The Attitudes of Chinese Young People Towards Financial Debt

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Abstract

More and more Chinese young people overdraw their money to buy something which they don’t have enough money to afford. At the same time, there was an increase in the risk of repayment problem which can influence their financial stress. The aim of this article was to investigate attitudes towards financial debt among Chinese people aged 18 to 35 and whether financial knowledge was helpful for young people to properly manage their finance. The methodology was a questionnaire which was a sample of 18 to 35 individuals. The results were that there were more young people who have financial debt. Otherwise, financial knowledge can help them to manage and plan their money.

Keywords

Financial Debt; Financial Knowledge; Financial Stress; Credit Cards.

1. Introduction

Most students choose to use credit card as a way to purchase these things. There was a dramatic increase in students used credit card, rising from 67% to 83% between 1998 and 2001 in America. [7] In addition, many electronic commerce created a lot of businesses which people can buy something by installment in China. Nelson found that there were one in four student who had debt over $1000 on credit card in America. [8] The use of credit card can cause students lower self-control and they are under pressure to repay their debt for a long time, which is harmful to their physical and mental health. [5] Therefore, financial management is more and more essential for people’s future life, they need to prepare for retirement and their students’ tuition. [2] Having economical knowledge can help people avoid financial risks and make certain profits. In addition, it is beneficial for young people to enhance self-control and self-awareness. Less financial knowledge leads to more different debt and less profit. [9] Participants with abundant financial knowledge spend less than their income compared to those with less financial knowledge. [5]

There are little surveys which are about the attitudes of young Chinese people. For example, wether finance should be a compulsory subject when people go to college. By investigating their choices of debt, the amount of overdrafts, and perceptions of risks, we can analyze whether their attitudes are related to their personality, gender, major and financial knowledge.

1.1. The behaviour of people on financial debt

There are many different forms of financial debt for young people, such as credit card, mobile app, Internet Corporation and so on. It showed an upward trend where people mainly use personal loans and credit cards in the last ten years. [6] It explained that people are more likely to solve financial difficulty by credit card and borrowing money. Many students have more than two credit cards. According to Robby and Sharp “Similar to seniors, 96% of graduate students reported owning at least one card; on average, they had 6 credit cards in America”. [10]
Otherwise, gender don’t have an influence on the behavior of debt.[4] It is obvious that credit cards make life easier for people, they can temporarily relieve people’s economic pressure and help them to buy expensive products. In some emergency situations, students can temporarily use credit cards to pay for medical expenses and purchase air tickets, and increase the amount of overdraft limit through good credit records. [1] In addition, for undergraduates, assuming financial debt can relieve their pressure when they must pay for tuition and accommodation and living cost. [5]

1.2. The perspective on the financial debt

If people cannot afford to pay for it, they will lose credibility and pay more interest in the future. It will lead too much debt which need to pay, and they need to more wisely arrange their funds. [3] There is no interest subsidy on the use of credit card, and the interest rate will be higher when the repayment date is delayed. [7] Excessive reliance on credit cards for a long time can lead to a lack of self-control and more debts. Debt can make people more anxious and long-term use of credit cards adds more debt. [2] In one study, “the majority of undergraduate had a heavy burden on debt which was average over $1,000, and the ratio of income to debt was 3:1”. [9] The perception of financial risk is different from the change of age. Older people are more likely to be afraid of risk. [3] The perspective of financial debt is related with gender and personality. A study showed that women had fewer risky assets. [11] Adequate financial knowledge is helpful to people’s financial management. Less financial skill is not beneficial for their capital allocation. [4] The lack of knowledge about credit cards cause consumers to pay more for services fees. [6]

1.3. The effects of financial knowledge on people’s attitude

Financial knowledge is more beneficial for young people to manage use of their finance. If consumers were paying more and more attention to financial knowledge that could help them management their account better. [11] Furthermore, young people can learn more about the dangers and risks of financial debt. Having a lot of knowledge about economy can affect financial behaviors. [10] At the same time, they will be more cautious about using credit card and over-drafting funds. Students who have studied financial knowledge are able to better control themselves in the use of credit cards and arrange funds. [6] On the other hand, if they can make a reasonable use of credit card and other ways to get money, they can use the money to make more money and more profits. People who lack of financial knowledge tended to make wrong decisions in investments spending and financial management. [6]

2. Summary and Discussion of Results

2.1. The behaviors of people on financial debt

This study found that 75% people have at least one credit cards, and 25% people do not have credit card, which is less than the study by Robby and Sharpe, they said that 96% people had more than one credit card in America. [10] Most people are more likely to use credit cards and borrow money from Network Company, 72.5% and 67.5% people often use credit cards and Network Company to borrow money. Otherwise, people can use credit cards in emergency situation. Majority of people often use credit cards to pay expensive tuition and medical fee and buy tickets, less people buy expensive products. There are some similar results with D’agostino, he said that in some emergency situations, students can temporarily use credit cards to pay for medical expenses and purchase air tickets. [1]

2.2. The perspective on the financial debt

There are many disadvantages and advantages when people use credit cards. 77.5% people agree that they will pay more interest in the future, 55% people disagree that it relieve financial
pressure. Therefore, this study results that many people can use credit cards in emergencies. Otherwise, it may be influence people’s credibility. This debt is agree with Hay Hoe, he said that it would lead too much debt which need to pay. [3] When people don’t have enough money to repay their financial debt, most people (67.5 %) choose to borrow money from their family and friends. which is more than Hoeve, 22% people had financial problems. [3] When people have extra money, 50% people choose to save half of money. Then, Most of them (70%) always choose to invest money in a bank account, many of them never invest their money in debenture (47.5%) and stock (72.5%), some people (67.5%) never buy investment products. Therefore, more people are more likely to invest low risk investment.

2.3. The effects of financial knowledge on people’s attitudes towards financial debt

Majority of people learned finance in the school and internet. And most people have leaned finance less than one year, just 15% people leaned finance more than 3 years. Otherwise, 88% people want to learn more financial knowledge, and most of them want to learn finance by online courses. This study is similar with Sevim, Temizel and Sayılır. They said that consumers were paying more and more attention to financial knowledge that can help them management their account better. [11] And Robb and Sharpe wrote that young people can learn more about the dangers and risks of financial debt. [10] Having a lot of knowledge about economy can affect financial behaviour. Otherwise, people who lack financial knowledge tended to make wrong decisions in investments spending and financial management. [2] That means financial knowledge help people invest their money and avoid risks of investment.

3. Conclusion

People want to know more financial knowledge by online course, rather than classroom, otherwise, 57.5% people think finance should not be a compulsory course in the college, they think people can choose the course if they are interested in finance. There are more and more people use credit card in their daily life, and some of them have many repayment problem. Therefore, credit card companies could be made create an online educational course that young people have to take before they can have a card. It can teach people some basic financial information, such as how to manage and plan your money, how to avoid the risk of financial debt. It is useful for people in their life. Otherwise, for the bank, they should have strict standard when people use credit cards, they should control the balance between income and debt. For people, they should learn basic financial knowledge, and control themselves and avoid too much debt.

In conclusion, there are more and more people who have at least credit cards. And when people use credit cards, there are disadvantages and advantages. If people have too much, it may be cause repayment problems. Otherwise, financial knowledge is useful for young people to plan and manage their money, and most people want to learn more financial knowledge, they think it can help to avoid the risks of investment. However, they think finance should not be a compulsory course in the college, they think people can choose these course if they want to learn basic financial knowledge. And most people are more likely to learn finance by online course.

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