

Chinese credit card usage growing quickly, study finds

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(Phys.org)—In the past two decades, the Chinese economy has undergone many drastic reforms in an effort to compete more effectively on the international market. These reforms included allowing foreign banks to offer credit cards to Chinese citizens. Now, researchers at the University of Missouri have found about 30 percent of Chinese urban households now own at least one credit card and the growth rate of credit card adoption has been an average of 40 percent per year between 2004 and 2009.

Rui Yao, an assistant professor of [personal financial planning](#) in the College of Human Environmental Sciences at MU, says that this large growth in such a small amount of time has positive and negative implications for the Chinese economy.

"With more and more people taking advantage of credit in China, it certainly increases potential consumer buying power," Yao said.

"However, we found that more than 90 percent of non-credit card users were unaware of safety issues inherent in credit card use and more than 60 percent had little knowledge of the consequences of credit card default. This lack of knowledge could create problems as credit card ownership is expected to grow at a rate of 11 percent a year."

Yao studied data from the 2008 Survey of Chinese Consumer Finance and Investor Education conducted by Tsinghua University in [China](#) and found that a large portion of new Chinese credit card holders are very young.

"We found that 58 percent of Chinese credit card holders are younger than 35, while only 3.3 percent of card holders are older than 50," Yao said. "This result may reflect some unique aspects of the Chinese culture. The concepts of credit and debt are quite contrary to the principles of Confucianism, so it may take a while for older Chinese citizens to adopt those concepts."

Yao found that while 72 percent of Chinese credit card holders were never late on their payments, only 55 percent were able to pay the full balance. She also found that 70 percent of Chinese [credit card](#) holders said that credit cards contributed to overspending.

Yao believes the Chinese could benefit from financial education designed to help them plan for their financial future in a manner consistent with Chinese cultural values. Yao believes encouraging the Chinese to take advantage of debt in a responsible fashion is important for the Chinese economy.

"Not using debt is a strength because it enables the Chinese economy to build a strong financial base that is not threatened by excessive amounts of consumer debt or subject to loss in uncertain financial times," Yao said. "However, it may be a weakness if it limits consumption. Appropriate use of debt can help households improve their quality of life as well as spur economic growth through an increase in market purchases."

More information: This study was published in the *Journal of Family and Economic Issues*.

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