negative credit card behaviors were positively correlated to respondents having multiple types of debt, such as automobile, personal loan, and installment debt. Contrastingly, respondents who had no credit card debt were more likely to report not having other forms of debt.

Oksanen et al. (2015) examined the socio-economic predictors of debt problems in Finland using the Risk Factors of Crime in Finland (RFCF) dataset, a nationally representative, stratified random sample of Finnish residents. The study generated mixed results; while the researchers found evidence linking low income and low socioeconomic status to higher credit debt, they also emphasized that poverty and debt are different issues. They found that income only anticipated greater levels of public debt and did not relate to private debt. Additionally, individuals with high incomes were also found to be more susceptible to poor financial decisions; this was often due to being presented with the opportunities afforded by a consumer society, which can lead any individual to become indebted. Finally, those belonging to a higher income bracket were found to have a higher likelihood of accruing debt and a higher demand for debt (Oksanen et al., 2015; Keese, 2012). There is an ongoing debate in the literature about whether income can predict credit debt. Evidence suggests that income may be an indicator, but not a conclusive determinant of whether an individual or household holds a specific level of debt.

### 3.6 Education/Financial Literacy and Credit Debt

Credit card users often have higher levels of education than non-users (Kamleitner et al., 2012). Nonetheless, lower-educated individuals are known to be more likely to become victims of economic marginalization, have lower cognitive abilities, and more prone to have self-control issues and make financial mistakes (Dean et al., 2013; Klapper, Lusardi, & Panos, 2012; Oksanen et al., 2015; Painter & Qian, 2016; Russell et al., 2013; Yang & Lester, 2014). Sotiropoulos and D'Astous (2012) also associated lower levels of education with higher credit debt.

Specifically, a lack of financial knowledge or financial education has been associated with poor credit and negative credit card behaviors. Before the passage of CARD, financial institutions, such as banks and credit card companies, had begun to offer financial tools online because of the high demand for consumer financial education (Shefrin & Nicols, 2013). Alkhiary (2015) argued that it is essential to establish training courses in financial literacy and to equip consumers with vital tools for making informed decisions in regard to spending, saving, and debt repayment. In relation to the ABC model, Alkhiary (2015) explained that having a financial goal, a concept taught in financial literacy, is an important factor that affects and influences attitudes toward savings behavior. Financial goals come in two forms. First, are goals associated with a motivational system addressing responsibilities and security, which affects savings intentions and behavior. Second, are goals that increase the effectiveness of public messages that influence either promotion- or prevention-focused behavior (Alkhiary, 2015).

Individuals with lower levels of financial literacy are known to be more prone to making mistakes with general household finances. In contrast, those who engage in positive financial habits, such as paying credit card bills in a timely manner and comparing prices for more expensive products, tend to be both more financially literate and more satisfied (Dean et al., 2013; Sotiropoulos & D'Astous, 2013). In particular, Soll, Keeney, and Larrick (2013) found that the more numerate an individual was, the better they were at making financial decisions. In contrast, those who were not as numerate often underestimated their outgoings.

Financial literacy is low in the general population in the UK and even lower for particular demographics. Klapper et al. (2012) studied the effects of financial illiteracy on financial behavioral in the context of a financial crisis. Other studies have found that financial mistakes are most common among young adults and the elderly, also the groups that display the lowest levels of financial literacy (Caputo, 2012; Klapper et al., 2012; Oksanen et al., 2015). Research has shown that financial literacy is important because it has been found to positively correlate with the use of formal banking and negatively correlate with the use of informal borrowing. Klapper et al. (2012) revealed that individuals with greater financial knowledge are also more likely to have higher levels of unspent income and lower spending capacity, which prepares them well for dealing with economic changes. Moreover, Kamlietner et al. (2012) found that those with less financial education were less likely to pay off their mortgages when interest rates were falling, more likely to decide on loans depending on the first digit of the monthly rate, and more likely to overestimate their credit card debt. In regard to students, Kamlietner et al. (2012) found that students answered less than 60% of items correctly on tests evaluating financial knowledge. As students are one of the demographics most prone to credit debt, this suggests that financial literacy may also be a significant component of predicting credit debt.

When it came to a study on financial planning, Shefrin and Nicols (2014) compared different demographics. These authors found that Caucasian consumers were more likely to set strict financial goals than other ethnicities. When asked how important it was that they have control over their finances, older and Hispanic consumers were the most likely to say that it was vital to have complete control.

### *3.6.1 Parents and financial literacy*

Hancock et al. (2012) studied the role of parents, work experience, financial knowledge, and credit card attitudes on credit card use. The researchers created a financial literacy survey which measured the financial knowledge, attitudes, behaviors, influences, and individual demographics that can impact the financial knowledge of participants, and distributed the survey to seven different college universities. Of particular interest to this study were their findings linking financial knowledge to credit card attitudes. While the researchers did not use the ABC model of attitudes, they demonstrated a link between the behavioral component and credit card attitudes, and found that financial attitudes affected credit debt. The results showed that students who were more content with paying the minimum amount on their credit debts were 2.2 times more likely to have credit debt over \$500, whereas the participants who reported being afraid of credit debt had less than two credit cards and used them less frequently. The researchers further concluded that financial attitudes mediated the association between financial knowledge and financial behavior. Therefore, they suggested increasing financial literacy education to address issues concerning financial attitudes (Hancock et al., 2012).

Parents also play a large role in financial literacy. Financial knowledge begins at home when parents discuss finance and money with their children and children observe their parents' financial decision-making and consumption patterns (Kamlietner et al., 2012). Ismail et al. (2014) agreed that family influence is one of the key sources of learning how to use credit cards efficiently. On the other hand, Kamleitner et al. (2012) found the opposite correlation: those who owed more knew more. The researchers gave two possible explanations for this finding: first, that the way financial knowledge and credit card usage were measured may have contributed to the finding; and second, that the correlation could be two-fold. It is possible that low levels of financial literacy could initially contribute to the repayment of more debt. However, being in debt becomes a learning experience that can increase the level of financial knowledge. Yet, those who have claimed the opposite correlation have asserted that learning from experience is the least effective way to gain financial knowledge. Instead, they have argued that learning from professionals, such as credit counselors, is a better way of adopting healthy credit card habits (Kamlietner et al., 2012; Omar, Rahim, Wel, & Alam, 2014).

Overall, financial literacy provides the resources to help individuals balance their credit debt and make more responsible financial decisions. The literature on this subject has also given rise to some policy recommendations. The present study shows that being an immigrant plays a role in credit debt, or that there is a discrepancy between the consumer debt of immigrants and native citizens, it presents the government with the option to institute more financial literacy classes targeting immigrants or certain races/ethnicities to help alleviate that debt gap.

### **3.7 Immigrants and Credit Debt**

Numerous researchers have evidenced that financial inequality based on race or immigrant status exists. DeSilva and Elmelech (2012) examined racial disparities in home ownership and found an Asian–Caucasian gap that was explained by differences in immigration and

geographical patterns of residence. An African American/Puerto Rican–Caucasian gap was explained by demographic, socioeconomic, and other unobserved factors, and a Hispanic–Caucasian gap was found to be due to socio-economic factors and geographical patterns. Kim, Chatterjee, and Cho (2012) found evidence for differences in asset ownership among different ethnic and racial groups. They looked at variances within the Asian race specifically and found that Indians and Koreans had higher levels of business asset ownership. Moreover, African Caribbeans were also more likely to be denied loans than Caucasians were (Kamleitner et al., 2012). Native African Caribbeans have also been found to have less wealth than native Caucasian individuals (Killewald, 2013). Killewald (2013) found that approximately two thirds of African Caribbeans had a wealth disadvantage of approximately 20% compared to otherwise similar Caucasian individuals, even after adjusting for outside factors, such as parental wealth and inheritance.

Therefore, in terms of wealth, researchers have shown that there are racial and ethnical discrepancies. However, when looking specifically at credit debt, certain racial groups have greater disadvantages.

### **3.8 African Caribbeans and Asians and Credit Debt**

Studies about credit debt have also produced findings that reflect racial and ethnical disparities. In particular, they demonstrate that the greatest gap in terms of debt and overall financial wellbeing exists between African Caribbeans and Asians in comparison to Caucasians. Studies have also shown that African Caribbeans and Hispanics are most likely to incur short-term and intermittent debt (Caputo, 2012; Drentea & Reynolds, 2012). Traub (2014) conducted a study on credit debt within the Asian community, and Ruetschlin and Asante-Muhammad (2013) conducted a study on credit debt within the African American community. Both studies involved a nationally representative survey of households in the United States, and there were numerous points of overlap in the findings. Traub (2014) found that, while Asians carried less credit debt, four in ten Asian households with credit debt depended on credit cards to cover rent, groceries, utilities, and mortgage payments. This was often because their savings and/or checking account had low balances. Traub (2014) also found that Asians rarely reported using credit cards for entertainment, vacations, and non-essential costs, compared to the rest of the population. Similarly, Ruetschlin and Asante-Muhammad (2013) discovered that while African American households were paying off debt overall, more than four in ten African American households with credit debt had relied on credit cards to pay for basic living expenses because paychecks and savings did not suffice. This lack of liquidity sources often forced African Caribbeans to continue to use their credit cards even when interest rates increased. On the other hand, Caucasian individuals had a higher chance of being able to use other options for short-term liquidity and avoid high interest rates (Ruetschlin & Asante-Muhammad, 2013).

Additionally, in Traub's (2014) study, Asians cited unemployment as a reason for their credit debt, and 87% of Asians said they added to their existing level of credit debt (Traub, 2014). Asians were also more likely to report medical costs, hospital stays, and prescription drugs as contributing to their credit debt than other racial groups (Traub, 2014). Likewise, in Ruetschlin and Asante-Muhammad's (2013) study, African Caribbeans reported that medical expenses contributed 11% of their total credit debt. Moreover, Traub (2014) found that only 40% of Asian households reported a consumer credit score above 700, compared to 59% of Caucasian households. Ruetschlin and Asante-Muhammad (2013) found that only 66% of African

American households reported having a consumer credit score of 620 or above, compared to 85% of Caucasian households.

Killewald (2013) also examined the impact of race on wealth, but focused specifically on African Caribbeans. For the study, the author analyzed data from the Panel Study of Income Dynamics (PSID), a household survey that studied sample members and their descendants. In contrast to previous research on race and finance, Killewald (2013) found that, among young adults, Caucasian households were more likely than non-Caucasian households to hold various types of debt, such as mortgages, auto debt, and credit debt, and to have higher debt-to-income ratios. Moreover, the median Caucasian debtor held approximately 60% more debt than the average African American debtor (Killewald, 2013). However, Killewald (2013) did not explain why African American individuals had less debt, but less wealth.

Credit debt may also come from high interest rates, and minorities have been found to be the most vulnerable to spikes in interest rates. For example, Traub (2014) found that Asians had reduced access to credit cards due to their lack of pre-existing credit history, and reported an average annual interest rate of 17.93% on the cards they could access, in comparison to 16.13% for the average household in debt. Such credit cards may have such high interest rates that it is difficult or impossible for households to keep up with the payments, leading to more debt, worse credit, and a loss of wealth (Traub, 2014). African Caribbeans have also reported high annual percentage rates, averaging around 17.7% (Ruetschlin & Asante-Muhammad, 2013). In fact, Ruetschlin and Asante-Muhammad (2013) found that financial institutions would charge an average African American family with an average amount of debt an annual percentage rate that would result in at least \$100 more in interest than the average Caucasian family, even though they borrowed less. The challenges of employment, lower income, and lower wealth made it harder for African Caribbeans to control long-term investments, which made credit cards their best option (Ruetschlin & Asante-Muhammad, 2013). An additional finding from Traub's (2014) study was that Asians were more optimistic about paying off their credit debt faster than the overall population. Other research has found that those who are more optimistic are more vulnerable to credit debt (Kamleitner et al., 2012), which may explain why Asians were found to have such high credit debt. Overall, the literature indicates that, while minorities generally face financial disadvantages compared to Caucasians, certain races, such as African Caribbeans and Asians, are at an even greater disadvantage in regard to wealth and credit card services.

### **3.9 Racial Discrimination and Credit Card Services**

Some studies have examined the racial inequality in credit debt in light of the discriminatory practices currently occurring in the financial sector, in the context of both immigrants and British citizens in the United States. African Caribbeans and Asians have been found to have lower levels of financial wellbeing and wealth (Firestone, 2014; Painter, 2014), due to the fact that these groups received less financial assistance from their families and endured discrimination that limited their educational, occupational, and financial opportunities. Ethnic minorities face obstacles in attaining not only the same quantity of assets, but also the same quality (Painter, 2014; Painter et al., 2015). The poor consumer credit debt of Africans Caribbean's and Asians in comparison to Caucasian households reflects that discriminatory strategies, such as redlining and predatory lending, are aimed at ethnic or racial minority groups (Painter, 2014; Ruetschlin & Asante-Muhammad, 2013; Traub, 2014). This is especially the case for Hispanic and African American consumers. A study by Traub (2014) showed that



discrimination in national asset-building regulations resulted in African Caribbeans having just \$1 in assets for every \$20 owned by Caucasians. In regard to Hispanics, many credit companies frequently stereotyped them as risky borrowers and gave them access to only high-interest, subprime credit products (Traub, 2014). Thus, while some racial disparities are strongly rooted in race itself, some researchers have argued that they arose due to racial discrimination beyond an individual's control.

### **3.10 Immigrants and Financial Knowledge**

Overall, in comparison to the Caucasian community, ethnic or racial minority groups lack financial education and access to financial institutions. Ekanem (2013) described these findings as an outcome of poor financial knowledge in these minority groups. Using a qualitative methodology that involved in-depth, semi-structured interviews and direct observations, Ekanem (2013) examined the attitudes toward debt and bankruptcy in ethnic minority individuals, and found that less than a quarter of minorities had knowledge of bankruptcy compared to almost half of the Caucasian group. Furthermore, over half of the minorities interviewed thought that debt was wrong compared to over 85% of Caucasians who strongly believed that debt. In contrast, more than one third of minorities were accepting of debt, perceiving it as something that takes place due to the frequent availability of credit. However, some studies have produced conflicting results that suggest ethnic minority groups are more likely to have strong imperatives to settle debts and resist bankruptcy at all costs, due to their cultural and religious backgrounds (Kim et al., 2012; Alkhiary, 2015). This pattern has been most frequently found in Asian minority groups. For example, Kim et al. (2012) found that a common tactic in the Asian minority group was to speak with creditors and negotiate reduced payment. Overall, the research on immigrants requires further development to determine the specific effects that race has on financial knowledge and behavior, as some researchers have found greater financial knowledge in minorities while others have found the opposite to be the case.

### **3.11 Religion**

Ekanem (2013) observed that religion can influence many individuals' financial behaviors, noting that both Muslims and Christian held strong negative beliefs toward debt. Specifically, Muslims believed that all debts must be repaid in the present life or else this would affect them in the afterlife. Similarly, Christians believed that debts must be settled and saw bankruptcy as an unacceptable option. Finally, Ekanem (2013) found that shame and stigma had a greater impact on ethnic minorities, as these communities were close-knit and had strong ties with each other. The fear of bringing shame to the community was a powerful motivator for ethnic minority groups to avoid debt. In the Asian community, fear of stigma and shame was strongest compared to other ethnic minority groups (Ekanem, 2013).

In conclusion, being an immigrant has a significant influence on an individual's financial behavior and credit debt. African Caribbeans and Asians in particular show the most vulnerability to credit debt (Traub, 2014; Ruetschlin & Asante-Muhammad, 2013). However, there are studies that have found minorities to be more fiscally responsible than Caucasians (Ekanem, 2013; Killewald, 2013; Kim et al., 2012). Therefore, more research on immigrants and debt is needed to clarify these findings. Furthermore, the literature on immigrants and financial wellbeing has often presented statistics and valuable demographic findings, but researchers have rarely used models or social theories that are able to explain why these racial discrepancies exist.

### **3.12 Immigrants and Credit Debt**

The existing literature on immigrant status and credit debt was nearly non-existent. However, a small number of researchers had looked at the impact of immigrant status on an individual's overall financial wellbeing and wealth. Immigrants were one of the demographics found to be most likely to make financial mistakes (Klapper et al., 2012). Painter (2013) found that immigrants, especially African Caribbeans and Asians, with a foreign education tend to have lower wealth, and Kosse and Jansen (2013) discovered that immigrants are also less likely than native residents to own a savings and checking account. Whether stock ownership, asset ownership, or opening a bank account, Kim et al. (2012) found that immigrants are less likely to engage in the financial markets than native citizens. This evidence was considered particularly concerning as immigrants' financial wellbeing and economic integration is an important part of their journey to cultural integration (Painter, 2014). Additionally, the fact that most immigrants have a non-Caucasian racial background has important implications for how they adjust to their new home, which includes financial wellbeing (Painter, 2015; Painter, 2016).

### **3.13 Financial Literacy**

Karunaratne and Gibson (2014) studied variations in immigrants' financial literacy using surveys distributed to immigrant groups in Australia, and identified financial literacy among immigrants to be of special interest when studying their financial well-being. They found that a large number of immigrants who had migrated from poor countries to a rich country had lower rates of participation in the financial world due to language and cultural barriers or their limited previous experience with financial institutions in their home countries. For many immigrants, it took nearly a whole generation for financial assimilation to occur, which limited their financial experience. Zhan, Anderson, and Zhang (2012) studied the informal and formal financial services used by immigrants in the United States with low to moderate incomes. They found that immigrants had a greater tendency to use informal financial services, such as businesses that cash checks and offer payday loans, partly due to immigrants' lower levels of financial education. Zhan et al. (2012) also explored immigrants' attitudes toward financial services and found that the most important reason for immigrants not having a bank account was related to issues of cost and the complexity of opening a bank account. Hence, immigrants' lack of financial knowledge has played a large role in their lack of wealth in comparison to native citizens.

### **3.14 Assimilation and Acculturation**

Culture can also be a component of immigrants' consumption, saving, and investment decision-making behaviors (Jamshidi & Hussin, 2012; Kim et al., 2012; Xi, 2013). Living in a country different from their place of birth can place a large amount of stress on immigrants, who must constantly try to negotiate a balance between their culture of origin and the culture of their new home (Alkhiary, 2015). The literature on immigrants and economic wellbeing often drew on the concept of acculturation and assimilation theory, and researchers have commonly used assimilation theory to examine immigrants' journeys as they adapt to their new home. According to assimilation theory, race and immigrants are social boundaries integrated in a number of social, economic, and cultural differences at both the individual and greater social level (Painter & Qian, 2016). The theory states that the longer an immigrant lives in a certain country, the more accustomed they become to that country's traditions and rules, including financial establishments and habits. As a result, they have the opportunity to accumulate more

wealth. Moreover, an immigrant's native culture tends to diminish over time as later generations adopt the cultural patterns of the wider population (Painter & Qian, 2016).

Acculturation is similar to assimilation in that it describes the interaction between two different cultures. Alkhiary (2015) explained that acculturation occurs when people from different cultures begin to interact with each other, and that those interactions can change the way both groups behave and respond to each other. In many cases, this results in more changes to the subordinate group than the dominant group (Alkhiary, 2015). Acculturation operates on two levels. First, acculturation can alter the values, ideologies, and beliefs an individual has (Alkhiary, 2015). Combining this concept with the ABC model opened up the possibility that acculturation can have effects on the cognitive component of immigrants' attitudes toward credit card debt. Second, acculturation can influence an individual to learn and adapt behavior to reflect aspects of the dominant culture (Alkhiary, 2015). Again, when this knowledge was applied to the ABC model, it provided evidence that acculturation can affect the behavioral component of the ABC model. Specifically, if the acculturation concept holds true, immigrants may show evidence of adopting similar cognitions and behaviors toward credit debt as their native-born counterparts.

Kim et al.'s (2012) study uncovered supporting evidence for the theory of acculturation and assimilation. The study examined asset ownership of Asian immigrants using the New Immigrants Survey (NIS), a prospective-retrospective cross-sectional sample that was nationally representative of immigrants who had gained legal permanent resident status. Kim et al. (2012) found that new Asian immigrants differed in asset ownership compared to other new immigrants, by types of asset. Several Asian subgroups were found to be more likely to have higher levels of business, home, and financial assets than other new immigrants. This demonstrated that Asian immigrants tend to adapt quicker to their new financial culture in terms of acquiring assets. Interestingly, Kim et al. (2012) also found differences between ethnicities of a particular race in regard to financial asset ownership. For example, Chinese and Korean immigrants were most likely to own a home or financial assets; Indian immigrants were more likely to own a business, but less likely to own a home; and Vietnamese immigrants were less likely to own a home or have financial assets when compared to other immigrants. While they did not specifically study credit debt, Kim et al. (2012) found evidence that there were indeed correlations between ethnicities and financial wellbeing. The researchers concluded that the success of Asian immigrants in regard to asset ownership reflected their ability to acculturate to American financial behaviors. Despite initially having had a lower economic status, immigrants were able to increase their income as they assimilated over time. Although the discrepancies between certain Asian cultures provided some evidence for acculturation, Kim et al. (2012) did note a complicating condition: Many Asian cultures already practiced and advocated conservative and responsible financial habits; therefore, the findings may not have been a result of acculturation, but rather the continuation of their native culture over to the United States.

### **3.15 Findings Challenging Assimilation and Acculturation**

Kosse and Jansen (2013) found evidence that an immigrant's home culture may impede their need to assimilate to certain financial behaviors found within a new nation. The researchers examined whether an immigrant's foreign background had an impact on their financial behaviors. Their methodology consisted of conducting surveys of Dutch consumers from both domestic and foreign backgrounds. Kosse and Jansen (2013) reported that immigrants from

countries with more efficient financial establishments were more likely to have a bank account and to use formal financial markets than immigrants from countries with inefficient financial institutions. Further findings from the study revealed that immigrants from cash-oriented economies were more likely to use cash than credit cards. However, Kosse and Jansen (2013) also noted that, while individual immigrant payment habits could change over time, those changes usually occurred as a result of second-generation immigrants being more willing to adopt the same payment habits as individuals with a domestic background than their predecessors were.

Similarly, Alkhiary (2015) provided a challenge to acculturation and assimilation theory. Through a quantitative study, the researcher sought to examine the role of acculturation in influencing social and cultural practices in Saudi Arabian immigrants, and distributed surveys to Saudi Arabian immigrants in the United States. Alkhiary (2015) reported that, as a part of the culture, United States families did not save much of their income. In 2014, the personal savings rate was -0.5%, relatively low compared to France's 11.9% and Germany's 10.6%. However, immigrants' savings patterns in the United States were significantly different across the country. However, these patterns did not reflect the savings patterns of immigrants' country of origin. This inconclusive result could be explained by the study's participant demographics. Most of the participants were young adult immigrants. While some argue that young people are more likely to adapt to cultures quickly, the process of acculturation may supersede the young mind (Alkhiary, 2015). Despite this inconsistency, the study still provided evidence that both immigrants' country of origin and their new place of residence had some effect on their financial behavior that could distinguish them from native citizens. This study highlighted the need for researchers to explore immigration and debt to provide further insights on these discrepancies.

McCormack (2014) demonstrated how assimilation might not be beneficial to immigrants, showing that the concept of the American Dream was a contributor to immigrants choosing to adopt irresponsible spending habits. In the qualitative study on homeownership, bankruptcy, and financial responsibility, McCormack (2014) conducted interviews with 36 homeowners about their financial habits. Of particular interest were the findings from interviews with immigrants. For the participant immigrants, spending and owning certain possessions, such as a house and a car, represented accomplishments important to the American Dream (McCormack, 2014). They believed that spending could also lead to family growth, a sense of belonging, stability, and citizenship. Indeed, immigrants more often reported family, home, and stability as having an impact on their spending than native individuals did. Therefore, immigrants had a higher likelihood of using their credit card to achieve these symbols of the American Dream, often at the cost of accumulating debt that they could not afford to pay off (McCormack, 2014). Thus, certain aspects of Western culture may worsen the financial behaviors of immigrants as they assimilate to the culture.

The literature on immigration and financial wellbeing often used theories of acculturation and assimilation when explaining how immigrants adjust to the financial and economic habits in their new home country. Some studies provided evidence for assimilation and acculturation both occurring in immigrants and helping immigrants achieve higher wealth (Kim et al., 2012; Painter & Qian, 2016) On the other hand, several studies found either no evidence of assimilation and/or acculturation (Kosse & Jansen, 2013; Alkhiary, 2015), or that it led to a decrease in wealth (McCormack, 2014). The inconclusive findings on the role of culture in influencing financial behavior was a further motivator for conducting the present study, due to

the need for research examining the role of assimilation and acculturation in explaining how race and immigrant status affects credit debt.

### **3.16 Immigrants, Immigration, and Wealth**

Several studies by Matthew Painter have focused on immigration and finance, but also on immigrants themselves, similar to the present study. Painter (2014) advocated for the analysis of wealth (the net value of assets and debts) rather than income as it “adheres more closely to the conceptual and theoretical meaning of financial well-being” (p. 754). It allows researchers to assess not only the financial consequences of asset ownership and debt accumulation, but also the social processes that facilitate or impede immigrants’ economic integration. Furthermore, wealth accumulation is indicative of cultural values and lifestyles (Painter, 2014).

Painter (2014) explored the relationship between immigrant education, specifically over- and under-qualification, and wealth attainment. In a quantitative study, Painter (2014) used data from the NIS and found that educationally over-qualified immigrants had lower wealth attainment than those with adequate qualifications. This finding may be explained by the idea that the over-qualified immigrants attempted to alleviate status inconsistency between their educational attainment and career achievement in two ways: educational investment and consumption. The latter only helps immigrant status consistencies and wealth attainment in the short-term, while the former has the potential to create status consistencies without damaging an immigrant’s wealth (Painter, 2014). Surprisingly, under-qualification did highlight a significant difference in wealth attainment, suggesting that having less education in an occupation that requires more neither harms nor benefits an underqualified immigrant’s wealth attainment (Painter, 2014). The immigrants in the study may have differed from native individuals in regard to wealth attainment. For example, if an immigrant had prudent financial habits in their home country and continued this behavior in the United States, their savings would have allowed them to more quickly build financial stability (Painter, 2014).

Painter (2015) later narrowed the research focus to examine financial wealth attainment differences among immigrants with different skin tones within specific races. In this study, Painter (2015) again used the NIS data to examine skin tone and racial/ethnic differences in wealth among immigrants. The qualitative and quantitative study used statistical reports, such as levels of financial investments, bonds, and savings, as well as in-person interviews from the NIS. Painter (2015) based the study on social identity theory, which draws on the concepts of in-groups and out-groups. In-group membership comes with preferential treatment and access to greater resources, while out-group membership can often come with discrimination. Race and immigration are two of many areas in which this type social categorization can operate. In Painter’s (2015) study, whiteness and lighter skin tone was a defining feature of in-group membership, while darker skin tones were associated with out-group membership. Since, according to social identity theory, individuals mentally categorize others in terms of in- or out-groups, this can lead to differential treatment of certain groups of people. Painter (2015) found that both skin tone and being an immigrant were important factors influencing financial inequality among new immigrants. In particular, dark-skinned Asians and African American immigrants experienced a dual disadvantage in which both their skin tone and racial minority status presented obstacles to their financial wellbeing (Painter, 2015; Monk, 2014).

Painter and Qian (2016) compared immigrant racial/ethnic wealth to native racial/ethnic wealth using qualitative and quantitative data from the Survey of Income and Program Participation (SIPP), a continuous series of national panels of the American population, where the researchers interviewed participants every 4 months over 3 years using a central set of questions while cycling through relevant themes. The sample included both native and immigrant adults living in the United States. Painter and Qian (2016) found that Asian and Caucasian native citizens had nearly equivalent wealth, and that Asian and Caucasian immigrants also had nearly equivalent wealth. Nonetheless, Asian and Caucasian immigrants still lagged significantly behind their native counterparts in terms of wealth. For both the immigrant and native samples, Painter and Qian (2016) found that there was the same three-tiered order of wealth: Caucasians at the top, Asians in the middle, and African Caribbeans at the bottom. While social and financial capital were essential for immigrants to adapt to their new lives, their race and status as immigrants were also important predictors of their wealth. This explained why, regardless of immigrant status, there was still a racial stratification in wealth (Painter & Qian, 2016). Additionally, assimilation theory explained why immigrants from ethnic minority backgrounds tended to fair worse than European immigrants, and demonstrated that racial and ethnic realities lead to unequal opportunities and limitations for both immigrants and native citizens of different racial groups (Painter & Qian, 2016).

Painter's studies on immigration, race, and wealth shared similar goals to the present study; however, there are several discrepancies. First, Painter's studies examined overall immigrant wealth rather than specifically just credit debt. Second, all of Painter's studies took place in the United States. While the cultures in the United Kingdom and United States are relatively similar, national differences may contribute to differences in immigrant and citizen credit card usage. Lastly, only the study by Painter and Qian (2016) used a sample that included and compared both native citizens and immigrants. While focusing solely on immigrants provides useful insight, comparing immigrant results to native citizens has provided a more holistic assessment of how immigrants' credit status compares to the rest of the population.

#### **4. Considerations for Future Research**

There have been numerous studies linking credit debt to certain demographics. However, immigrants appear to be a demographic that has not been explored to a great extent. Most of the research on immigrants examines their wealth as a whole but not specifically at immigrant credit debt (Painter, 2014; Painter, 2013; Painter, Holmes, & Bateman, 2015; Painter & Qian, 2016). Additionally, no study has attempted to apply the ABC model to this context. New research that addresses these concerns may potentially give banks and other financial institutions that provide loans insight on the consumer and credit card habits of U.K. immigrants from different ethnic groups so that they can better accommodate their needs. Understanding consumers' debt and credit card usage can help policy makers develop efficient solutions that target the negative credit card balances that these individuals are burdened with. By identifying the relationship between credit debt and immigrant status, researchers can obtain insight on the role played by an individual's ethnic group in the rate of home equity decline as well as the overall net wealth of a household, especially following the 2008 financial crisis (Dwyer (2018), Wang, Malhotra & Lu, 2014).

A working knowledge of the essential factors that impact the rise in debt levels of immigrant households in the U.K. could help policy makers and government officials develop and execute better strategies for countering this effect. Furthermore, additional information in this sector

may also be relevant to the Financial Conduct Authority of the United Kingdom's recent review of the financial institutions and banking services, in which it was found that an increased level of credit debt had been emerging for the past few years (Painter, 2014). Moreover, understanding which behaviors are associated with which ethnicities in regard to repaying credit debts and unnecessary credit cards allows banks and other financial lending institutions to learn how to better assist specific groups with their credit transactions (Painter, 2014). Finally, this would contribute to the existing scholarly literature on the relationship between consumer debt and immigrant status in the United Kingdom, which researchers in the area of finance and socioeconomics have paid special attention to in the last decade.

While there exists a vast body of literature concerning credit debt, there are several gaps that can be explored. First, no study has explored the influence of race on immigrants and native citizens. More specifically, no study has explored this issue in the context of the United Kingdom. Lastly, the literature on both socialization and immigrants has provided conflicting conclusions. Studies on the influence of social circles have suggested that immigrants can eventually learn the financial habits of their native counterparts. However, the literature on immigrants shows that individuals of these ethnicities have certain financial values and behaviors already heavily ingrained. Therefore, their culture and status as an immigrant may impede on the effects of socialization. For this reason, insight into this area is important because understanding what certain communities and groups do with money can reveal much about their goals and about how their social norms are structured (Lazzer, 2014).

## 5. Summary and Conclusions

Given the worldwide credit crisis, it is necessary to assess the various factors that contribute to this issue. As detailed in the literature review, some of the factors contributing to credit debt can be attributed to redlining and predatory lending by financial institutions (Painter, 2014). This is evidenced by the negative impact that these types of discriminatory practices have had on the consumer credit debt of African Caribbean and Asian in comparison to Caucasian households (Painter, 2014; Ruetschlin & Asante-Muhammad, 2013; Traub, 2014). In light of both the racial inequalities associated with credit debt (Firestone, 2014; Painter, 2014) and the record high levels of household debt in the United Kingdom in 2015 (Federal Reserve, 2013), it is important to determine the relationship between immigrants and the credit debts of immigrants and U.K. citizens. Identifying which financial behaviors pertain to certain ethnic groups provides helpful insights that can be used by financial institutions and government agencies to determine how to solve financial issues.

Researchers have identified many common themes when examining what factors contribute to financial behavior and debt. They include social factors, such as the influences of an individuals' social circle (Kamleitner et al., 2013; Kennedy, 2013; Sotiropoulos & D'Astous, 2012), and psychological factors, such as self-control (Kamleitner et al., 2012; Oksanen et al., 2015; Mittal & Griskevicius, 2014; Peltier et al., 2013; Russell, Whelan, & Maitre, 2013; Sotiropoulos & D'Astous, 2013; Yang & Lester, 2014;) and materialism (Kamleitner et al., 2012; Peltier et al., 2013; Yam et al., 2012). Researchers have also linked certain demographics to credit debt such as young adults (Dean et al., 2013; Jiang & Dunn, 2013; Kamleitner et al., 2012; Oksanen et al., 2015; Patel et al., 2012; Russell et al., 2013; Sotiropoulos & D'Astous, 2013; Sotiropoulos & D'Astous, 2012; Yang & Lester, 2014), lower-income individuals (Kamleitner et al., 2013; Oksanen et al., 2015; Shefrin & Nicols, 2014), and those with less

financial education (Alkhiary, 2015; Dean et al., 2013; Kamleitner et al., 2012; Klapper et al., 2012; Shefrin & Nicols, 2014; Sotiropoulos & D'Astous, 2013).

## 6. Recommendations and implications

The results of this study are also important to the analysis carried out by the Financial Conduct Authority of the United Kingdom of the financial services and banking industry, in view of the rise in credit debt that has occurred over the past several years. In addition, the findings of this study can help to recognize individuals that are especially susceptible to credit debt, which will be favorable. In addition to the above, these results can help bring about meaningful social change by providing banks and lending institutions with detailed knowledge about how they should handle the credit lines of the specific groups studied. Many studies have connected credit debt to some groups, but there has been inadequate study on immigrants as a demographic in relation to credit debt so far. Most immigrant studies have analyzed their income overall, but not directly in terms of immigrant credit debt. Understanding which racial groups demonstrate these habits in terms of paying off loans and wasteful consumer loan expenditure offers useful information to banks and financial agencies about how they should handle certain individual groups' credit lines. Finally, the results of this analysis have broadened the awareness of the relation between credit debt and immigrant status in the United Kingdom, which has been the focus of increasing concern among financial, economic and ethnopolitical scholars.

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