8th International Conference On Opportunities and Challenges In MANAGEMENT, ECONOMICS and ACCOUNTING

19-21 November 2021 Paris, France

Consumers’ Financial Decisions When Using Credit Cards

Moty Amar
Ono Academic College

Abstract

According to the Experian data (2019), US consumers have 829 million credit cards debt and the average American has no less than 4 credit cards. Since 2010, this credit cards debt has enormously raised in more than 25%. Apparently Americans, like others, have a real difficulty balancing their credit accounts and restraining their expenses in the most efficient/economical way. In light of this, increase the understanding regarding the ways people manage their multiple credit cards is important. It is relevant not only to consumer researchers and policy makers seeking to nudge financial decision making in positive directions but to banks and other credit card providers who manage risk by assessing how fast their loans will be repaid. This paper explores behavioral patterns underlying credit card expense management. Rationally, consumers should always use the credit-card with the lowest interest rate. However, using an incentive-compatible game, we show in 4 different experiments that participants tend to balance credit-card expenses equally, irrespective of the cards' interest rates, and that this tendency can also affect which expenses participants choose to make.

Keywords: Consumers, debt, expenses, mental accounting, balancing