

## **Materialism, Status Consumption and Credit Shopping Behaviour among South African University Students**

Pieter van Schalkwyk\* and Ayesha L. Bevan-Dye\*\*

*This paper examines how materialism and status consumption influence the credit shopping behaviour of South African Generation Y university students. A convenience sample of 514 undergraduate students was drawn from three campuses of registered South African public higher education institutions. The results show that while a statistically significant positive relationship exists between materialism, status consumption and credit shopping behaviour, the participants did not report irresponsible credit shopping behaviour.*

**Keywords:** Status consumption, Materialism, Credit Use, Student debt, South Africa

### **1. Introduction**

Finance has at its core two functions, namely to allow individuals to store surplus income for the future and to allow borrowers access to future earnings today (Gobat, 2012). For many years, the prevailing wisdom was that borrowing and debt are bad and something best avoided. However, this attitude has gradually changed to a point where a certain amount of debt is now seen as acceptable and even advantageous, in the sense that debt may play a beneficial role in the lives of consumers, helping them improve their living standard and social wellbeing (Ironfield-Smith et al., 2005). According to Jacobs and Smit (2010), this sentiment is shared in South Africa where a culture of consumption has developed that has led to increased spending and higher levels of indebtedness. Credit, however, is a mixed blessing to many South Africans. Many consumers spend everything they earn or even more than they earn without even realising that they are doing so (Mapother, 1999). Obtaining more credit is often seen as equivalent to obtaining additional income without any clear cognition of the future cost and consequences of that debt (Mapother, 1999). For many people, this is partially due to the abstract and unreal quality of credit transactions (Roth, 2008).

South Africa currently has close to 29 million credit active consumers who collectively owe R1.64-trillion and of which 11 million are over indebted (Anon, 2016). The average debt to disposable income ratio is close to 75.8 percent (Maswanganyi, 2013). This means that 75.8 percent of disposable income is spent on debt repayments and is high enough to raise the concern of the Governor of the South Africa Reserve Bank (SARB) Gill Markus (Marcus, 2012a). This high debt to disposable income ratio often forces consumers to take out additional loans to repay their existing loans – something that further aggravates the problem and causes many people to become over indebted. They become enmeshed in a situation where the interest charged on their additional loans increases their financial obligations to the point where they are unable to repay any of their loans and they are eventually blacklisted (Stoop, 2009). Naturally, the effects of being blacklisted can be quite serious to a consumer

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\*Pieter van Schalkwyk, North-West University (Mafikeng Campus), South Africa, [schalkpjvs@gmail.com](mailto:schalkpjvs@gmail.com)

\*\*Ayesha L. Bevan-Dye North-West University (Vaal Triangle Campus), South Africa, [ayeshabevandye@gmail.com](mailto:ayeshabevandye@gmail.com)

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and include not being able to obtain further finance, higher interests rates, difficulty in renting property and higher insurance premiums. Furthermore, given that certain employers will not hire individuals who have been blacklisted there is the added problem of potentially not being able to find the necessary employment to repay those loans (Irby, 2014).

There are several factors that have to be considered when examining South Africans credit woes. Primary among them are past discrimination based on race and gender, which has led to a significant disparity between different groups of South Africans. This discrimination was not limited to the public sector but was also practised in the private sector, and the apartheid system “supported, encouraged and even demanded discrimination and unfair treatment of customers by business entities”. The legacy of this systematic discrimination is a situation where many people lack financial knowledge and experience, which, in turn, leaves them vulnerable to exploitation and unethical marketing (Rampersad & Reddy, 2012). This has led to many problems, including the emergence of the micro-lending industry, which often supply money at exorbitantly high interest rates. In an effort to protect consumers from becoming over indebted and to protect them from such unethical practices the government enacted the National Credit Act (NCA), which focusses on a number of problems, including the high cost of credit or lack of access to credit, vulnerable consumers being taken advantage of, reckless granting of credit, and unethical debt collection (Kelly-Louw, 2008).

Today’s Youth, currently labelled Generation Y (individuals born between 1986 and 2005) (Markert, 2004) have been socialised in a materialistic and brand-conscious society (Wolburg & Pokrywczynski, 2001) and actively pursue status consumption lifestyles despite many having not yet achieved financial independence from their parents (Kim & Jang, 2014). Given the notion that materialism and the desire to own status goods leads to risky financial behaviour, including the accumulation of debt (Richins, 2011) and that young people, who are often viewed as being more impulsive in their spending and less knowledgeable about personal finance, members of the Generation Y are susceptible to credit misuse (Pinto et al., 2000). This is especially true of the university student cohort of Generation Y. University students are expected to have higher than average earning power and thus they are a desirable market segment and are aggressively targeted by credit providers (Mansfield & Warwick, 2000). This is also true in South Africa where banks are increasingly targeting students, not only with student loans but also with student-specific credit cards (Goko, 2013). A recent study among university students found that their credit card usage increased from 9.5 percent in 2010 to 45 percent in 2012 (Goko, 2013) and that 24 percent use store credit to buy clothes (Anon, 2013). Furthermore, in the study 50 percent of the 18 to 25 year old indicated that they were battling to pay their debts, while those in the next age group (the 26 to 35 year old group) were found to be even more heavily indebted (Goko, 2013).

While a number of studies have investigated credit management and behaviour amongst Generation Y university students (Pinto et al., 2000; Roberts & Jones, 2001; Norvilitis et al., 2006; Nga et al., 2011), the relationship between materialism and status consumption (Eastman et al., 1997; Roberts, 2000; Goldsmith & Clark, 2012) and the influence of either materialism (Pinto et al., 2000; Watson, 2003; Pirog & Roberts, 2007; Nga et al., 2011; Richins, 2011) or status consumption on credit management and behaviour (Pettit & Sivanathan, 2010), there is a dearth of published literature, especially more recent literature on the influence of both materialism and status consumption on Generation Y university students’ credit behaviour. As such, this study focused on determining the

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influence of materialism and status consumption on Generation Y university students' credit shopping behaviour in the South African context in order to add insight into the factors that drive credit use behaviour amongst the Youth.

This paper first addresses the concept of materialism along with the link between materialism and debt. Then, the literature review describes status consumption and the association between materialism and status consumption. In the methodology section, the authors describe how data was collected and how the model was developed. Then the findings section describes the demographic results, the correlations between materialism, status consumption and credit shopping. The summary and conclusion section describes the positive relationship between status consumption, materialism and credit shopping among students.

### 2. Literature Review

From an economic viewpoint, individuals are usually regarded as rational decision makers who always seek to increase their wealth and maximise the utilities generated from money (Finn, 1992). This, however, is a rather simplistic view as several other factors also influence consumer behaviour. These factors affect individuals' attitudes toward money and their decisions and behaviours involving money, rendering the symbolic meanings of money as important an aspect of money as its economic value (Medina et al., 1996). Previous studies show that conditioning and the influence of factors such as lifestyle, upbringing and family structure determine how people behave. These factors drive attitudes towards money and materialism, which is also influenced by self-esteem and self-control when related to non-essential consumption and purchasing decisions (Rindfleisch et al., 1997). The economist and sociologist Thorstein Veblen (1857–1929) was one of the first people to develop a theory that took cognisance of the emotional value of spending. Veblen introduced the concept of conspicuous consumption in his 1899 book titled 'The Theory of the Leisure Class: An Economic Study in the Evolution of Institutions'. In the book, he attempts to describe how the *nouveau riche* social class who emerged during the Second Industrial Revolution (ca. 1860–1914) spent lavishly on visible goods to prove that they were prosperous (Ordabayeva & Chandon, 2010). In the social and historical context, the term conspicuous consumption was narrowly applied to describe the men, women, and families of the upper class who applied their great wealth, acquired as a result of the accumulation of capital, as a means of publicly manifesting their social power and prestige, be it real or perceived (Charles et al., 2009).

Materialism is commonly defined as "the importance a consumer attaches to worldly possessions" although several different definitions and approaches have been used to study materialism (Belk, 1984). Csikszentmihalyi and Rochberg-Halton (1978) distinguished between terminal materialism, in which consumption is an end in itself and there is little interaction between owner and object, and the status associated with owning the object is of primary value; and instrumental materialism, where objects are used in order "to make life longer, safer, more enjoyable". Richins and Dawson (1992) developed the Material Values Scale, which interprets materialism as being composed of three correlated components, namely the importance of acquisition and possessions, the judging of personal success on the basis of acquisitions, and the belief that happiness depends on the acquisition of material possessions.

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Given the emphasis on material possessions and the belief that acquiring more possessions is essential to happiness, materialism is generally viewed as a negative trait (Segal & Podoshen, 2013). Research has shown that more materialistic individuals tend to be less satisfied with their lives (Tsang et al., 2014) and Segal and Podoshen (2013) found that materialism can lead to individuals judging themselves or others based on their material possessions, which has led to materialism being associated with a lower quality of life and personal well-being. This idea is supported by several studies, which found that a negative relationship exists between materialism and well-being (Burroughs & Rindfleisch 2002; Deckop, Jurkiewicz, & Giacalone 2010; Kasser & Ryan 1993). The materialism personality trait has also been linked to a failure of self-control (Kim, 2013). Despite these findings, Richins and Dawson (1990) are of the opinion that the negative connotation that materialism carries is not always justified, countering that materialism may also encourage productivity, which, in turn, may lead to the betterment of society as a whole.

From a consumer behaviour perspective, Belk (1985) questions whether marketing causes materialism or merely contributes to materialism, which leads back to the study of materialism at the individual level in an attempt to understand the interactions between materialism and various marketing activities such as advertising (Richins & Dawson, 1992). According to Richins (2004), the reason why materialism is still of great interest, is because materialism continues to influence the way in which people interpret their environment and structure their lives.

Previous studies have found that materialism is an important variable in predicting a consumer's propensity for incurring debt (Ponchio & Aranha, 2008). There are several reasons for this, including materialists not manage their credit properly, believing that their purchases will transform their lives and making purchases for emotional reasons. Although people who are more materially inclined should, in theory, manage their money in such a way as to maximise their buying power, in reality they tend to borrow more and view borrowing in a more favourable light, save less and spend more, overuse credit cards more frequently. Moreover, while materialistic individuals tend to worry more about finances than the average consumer, the worry does not translate into better financial decisions. (Donnelly et al., 2013).

South Africans' spending patterns and levels of indebtedness have received significant attention and regulators, monetary policy committees and businesses alike have been keeping a close watch on this country's evolving 'culture of consumption'. A recent study by Duh et al. (2014:1) found that South African young adults are more materialistic than French young adults. This is supported by research that indicates that consumers in developing countries tend to be more materialistic than those in developed countries (Postel, 2008) and that materialism may originate from either deprivation experiences or cultural influences (Watson, 2015). People who grow up feeling disadvantaged embrace materialistic values in an attempt at compensation for their perceived lack of resources in their childhood (Watson, 2015:134). Khare (2014) linked an increase in materialism to overspending and people borrowing money to acquire material possessions. So it may be argued that materialism is contributing to South Africans' indebtedness. Schussler (2003) and studies performed by the Human Sciences Research Council (2003) found that debt was increasingly being incurred by lower-income earners. This is not true for everyone though and although some cultures and countries are thought to be more materialistic than others, there are also differences between individuals, with some people being content with far less, doing charitable work or even relinquishing all personal possession to enter

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religious life (Richins & Dawson, 1992; Belk, 1985). Even at the individual level, materialism may vary and change with age, experience and circumstances (Belk, 1985).

Status consumption, which is closely related to materialism, refers to “the motivational process by which individuals strive to improve their social standing through the conspicuous consumption of consumer products that confer and symbolize status both for the individual and surrounding significant others” (Eastman et al., 1999).

Veblen (1899) coined the phrase conspicuous consumption after he realised that the importance a person attaches to image and status may drive consumption and he proposed that “desire of every one to excel everyone else in the accumulation of goods [where] the end sought by accumulation is to rank high in comparison with the rest of the community in points of pecuniary strength”. This theory has served as the basis for further research by several authors. Some, like Eastman, Goldsmith and Flynn (1999), use the term status consumption, while other authors, such as Dupor and Liu (2003), refer to this phenomenon as “keeping up with the Joneses”. Nga et al. (2011) describes it as image consciousness, which is “the perception that social approval can fill the lack of self-esteem within individuals”.

According to Belk (1995), possessions help an image conscious individual to overcome feelings of anxiety and inferiority, in that possessions are viewed as an extension of the self and are central in improving an individual’s social image. Goldsmith and Clark (2012) found that image consciousness and buying products that confer status are also related to materialism. Income and possessions not only affect how we see ourselves but, according to Furnham (1984), our income also determines how others see us - hypothetically rich people are seen as healthy, happy and well-adjusted, while seemingly poor people are seen as maladjusted and unhappy. According to Ordabayeva and Chandon (2010), people compare themselves to others to measure how well they are doing. This is known as the Social Comparison Theory. Unfavourable comparisons can cause feelings of envy and inferiority and may motivate people to attain and display the same level of possessions as those people that they view as better off (Ordabayeva and Chandon, 2010). According to Pritchard (2013), it was the development of mass media at the end of the 19th century that sparked the race between consumers with their advertisements for products that would help people catch up with the Joneses. Advertising instils a sense of inadequacy and reinforces a preoccupation with physical attractiveness, which, in turn, encourages the sales of certain products to enhance their looks (Martin & Kennedy, 1993). Research by Eastman and Iyer (2012) indicates a significant negative relationship between a consumer's cognitive age and the motivation to consume for status and that consumers who feel younger, such as university students, are more likely to be status consumers. Seen together with the research that indicates a high propensity towards conspicuous consumption among the poor and in emerging economies (Postel, 2008), this may provide insight into the spending habits of South African students whom are often from poor backgrounds. Ordabayeva & Chandon (2010) explain the argument that “consumers at the bottom of the distribution spend a larger proportion of their budget on status-conferring consumption in order to reduce the dissatisfaction they feel with their current level of possessions due to the widening gap between what they have and what others have”. Shukla (2008) warns that status consumption is often irrational in its expression and motivation, as opposed to the idea of rational consumers held by economists (Finn, 1992). This is important since evidence shows that low savings and high conspicuous consumption are most harmful to low-income households according (Ordabayeva & Chandon, 2010).

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In a study of South African Generation Y university students aged between 18 and 24 years, Bevan-Dye et al. (2012), found that students exhibit strong materialistic and status consumption tendencies and that there is a significant positive association between these two constructs. This positive relationship between materialism and status consumption is echoed in the findings of several other studies (Eastman et al., 1997; Roberts, 2000; Goldsmith & Clark, 2012). Extending on the Bevan-Dye et al. (2012) study, the purpose of the study reported here was to determine the influence of materialism and status consumption on South African university students' credit shopping behaviour. The assumption here was that individuals shop in a less responsible manner when they shop on credit, and that status consumption and materialism drive such behaviour. This assumption is in line with several studies reported in the literature. For example, materialism is reported as a statistically significant predictor of having a positive attitude towards credit (Pinto et al., 2000; Richins, 2011), and propensity for credit card misuse (Pirog & Roberts, 2007) and general credit overuse behaviour (Richins, 2011). Similarly, Roberts (2000) reports a statistically significant positive relationship between status consumption and compulsive buying behaviour, a scale that includes an items dealing with irresponsible shopping behaviour and poor credit management.

### 3. Methodology and Model

The study followed a descriptive research design utilising the single cross-sectional approach for the data collection.

The target population was specified university students aged between 18 and 24 years, registered at a public South African higher education institution. The extent of the target population was narrowed to those higher education institution campuses situated in the country's Gauteng Province. Thereafter, judgement sampling was employed to select three campuses in such a way as to ensure that the sample included participants from each of the three types of higher education institutions that exist in South Africa, namely traditional universities, comprehensive universities and universities of technology. Using non-probability convenience sampling, fieldworkers distributed 660 questionnaires across the three campuses (220 per campus) to students who indicated that they were willing to participate in the study.

The required data was collected using a self-administered questionnaire that included a section requesting demographic particulars and a section containing scales from previously published studies. Materialism was measured using Richins and Dawson's (1992) three item scale, status consumption was measured using Eastman and Liu's (2012) five item scale and credit shopping behaviour was measured using three items harvested from the scale developed by Nga, Yong and Sellappan (2011). These three items are "I am more impulsive when I shop on credit", "I spend more money when I buy on credit" and "I am less concerned about the price of a product when I buy on credit". All scaled responses were measured on a six-point Likert-type scale that ranged from strongly disagree (1) to strongly agree (6).

The captured data was analysed using the IBM Statistical Package for Social Sciences (SPSS), Version 23. Data analysis included frequencies, the Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy (values  $\geq 0.6$  are acceptable) and Bartlett's Test of Sphericity (significant values of  $p < 0.01$  are acceptable), confirmatory principle components analysis using varimax rotation, the mean inter-item correlation coefficient

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(values > 0.2 acceptable) (Pallant, 2010:97, 192) to measure internal-consistency reliability, descriptive statistics, Pearson's Product-Moment correlation and linear regression. The significance level for both the correlation and regression analysis was set at  $p < 0.01$ .

### 4. Findings

Of the 660 questionnaires distributed, 514 usable questionnaires were returned, representing a response rate of 78 percent. Of these participants, 57 percent were female and 43 percent male. Participants from each of South Africa's nine provinces, as well as each of the seven age categories specified in the target population definition were represented in the sample. At 41 percent, most of the participants in the study were registered at the university of technology, followed by 32 percent from the comprehensive university and 27 percent from the traditional university. A description of the sample is outlined in Table 1.

**Table 1: Sample description**

Gender	Percent (%)	Province	Percent (%)	Age	Percent (%)	Institution	Percent (%)
Female	56.6	Eastern Cape	3.3	18	3.7	Technology	40.9
Male	43.4	Free State	8.4	19	10.9	Traditional	27.4
		Gauteng	51.0	20	22.0	Comprehensive	31.7
		Kwazulu-Natal	5.3	21	28.0		
		Limpopo	16.5	22	17.9		
		Mpumalanga	8.4	23	9.9		
		North West	5.8	24	7.6		
		Northern Cape	0.8				
		Western Cape	0.6				

A Kaiser-Meyer-Olkin (KMO) value of 0.871 and a significant Bartlett's test of sphericity (chi square = 2089.422, 55 dfs,  $p < 0.01$ ), indicated the sampling adequacy and factorability of the data. Principle components analysis, using the varimax rotation, was then performed on all scaled items. In addition, the internal-consistency reliability of the extracted factors was assessed by computing the mean inter-item correlation coefficients. According to Pallant (2010:97), this is the preferred measure of internal-consistency reliability for scales that comprise fewer than 10 items. Table 2 presents the rotated factors, communalities, variance extracted, eigenvalues and mean inter-item correlation coefficients for the extracted factors.

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**Table 2: Rotated factors**

Items	Factors			Communalities
	1	2	3	
1		0.761		0.589
2		0.790		0.629
3		0.622		0.422
4			0.562	0.538
5			0.577	0.427
6			0.801	0.654
7	0.823			0.698
8	0.862			0.774
9	0.864			0.772
10	0.870			0.784
11	0.788			0.640
Percentage of variance	37.898	15.038	10.044	
Eigenvalues	4.169	1.654	1.105	
Mean inter-item correlation	0.667	0.344	0.213	

In line with the literature, three factors were extracted that explained 62.98 percent of the variance. As shown in Table 2, each of the items had loadings of above 0.50, with most being above 0.70. In addition, each of the communalities were above 0.40, which indicates that a sufficient portion of each item's variance is accounted for by the factor solution (Hair, *et al.*, 2010:136). Furthermore, the mean inter-item correlation values for each of the three factors exceeded 0.20, thereby indicating internal-consistency reliability.

The descriptive statistics were then calculated, followed by the construction of a correlation matrix. The means, standard deviations and Pearson's Product-Moment correlation coefficients are presented in Table 3.

**Table 3: Descriptive statistics and correlation coefficients**

Constructs	Means	Standard deviations	Materialism	Status consumption
Materialism	3.89	1.09		
Status consumption	3.04	1.36	*0.362	
Credit shopping behaviour	2.98	1.25	*0.270	*0.240

\*Significant at the 0.01 level

With a mean value below 3.5 on a six-point scale, the evidence in the sample suggests that South African university students shop in a responsible manner when they shop using credit (mean = 2.98) and are not particularly status consumption oriented (mean = 3.04); however, they are certainly materialistic (mean = 3.89). As is evident from Table 3, there was a statistically significant positive relationship between materialism and status consumption ( $r = 0.362$ ,  $p = 0.000 < 0.01$ ) and between materialism and credit shopping behaviour ( $r = 0.270$ ,  $p = 0.000 < 0.01$ ), as well as between status consumption and credit

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shopping behaviour ( $r = 0.240$ ,  $p = 0.000 < 0.01$ ). This statistically significant positive relationship is in line with the findings of Roberts (2000).

Linear regression was then conducted to determine the influence of materialism and status consumption on South African university students' credit shopping behaviour. The regression model summary and ANOVA results are reported in Table 4.

**Table 4: Regression model summary and ANOVA results**

	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	F	p-value
<b>Model 1</b>	0.310	0.096	0.093	27.22	0.000

As shown in Table 4, the significant F-ratio ( $p < 0.01$ ) suggests that the regression model predicts university students' credit shopping behaviour. However, the R<sup>2</sup> value indicates that only 10 percent of the variance in their credit shopping behaviour is explained by the two independent variables. Given that 90 percent of the variation is not explained by these two variables, clearly other factors also influence this market segment's credit shopping behaviour.

The next step was to evaluate the contribution of each antecedent to the prediction of credit shopping behaviour, as reported on in Table 5.

**Table 5: Contribution of independent variables to predicting credit shopping behaviour**

Independent variables	Standardised Beta coefficient	t-values	p-values
Materialism	0.211	4.68	0.00
Status consumption	0.164	3.63	0.00

The results reported in Table 5 suggest that both materialism ( $\beta = 0.211$ ,  $0.000 < 0.01$ ) and status consumption ( $\beta = 0.164$ ,  $0.000 < 0.01$ ) have a statistically significant positive influence on university students' credit shopping behaviour. The largest beta coefficient were recorded on materialism, which means that this personality trait makes the strongest contribution to explaining university students' credit shopping behaviour. This finding echoes the findings of several other studies (Pinto et al., 2000; Pirog & Roberts, 2007; Richins, 2011).

## 5. Summary and Conclusion

The purpose of this study was to determine the influence of status consumption and materialism tendencies on South African Generation Y university students' credit shopping behaviour. The results of the study indicate a statistically significant positive relationship between materialism and status consumption, between materialism and credit shopping behaviour and between status consumption and credit shopping. Furthermore, both status consumption and materialism were found to be statistically significant predictors of these Generation Y university students' credit shopping behaviour. This infers that Generation Y students, who have higher status consumption and materialism tendencies are more likely

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to shop impulsively, spend more money and take less cognisance of price when buying on credit.

Interestingly, contrary to the literature, students reported responsible credit spending habits. Several factors may contribute to this. Both schools and universities have started including life skills including financial skills in their syllabus and students may indeed be more financially knowledgeable. This higher level of education appears to translate into a higher level of financial literacy, financial acumen and greater financial self-control. However, since this study relied on self-reporting rather than actual observation it may be a perception rather than a true reflection of their credit shopping behaviour.

This study only examined the effect of status consumption and materialism on credit shopping and only 10 percent of the variance in student credit shopping behaviour is explained by materialism and status consumption. Several other factors, such as impulsive buying and financial literacy, have been suggested and future research should explore these and other variables and their influence credit shopping behaviour.

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