

# Why China's 'little emperors' are not credit card slaves

August 10 2011

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China's young, affluent consumers are savvy about the costs of borrowing and wary about debt, according to new research undertaken in one of the world's fastest-growing economies.

A study by academics at The University of Nottingham Ningbo, China and Australia's Monash University has shed new light on why China's consumers aren't spending as much as the country's government – or the world – would like.

Researchers looked at the attitudes of the single offspring of wealthy Chinese parents towards [credit cards](#).

China needs to increase domestic consumer spending in order to reduce the country's heavy reliance on exports. The world needs China to increase its consumption to Gross Domestic Product ratio, which at about 36 per cent is half that of the US, in order to boost demand for imported goods.

Banks, too, are eager to see more spending in China. There are at least 230 million credit cards believed to be in circulation in China – which means the industry has only scratched the surface of the hundreds of millions of potential credit card customers in the world’s most populous nation.

With annual profitability per card thought to be only about US\$1/per card in China, there is also huge scope for credit card companies to improve revenues in the world’s second-largest economy.

The study, published in the latest *Journal of Retailing and Consumer Services*, sheds light on what’s preventing young, affluent Chinese – a group often referred to as China’s ‘Little Emperors’ – from becoming credit card slaves like many of their peers in the west.

The researchers – Monash University’s Steve Worthington and David Stewart and Frauke Mattison Thompson, Assistant Professor of Marketing at Nottingham University Business School China – find that China’s young affluent consumers like holding credit cards, and many have more than one.

However, they aren’t building up much debt on them, partly because they fear losing control over their personal finances. Another factor is the limited availability of card-accepting terminals in stores.

Promotional offers are proving popular in China, meanwhile, with frequent credit card usage believed to be linked to special deals.

The study canvassed the views of more than 150 students at The University of Nottingham Ningbo China (UNNC), a private English-medium university that attracts students from affluent families who opt for graduating with a British degree in China.

Dr. Mattison Thompson said: “We investigated the extent to which the young, affluent will be early adopters of the revolving credit card, which is a relatively new product in China.”

She noted that China “is very savings centric, rather than borrowing centric, and very cash centric, rather than card centric, when it comes to payment at point-of-sale”.

“This is why debit cards, which essentially access cash in a bank account rather than debt, are very popular: there are believed to be more than 2.1 billion debit cards, yet the population is 1.3 billion,” she said.

Research findings included that:

- The holding of credit cards is widespread, with some students having more than one; and
- The convenience of paying by credit card and the inconvenience of having to carry too much cash rank highly in students’ attitudes towards credit cards.

But, the availability of point of sale card-accepting terminals appears to be limited, even in a large, Tier 2 city such as Ningbo.

Interviews with students revealed that they are concerned about the high costs of using a credit card to make cash advances and worry that carrying large amounts makes them vulnerable to robbery.

“Students seem to be aware that paying by credit card can encourage spending beyond their budget. There is a great reluctance to go into debt and to then pay interest on that debt, which of course is one of the defining features of the credit card product,” said Professor Worthington.

Significantly, the qualitative research produced interesting thoughts from students about “feeling guilty using future money”.

This suggests, said Professor Worthington, that they still retain many of the conservative cultural attitudes of their parents and grandparents, who still remember periods of severe hardship and are therefore keen to keep a wide financial buffer between themselves and the proverbial wolf at the door.

There are plans to repeat the study and take it to a wider public, including older generation credit card holders.

“As China continues its economic growth and as domestic consumption is increasingly seen as a means of sustaining that growth, so Chinese consumers will be encouraged to spend more on themselves,” he said.

“Research like this can play an important role in filling the knowledge gap about how the young, affluent adopt an innovative financial product in the Chinese cultural context,” added Professor Worthington.

Professor Nabil Gindy, Vice-Provost for Research and Dean of the Graduate School at UNNC said: “The University has world-leading researchers among its ranks of social scientists and humanities and arts academics. Their work feeds into teaching programmes so our students benefit from our research programmes.

“We encourage collaborative projects with other institutions, like this project, that aim to solve problems and challenges that affect people on a wide scale,” he said.

Provided by University of Nottingham

Citation: Why China's 'little emperors' are not credit card slaves (2011, August 10) retrieved 6 May 2024 from <https://phys.org/news/2011-08-china-emperors-credit-card-slaves.html>

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