2. Review of Literature

This chapter includes:

- Description of Materialism
- History of Compulsive Buying and the factors influencing it
- The importance and the limitations of using personality factors in general and big five personality in particular in predicting economic outcomes
- The limitations of using big five personality traits in predicting economic outcomes using survey design is re-affirmed through the pilot study done by the researcher
- The description of Enhanced Credit Card Spending and Credit Card Financing Behaviour

Materialism:

The most fundamental aspect of compulsive buying is the excessive consumption of material goods. Thus, compulsive consumption represents a periodic task that consumers may undertake in order to meet certain goals, which in turn are somehow met through the acquisition of goods. Without speculating whether the attitude materialism drives compulsive buying or vice versa, the two appear to be positively related. This is augmented by a second argument: any number of scientific reports can be found to demonstrate that materialism is negatively related to subjective well being (Belk, 1985; Sirgy, 1998). It is clear from the literature that compulsive buying represents an attempt to increase feelings of well-being. Since the presence of compulsive buying is negatively related to feelings of well being, compulsive buying should be positively related to materialism.

Faber & O’Guinn (1988) found significant differences between compulsive and non-compulsive consumers on envy and non-generosity subscales, as well as higher (not
significantly) scores on the possessiveness subscale. Desarbo & Edwards (1996) suggest that materialism drives less severe instances of compulsive buying, while the process of buying drives the more severe cases. These arguments support the observation that compulsive buyers do engage in their namesake behaviour for reasons other than ownership. Despite this, material goods and the consumer’s interaction with them remain the most visible elements of compulsive buying.

Belk (1985) classified materialism into three: envy, possessiveness and non-generosity. Materialism is conceived as a complex trait which reflects the centrality of possessions in an individual’s life (Belk, 1985). Materialistic individuals prefer to pursue happiness by acquiring possessions. These individuals tend to judge people’s success by the quantity and quality of their possessions. Materialistic people tend to direct their thoughts and behaviour toward possessions over other pursuits like personal relationships, experiences, or intellectual enrichment (Christopher, Marek, & Carroll, 2004; Richins & Dawson, 1992; Richins & Rudmin, 1994). The trait materialism has three sub dimensions which include (a) role of acquisition in happiness (b) role of possessions in defining success and (c) acquisition centrality. Richins & Dawson (1992) identified the following traits in materialistic individuals: (a) desire a higher level of income than those low in materialism (b) place greater emphasis on financial security and less on interpersonal relationships, (c) prefer to spend more on themselves and less on others, (d) engage in fewer voluntary simplicity behaviours, and (e) are less satisfied with their life in general.

Low in materialism people dreamt of overcoming danger and typically moved toward greater intimacy in their dreams. Richins & Rudimin (1994) have reviewed how materialistic tendencies are associated with individual’s identities, use of money,
motivation for work, and social behaviour. Substantial research further suggests that people highly oriented toward the acquisition of wealth and possessions report relatively low levels of well-being (Belk, 1985; Carver & Baird, 1998; Kasser & Ryan, 1993, 1996, 2001; Mick, 1996; Richins & Dawson, 1992; Sirgy, 1998; Wright & Larsen, 1993). Given a broad range of variables associated with materialism, and the fact that materialistic values are quite notable in countries around the world (Ger & Belk, 1996; Schmuck, Kasser, & Ryan, 2000), it is important to improve our understanding of the psychological dynamics underlying this value orientation. Past researchers have implicated a variety of factors, including cultural models, television viewing, and exposure to idealized advertisements, in the development of materialistic tendencies (Belk, 1995; Sirgy et al., 1998). Although we agree that these environmental factors play an important role in the development of a materialistic value orientation, what occurs intraphysically for people who strongly value materialistic pursuits? People who strongly value the pursuit of wealth and possessions had experiences early in their lives which made them feel rather insecure; as a result, they have difficulties both with their interpersonal relationships and with personal self-esteem. Empirical evidence supports relationships between felt insecurity and materialism. Kasser, Ryan, Zax & Sameroff (1995) showed highly materialistic individuals were especially likely to have parents who were non-nurturing (cold, controlling, non-democratic), a parental style leading to feelings of insecurity. Rindfleisch, Burroughs & Denton (1997) found that people high in materialism were likely to have divorced parents, an experience which made them feel less loved, and probably less secure. Abramson & Inglehart (1995), Cohen & Cohen (1996) and Kasser et al. (1995) have all shown that highly materialistic individuals are likely to have been raised in disadvantaged socio-economic circumstances. Materialistic individuals are strongly concerned with competition and
rewards and are more ego-involved in their behaviour (Kasser & Ryan, 1993; Sheldon & McGregor, 2000) both of which are signs of having contingent self-esteem (Deci & Ryan, 1995). Idealized images materialistic individuals frequently view commercials which are likely to make them less sure of their own worth and less satisfied with their lives (Richins, 1995; Sirgy, 1998) as reported when using different techniques like In-depth phenomenological interviews (Ahuvia & Adelman, 1993; Mick & Fournier, 1998), the scripts of television shows and movies of such individuals (Hirschman, 1998; Holbrook & Grayson, 1986) and stories told to when administered with thematic apperception test cards (Mick, Demoss & Faber, 1992).

When the need for security, safety and sustenance are not fully satisfied, people place a strong focus on materialistic values and desires and turn to buying, in an attempt to claim status (Kasser & Sheldon, 2000). It is found that highly materialistic individuals tend to experience greater negative effect and less positive effect than did less materialistic individuals (Christopher & Schlenker, 2004). People highly oriented towards the acquisition of wealth and possessions, usually report low levels of well being (Belk, 1985; Richins & Dawson, 1992; Wright & Larsen, 1993; Mick, 1996; Sirgy, 1998; Carver & Baird, 1998; Kasser & Ryan, 1993, 1996, 2001). To summarise, materialistic individuals in their pursuit for possession of goods end up in more frequent buying and this can adversely affect their financial outcomes.
Compulsive Buying Behaviour:

The literature on compulsive Buying Behaviour is grounded on four domains viz; psychological, socio-cultural, psychiatric and theological. However the scope of the present study is limited to psychological and socio-cultural domains.

Compulsive consumption describes consumptive behaviours across categories like substance abuse, eating disorders and impulse-control disorders. Compulsive consumer behaviours such as shopping, spending, and buying are explicitly different (Nataraajan & Goff, 1992).

Compulsive buying has been studied under a variety of other names, like, oniomania, buying mania, impulsive buying, addictive buying, compulsive spending, compulsive consumption and compulsive shopping. Review’s by Nataraajan & Goff (1992) add that compulsive depletion, compulsive using, compulsive possession, compulsive accumulation, compulsive hoarding and compulsive collecting is also studied under the term compulsive consumption. The presence of such a wide range of descriptors clearly indicates that researchers often are not studying the same phenomenon, and lack of a consistent definition creates difficulty in constructing a typology of this specific abnormal consumer behaviour (Nataraajan & Goff, 1992).

Researchers, Faber & O’Guinn (1988), originally defined compulsive buying within the larger framework of compulsive consumption behaviours in general. Their definition is as follows:

Compulsive buying was first described as chronic, repetitive, excessive purchasing that becomes a primary response to negative life events, inner deficiencies or negative
feelings and hence carries strong compensatory components (O’Guinn & Faber, 1989; Scherhorn, Reisch & Raab, 1990).

Compensatory buyers are confronted with a tendency to use the act of buying as a means of compensation for stress, disappointment, frustration or even a structural deficit, caused by a distortion of autonomy and experienced as a lack of self-esteem. This is the definition used throughout the remainder of arguments for this research.

History of Compulsive Buying

The study of compulsive buying as a clinical syndrome can be traced as far back as 1915 textbook on psychiatry, when it was described by Emil Kraepelin as buying mania or oniomania (as cited in Black, 1996). Bleuler (1924) likewise described the disorder as a reactive impulse, present predominantly in females, which manifests itself as an uncontrollable and frequent urge to buy. The topic appears to have been neglected for the fifty years following Bleuler’s text, excepting an occasional appearance in the psychiatric literature. The psychiatric literature has with limited usefulness recognized the importance of its study over the past thirty years due to the application of the case reports as its primary research tool.

A combination of reports by Christenson et.al (1994), Schlosser, Black, Repertinger, & Freet (1994), McElroy, Keck, Pope, Smith, & Strakowski (1994), McElroy, Satlin, Pope, Keck & Hudson (1991), Elliott, Eccles & Gournay (1996) and Glatt & Cook (1987) indicates that the typical compulsive buyer is a female in her 30’s suffering from legal, financial, and marital problems resulting from chronic or episodic overspending since her late teens. McElroy, Keck et.al (1994) describes in greater detail the clinical and demographic features of 35 patients. Of these patients, twelve reported being in debt
as a result of compulsive buying, with debt ranging from $3000 to $60000, with a mean of $23000. Three among the patients had declared bankruptcy, while another three were able to stop spending excessively after recognizing the extent of the problem. The remaining seventeen patients reported being unable to control their urges to buy. A peak frequency of 17 buying episodes per month, each lasting from 1 to 7 hours in duration was reported. Some patients used unusual criteria to determine a purchase, such as buying only certain colour shirts. Compulsive buyers can often more resist the urge when they are less depressed, and rarely leave the house during periods of extreme depression.

Goods most often purchased by compulsive buyers at this stage are clothing, makeup, jewellery, and shoes; many compulsive buyers also purchase personal items, although they more often purchase larger items as furniture, electronics, automotive goods, and hardware (Black 1996). Many of these items are thrown away, stacked with others in already packed closets, and often deliberately hidden from family; others are given away as gifts. Even though compulsively purchased items tend to be less expensive, it is the frequency with which they are bought that ultimately causes financial crisis. Hardly compulsive buyers report shopping by catalog, home shopping television programs or over the internet. Many compulsive buyers report feeling serious problems with buying, not knowing how they got to the store, and even thinking their behaviour is not their own (Schlosser, Black, Repertinger & Freet, 1994). Most report feels sad during buying episodes and are more likely to purchase in the afternoons or around holidays.
Addictive Behaviour:

Scherhorn (1990) and Desarbo & Edwards (1996) describe compulsive buying as a form of addictive behaviour. Krych’s (1989) model of addictive behaviour provides a general framework for understanding how a person may become addicted to a particular behaviour. The model explains, individuals engaging in a particular pleasurable behaviour. They become increasingly preoccupied with the behaviour, its frequency increases notably, and defensive reactions begin to be exhibited when others question the behaviour. Individuals experience occasional carvings, and they ignore signs that ensure future consequences. When the person becomes aware of the myriad problems caused by addiction, he attempts to regulate the behaviour. However; the behaviour serves as a form of self medication rather than as novel stimulus. The addiction then becomes the source of relief from anxiety and tension, caused largely by addiction itself. Family and friends enable addictions by keeping away and making addictions easier. This leads to major life crisis.

Desarbo & Edwards (1996) describe compulsive buying addiction as coping mechanism for psychological tension in those prone to coping through escape or avoidance. However, their strictly cognitive interpretation provides only a limited view of the role feedback plays in shaping and maintaining the specific behaviours related to addiction. Addiction itself has recently come to be understood as an adaptive response to the environment (Wise & Bozarth, 1987); pathological gambling, excessive drinking, spending or eating and the use of illegal drugs may modify the mood state, enhance self identity and serve as a catalyst for social contact (Anderson & Brown, 1984; Elliott, 1994). Though the short-term benefits of addiction typically do not out-weigh the long term consequences, temporal displacement of a reinforcer is negatively related to its
effectiveness in modifying behaviour. The result is that even though a person may be cognitively aware that he or she has more to lose than to gain through addiction, the reinforcing effect of addiction is so strong that escape becomes very difficult. To elaborate, addiction may be simply conceptualized as the acquisition of a specific behaviour as a result of positive reinforcement. In the case of compulsive buying spending provides feelings of power, autonomy, and social connectedness. It also serves as a mood stabilizer. Over time, the baseline rate of feelings of well-being decrease and the reinforcement value fades such that the behaviour is undertaken just to feel normal, rather than to feel feeding the addiction. Behavioural addiction is then simple combination of positive and negative reinforcement.

Understanding the obvious fault with describing specific instances of consumer behavioural reinforcement as cases of addiction is that many acquired consumer behaviours must then be considered addictive. The approach of the studies of Sherhorn (1990) and Desarbo & Edwards (1996) seems to be to replace the term reinforcement with addiction only in cases where the behaviour is considered deviant. Hoch & Loewenstein (1991) describe the biphasic reinforcement effect of addiction in cognitive psychological terms, labeling it a time inconsistent preference. The reasoning for this line of thought seems clear enough; consumers are drawn into a pattern of undesirable behaviour from which they are unable to abstain. It is comforting in such case to provide a label recognizing that the reinforcement of behaviour was particularly strong and therefore outside the cognitive control of a person termed addiction.

Nathan (1988) observed that personality factors predictive of an addictive type have not been found, counseling even in the title of his article that the addictive personality is the behaviour of the addict. His observation is brief and clear; that there can be no
addictive personality type because the term addiction encompasses all highly reinforcing consumer behaviours. Rather than being driven by an addictive personality factor, particular consumers are prone to engage in particular behaviours because of the efficacy of those behaviours in meeting their needs.

These arguments are further substantiated as cited from Borghans, Duckworth, Heckman & Weel (2008) in their study titled -The economics and psychology of personality traits. They expose the limitations of using personality psychology in economic outcomes and at the same time expose the opportunities in store for future research* (*Argument included in personality literature)

Consumption Motive:

Two categories of influence may be responsible for the buying impulse and subsequent buying response. They are physiological influences (McElroy et.al, 1994; Faber et.al, 1987; Krych, 1989) and social psychological influences (Black, Monahan & Gabel, 1997; Ridgway & Nelson, 1991; Faber & O'Guinn, 1989; Hanley & Wilhelm, 1992).

Physiological Influences:

The literature is consistent in its assertion that for compulsive buyers, buying represents an attempt at self-medication to relieve negative affective symptoms such as sadness, depression, and anxiety (Faber & Christenson, 1996; Black, 1996; Hassay & Smith, 1996). Biochemical processes have been speculated to be one cause of these negative mood states (McElroy et.al, 1991). This position is supported in the literature; seventy percent of patients describe buying as a high or a rush (McElroy et.al, 1994) and onset of compulsive buying symptoms is often preceded or followed by the onset of depression within one year. Research by Lejoyeux, Tassain, Solomon, & Ade’s (1997)
shows 32% rate of compulsive buying among depressed patients. Thus, the relationship between compulsive buying and depression appears to be strong.

Researchers have consistently found high rate of depression among compulsive buyers (Lejoyeux et al 1997; McElroy et.al, 1994; Schlosser et al, 1994). Further evidence can be found in the increasingly common psychiatric treatment of compulsive buying. McElroy, Satlin et.al (1991) present evidence that treatment may be of benefit to compulsive buyers. In their study three patients responded favourably to anti-depressant medication within one to four weeks following the instigation of treatment. Importantly all participants reported drastically reduced drives to engage in compulsive buying and attributed the remission of symptoms to the medication. McElroy, Monahan, & Gabel (1997) demonstrated similar findings; 9 of their 10 participants responded favorably to fluvoxamine (Luvox), spending less time shopping or thinking of shopping as well as spending less money. McElroy, Keck et.al (1994) similarly report that 10 to 13 compulsive buyers receiving pharmacological treatment showed improvement. Despite compulsive buyers high rate of response to medication, placebo response rates in studies of depression frequently range up to 50% (Coryell & Noyes, 1988), indicating that care should be taken in generalizing these findings.

Heritable dispositions toward addiction and other psychological disorders have been plausibly explained under the diathesis-stress model. In this model, the physical and social environment plays a role in activating a predetermined behavioural tendency within an individual. As shown in addiction and other psychological disorders, compulsive buyers are likely to have another family member who is also a compulsive buyer (d’Astous, 1990). Though the results are based on limited samples, compulsive buying appears to demonstrate significant comorbidity with many anxiety
disorders, including generalized anxiety disorder, obsessive compulsive disorder, panic disorder, social phobia, simple phobia (Christenson et al., 1994; Schlosser, Black, Repertinger & Freet, 1994), and eating disorders, specifically bulimia nervosa and binge eating disorder (Faber, Christenson, de Zwaan & Mitchell, 1995). Anorexia nervosa is not found in the compulsive buying population. Relatedly Crisp, Hsu & Harding (1980) show that shoplifting in anorectics occurs almost exclusively during a bingeing/purging stage. Importantly, this subgroup is more extroverted, sociable and depressed than their abstaining counterparts (Crisp, Hsu, & Harding, 1980). Although no literature relating to shoplifting to compulsive buying has been found, the social rewards which drive compulsive buying appear on their face to conflict with motives for shoplifting, suggesting that they would not co-occur.

Fishbain (1994) & Goldman (1991) illustrate a number of similarities between compulsive buyers and kleptomaniacs, including the episodic nature of disorder, dysphoria preceding and prompting the behaviour, moderate levels of comorbidity and that the behaviours serve as an anti depressant. However, reports have not stated that compulsive buyers find their compulsive behaviour to be sexually stimulating, as some individuals suffering from kleptomania describe. With the presence of such high levels of comorbidity with other disorders, the general conclusion has been that many of these disorders share a common cause and pattern of occurrence. Indeed, Schlosser, Black, Repertinger & Freet (1994) have shown that compulsive buyers demonstrate a much higher risk of other impulse-control disorders than the general population, including intermittent explosive disorder(22%), Kleptomania(37%), pyromania(2%), trichotillomania (11%), compulsive sexual behaviour (13%) and pathological gambling(20%).
Social Psychological influences:

Consumer personality can be defined through product use (Sirgy, 1982). One major assertion here is the idea that products can be used both as a reward and as a form of communication with others. Consumers may use product consumption as one method of attaining the ideal self, an aspect of personality defined by the person’s relationship to others. The symbols of self-concept represented by a product may be communicated through three channels; visibility of use, variability of use and personalisability (Holman, 1981). Complimenting this line of research, Grubb & Grathwohl (1967) outline three ways in which consumption is used to enhance self; Self-concept is of value to the individual, and behaviour will be directed toward the protection and enhancement of self-concept. The purchase, display and use of goods communicate symbolic meaning to the individual and to others. The consuming behaviour of an individual will be directed toward enhancing the self-concept through the consumption of goods as symbols.

Both Holman (1981) and Grubb & Grathwohl (1967) models may be useful in understanding compulsive buyers. While compulsive buying behaviour is directed toward protecting the self-concept, it must be done in a context visible to others. Secondly, the compulsively bought items themselves are rarely put to use and thus serve as communicators of symbolic meaning only through their acquisition, and not through the possession. Lastly, items purchased by compulsive buyers are typically personal items. This again suggest that although purchasing does either protect or enhance the self-concept, it does so through the social rewards inherent in consumption of sales services and shopping rather than through the use of those goods as symbols. This last point shows that compulsive buyers may not regard their possessions as being part of themselves as much as do theirs. Rather, they may be more experiential consumers.
Black (1996) notes that outings to the mall have supplanted other family activities and are in fact considered a routine pastime. Shopping presents opportunities to interact with friends and strangers, sensory stimulation, break from routine and new information (Westbrook & Black, 1985). Shopping has increasingly become a major leisure activity that provides pleasure, relaxation and social reinforcement (Bellenger & Korgaonkar, 1980; Bloch, Ridgway & Nelson, 1991). The study of hedonic consumption is not new (Holbrook & Hirschman, 1982). The focus of current research has shifted from tangible goods to the funs, emotions, sensory stimulation, fantasy and amusement element that may accrue along with goods or alone (Bloch, Ridgway & Nelson, 1991). Kowiniski (1985) argues that these elements are more frequently obtained at the local shopping mall than anywhere else. Consumer researchers have become aware of the importance and opportunity of these trends, as recognized in Pine & Gilmore’s (1998) modern experience economy.

Stated from another perspective, the spending of money may no longer be simply a means to a utilitarian end; it has become a social end. Many younger consumers view the accumulation of debt as a necessary and acceptable part of life (Shenk, 1997). Importantly, the selection and purchase of goods has been shown to have increasing importance in the formation and maintenance of identity and as means of self-expression (Morgan, 1993). Growing numbers of consumers may then find their financial considerations in conflict with psychological needs. If the selection, purchase, and ownership of goods have indeed become intimately with the consumers’ sense of identity and self-worth, it may be very difficult for those consumers to meet their psychological needs within the limits of their available finances. In effect, many consumers are finding themselves in a dilemma, forced to either maintain their
psychological health on a limited budget or sink into debt. One interpretation of the research would be that money increasingly does buy happiness.

In their investigation of compulsive buying among adolescents, d’Astous, Maltais, & Roberge (1990) investigate whether younger consumers may be more likely to become compulsive buyers because of their increased exposure to mass media and advertising. Their hypothesis was not proved, but it raises an important question; can we partly blame increased exposure to and effectiveness of advertising for an increase in the occurrence of compulsive buying? The answer is negative. Advertisements disseminate information about a product that may or may not meet consumer needs. Whether an individual realized he or she had this need prior to viewing the advertisement is immaterial; an obvious ramification of progress as we currently define it is that consumer needs have to change over time. This necessarily brings with it a period during which consumers become aware of developing needs of more advanced, effective or elegant new products or services for meeting pre-existing needs. While advertisements do bring about awareness of new products to try, compulsive buyers should not be more susceptible. Interestingly, some of the products become socially stigmatized when they threaten to become too successful by meeting psychological needs rather than purely physical needs. Moreover, compulsive buyers tend to buy the same types of items repeatedly and thus would not be expected to be particularly susceptible to advertising. Unfortunately opportunities to engage in compulsive buying as means of copying will only escalate with the increasing popularity of social shopping experience (Scherhorn, 1990).

The other view is that, media influence, individual predisposition, and together with easy access to credit—have been suggested to explain why some individuals,
regardless of gender or class, suffer from compulsive buying (O’Guinn & Faber 1987). Further argument is that the media, which are largely responsible for consumer socialization, teach the consumer those skills that are useful in making purchasing decisions as well as those that are not. The media skills, that encourage the material attitudes and motivations for consumption (O’Guinn & Faber, 1987), are what create a false perception of reality. Soap operas and game shows, for example, often portray excessive opulence and conspicuous consumption, while television commercials and print advertising frequently emphasize the value-expressive and status-conferring qualities of products (Benson, 2000; O’Guinn & Faber, 1987). According to Cushman (1990), advertising portrays a problem-free life if the consumer accepts the illusion; Advertisements seem to criticize and condemn the average consumer while glorifying the model, extolling a standard of beauty and mastery impossible to achieve. The problem is not solely internal to the individual because external societal influences are equally responsible.

A great deal of research suggests that escape from anxiety is the principal motivation underlying compulsive buying (Desarbo & Edwards, 1996; Hassay & Smith, 1996). Relevant to psychology, understanding the expression of compulsive buying has been through examining theoretical correlates such as mood state (Faber & Christenson, 1996), depression and anxiety (Christenson et al, 1994; schlosser et al ,1994) binge eating (Faber et al,1995), self image (Dittmar, Beattie & Friese,1996), desire for stimulation (Faber, O’Guinn & Krych, 1987),self-esteem and money attitudes (Hanley & Wilhelm,1991), propensity to fantasize and the desire for approval by others (O’Guinn & Faber, 1989) and materialism (Rindfleisch, Burroughs & Denton,1997). The psychodynamic perspective within psychology has never remained silent on the issue (Krugger, 1988).
Budden & Griffin (1996) list shoplifting, illegal transactions, product misuse, fraudulent returns, violation of licensing agreement, credit misuse and compulsive buying among forms of dysfunctional consumer behaviour that result in billions of cost annually to society. A framework for the study of these maladaptive behaviours from a societal perspective is presented by Moschis & Cox (1989). In their model behaviours result from an interaction between the desirability of behaviour and the societal demands on that behaviour. Normative behaviours are thus rational or mandatory, and deviant behaviours either negligent or criminal. They classify compulsive buying as negligent consumer behaviour and cite maturation, social class, broken homes, and deviant socialisation processes as important contributions to the formation of deviant consumer behaviour.

Compulsive Buying: Is it a Deviant Consumer Behaviour?

The American Psychiatric Association (APA, 2000) in its manual, Diagnostic and Statistical Manual of Mental Disorders, DSM-IV, makes several implicit distinctions between related compulsive behaviour.

Some disorders have direct physical consequences while others do not. The stress related behaviours may also cause further physical symptoms. The degree of social acceptability varies markedly across different forms of compulsive consumption, ranging from disease to bad habit. The intent of the ultimate treatment may be either reduction or modification of the behaviour (gambling, eating, purchasing) or cessation of the behaviour (drug abuse, kleptomania). Several criteria are commonly used to determine the socio-cultural acceptability of specific patterns of thought and behaviour (APA, 2000). Criteria used to gauge whether specific cognitions or behaviours should be considered abnormal are:
1. Whether those cognitions and behaviours violate societal norms
2. The degree of deviation from an ideal (normative)
3. The statistical rarity of those thoughts or behaviours
4. The degree of resulting personal discomfort and
5. Whether the thoughts and behaviours are mal-adaptive.

Among compulsive buyers the lower and middle class are more likely to meet several of these criteria than in upper class. Applying Moschis & Cox’s (1989) criteria, compulsive buying becomes more than simply negligent consumer behaviour when the consequences cause real harm. The frequency and intensity of these behaviours can vary widely; no behaviour can easily be classified as negligent or maladaptive.

With relevance to class issues, Hanley & Wilhelm (1992) were unable to find significant differences in income or education between compulsive and normal consumers. However, attitudes towards money were strikingly different between these two groups. Compulsive buyers were shown to be more obsessed with money and more likely to spend more on status goods. Compulsive buyers more frequently reported not having enough money and felt greater emotional attachment to the exchange of money for goods.

Many behaviours that may be engaged in compulsively are necessary in some amount for survival. Eating, buying, sex, work and exercise may all be categorised in such a fashion. Too much variation from the norm for many of these behaviors results in the behaviour being considered abnormal. Example for those who eat little are diagnosed as being anorexic or bulimic, while society currently appears to judge being overweight as more of a flaw than a disease. The norm for each of these behaviours, including how much and how often we should eat, work, exercise, have sex or purchase unnecessary goods, is established culturally. Thus a given behaviour may be considered unacceptable
within a culture when negative personal or social consequences begin to emerge. Other types of behaviours, including alcohol use, use of legal drugs such as nicotine and herbal supplements and gambling are tolerated socially but are not necessary for survival; they are often seen as indulgences in the west. The point at which some gambling or legal drug use becomes too much varies even regionally, although criteria for identifying this point are delineated in the APA (2000). Other behaviours are considered abnormal if displayed. Examples are impulse control disorders like kleptomania, pyromania, trichotillomania, and intermittent explosive disorder.

How to Diagnose Compulsive Buying?

Compulsive buying shares a common denominator with obsessive compulsive personality disorder. It also clearly meets APA (2000), criteria as a form of compulsion. These criteria include repetitive physical or mental behaviours that a person feels driven to perform, with those behaviours aimed at reducing or preventing distress or circumventing a situation or event. However, compulsive behaviours are excessive or unrealistic solutions to the problems that are designed to solve. Compulsive shopping fails to meet all necessary diagnostic criteria for the obsessive component, providing evidence that compulsive shopping may be more accurately classified as an impulse-control disorder not classified elsewhere. This category includes other types of impulse control disorders which have been linked to compulsive buying in both the psychological and marketing literature (McElroy et al, 1994), including kleptomania, pyromania, pathological gambling, urinary and bowel obsessions, compulsive sexual behaviour, trichotillomania, eating disorders, mono symptomatic hypochondriasis and body dysmorphic disorder. Although other disorders described in the APA (2000), may include either specific or general impulse control difficulties, the essential feature of
impulse control disorders is failure to resist the performance of an act that is directly or indirectly harmful to the self or others. This act is preceded by marked stress or arousal and followed by relief or gratification. It may later be followed by regret, tension or fear due to possible or resulting consequences of the act. Since no formal definition exists at this time in the DSM-IV, compulsive buying may most appropriately be termed impulse-control disorder not otherwise specified. However, borrowing from DSM-III-R criteria, McElroy, Keck et al (1994) suggest formal diagnostic criteria for compulsive buying. In order to gauge the effectiveness of ongoing treatment, Monahan, Black & Gabel (1996) developed the Yale-Brown Obsessive Compulsive scale-Shopping Version. This scale assesses cognitions and behaviours related to compulsive buying, as opposed to predicting the presence or absence of the disorder (Compulsive Buying Scale, Faber & O’Guinn; d’Astous, 1990), or measuring more general obsessive compulsive behaviours (Yale-Brown Obsessive Compulsive Scale, Goodman et al, 1989).

The Different Aspects of Personality on Compulsive Consumption

Bellenger & Korgaonkar (1980) report that 69% of consumers qualify as recreational shoppers, a statistic revealing the importance of shopping as a recreational activity. While majority of these shoppers may be fully in control of their spending, a minority suffers the inability to control this aspect of consumption. Hirschman (1992) provides a striking illustration of this: The lack of an authentic self-identity and sense of inner stability creates an unbalanced momentum that can swing them radically from one extreme of rigid self-control to the other extreme of free-fall, selfless chaos. Hassay & Smith (1996) provide a more concrete example with a passing mention that compulsive buyers are no more likely than others to indicate that shopping is fun.
Gardner & Rook (1988) found that seventy five percent of consumers feel better following an impulse purchase, and majority of consumers do use impulse purchasing as a tool to feel pleasure, excitement, relaxation or power among other positive emotions. Impulsive and compulsive buying have a number of other elements which may be common as well, to include synchronicity and disregard for consequences (Rook, 1987). Weinberg & Gottwald (1982) define impulsive buying along three axis: affective, cognitive and reactive. Impulse purchases are made during high consumer activation, low intellectual control and automatic behaviour actuated by a specific stimulus situation. Impulsive and compulsive buying, then, must be differentiated by the characteristic of premeditation: compulsive purchases are typically made during an episode low self esteem rather than as a result of a rational and conscious exchange.

Research also suggests that normative evaluations moderate consumers’ impulsive buying behaviour (Rook & Fischer, 1995) in contrast, compulsive buying is not considered normative behaviour. Rook & Hoch (1985) define impulse behaviour as 1. A sudden and spontaneous desire to get something 2. A state of psychological disequilibrium 3. The onset of psychological conflict representing an inner battle of thoughts. 4. A reduction in rational evaluation of product attributes 5. Lack of regard or denial for consequences in behaviour. Psychological variables of materialism, sensation seeking and risk aversion affect impulsive behaviour. When the impulse to buy results in repetitive and excess buying the behaviour is frequently parallel with other compulsive and or addictive behaviours (Cordes, 1985; Brathhold & Hockman, 1986; Faber & O’Guinn, 1988). Pure impulse buying presents a problem for this rational choice model because such purchases may be associated with high degree of post purchase regret (Hoch & Loewenstein, 1991).
Malter, A (1996) argues that while impulse buying appears to be highly irrational behaviour - spontaneous and seemingly choiceless, it can be seen to be rational by the consumer (and the cognitive psychologist!). Thompson et al (1990) argue that while impulse buying is an emotional rather than rational experience, this should not be read as suggesting it is irrational. The need for analytical evaluation is obviated because the product'srightness is experienced directly. On this basis the act is reasonable rather than irrational, which seems to have some character with Malter's theory.

The standard economic explanation of impulse buying has been the discounting model (Strotz, 1956) which assumes that impulse buyers discount the future at too rapid a rate. The benefit of the desired object at the point of imminent purchase outweighs the future problem of paying the bill. People randomly switch between two sets of different preferences, a myopic set which pushes the shopper towards the purchase and a far sighted set which remembers that the bill must be paid (Winston, 1980). Theories of self identity in post-industrial society propose that norms supporting impulse control and delay of gratification have weakened in favour of present oriented expression of impulse. Due to the fact that cognitive abilities and processing times among consumers differ widely, no single standard can be formulated that can differentiate between reasoned and impudent decisions for all consumers (Prasad, 1975). Shortness of deliberation may be an indicator not of impulsive behaviour but that a consumer is experienced in a product area, and knows a good value and price as it is seen. Emotional experience is not a characteristic of impulse buying only, and cannot reliably differentiate among impulsive and planned buys. Consumer dissatisfaction and regret are cognitive, an experiential side of what economists behaviorists term time-inconsistent preferences. The core meaning of impulse buying can be expressed as akrasia or weakness of will (Mortimore, 1971). Akratic action may
be defined as free, intentional action contrary to the agent’s better judgment (Mele, 1987). Schneider & Lysgaard argued for a multi-dimensional normative trait among the middle class for impulsive renunciation and delay of gratification in areas of life and career planning, sexual behaviour and the spending of money. As a result of theoretical and political developments sociologists largely abandoned consideration of socio-economic differences in delay of gratification. Social class as measured by occupational status and education was found to be significantly related to compulsive buying measurement scores. Cultural and cognitive factors act as intervening variables to impulse buying. The lower class as well as the middle class is for immediate indulgence in comparison to delayed and future oriented savings. The income increments are dissaved through increment buying (Roseborough, 1964). One another factor that enhances the likelihood of impulsive actions is proximity (Hoch & Lowenstein, 1991; Mischel & Ayduk, 2004; Mischel & Ebbesen, 1970). Interviews with consumers indicate that merely seeing items in stores or catalogues can stimulate intense desire for these goods (Rook, 1987; Rook & Hoch, 1985). Physical proximity may also stimulate other sensory inputs that can affect desire.

The power of physical proximity has been demonstrated convincingly by Mischel & colleagues (Mischel, 1974; Mischel & Ebbesen, 1970; see Mischel & Ayduk, 2004 for a review). Children who are seated near desired objects fare significantly worse in their delay of gratification attempts than children who are not physically close to such objects. Another type of proximity that can influence impulse buying is temporal proximity (Hoch & Lowenstein, 1991). The closer in time one is to gaining possession of a product, the less willing one is to delay gratification — even in exchange for a greater reward (Benzion, Rapoport & Yagil, 1989).
Further differences can be found in that buying considerations in an impulse purchase may include functional, mood, or self-image elements (Dittmar, Beattie & Friese, 1995), while compulsive buying considerations are composed of the latter two. These same authors (1996) also show that types of consumer goods bought on impulse tend to be different than those bought compulsively. Finally to distinguish between compulsive buying and impulsive buying we see that the former is the whole cognitive process which leads a person to associate a prompt readjustment of his affective disequilibrium to the buying act and this through his or her cognitive associations (Valence, d’Astous & Fortier, 1988).

Hanley & Wilhelm (1992) investigated the self esteem and money attitudes of compulsive buyers. Their findings were consistent with the psychiatric literature: Compulsive buyers did have lower self esteem than typical consumers. They also more widely held the belief that money was a solution to many problems and that they had less money and therefore less coping ability than peers. In their review of literature, O’Guinn & Faber (1989) found positive relationship between compulsive consumption behaviours and compulsivity, arousal, excitement, fantasy and sensation seeking, making the postulation that the presence of a general compulsive personality trait.

In the study of Rindfleisch, Burroughs & Denton (1997) expanded on Faber’s (1992) observation that respondents from disrupted families have higher overall material values and that these families have higher stress levels which may result in a higher incidence of compulsive buying. Hassay & Smith (1996) uncovered other behavioural components, finding that compulsive buyers are more likely to return products and be more concerned with return policies. Ultimately, compulsive buyers are not created simply through affluence alone. Materialism and the accompanying impulse to buy can
be shown to arise from economic deprivation, family environment and values, patterns of media use and the absence of a permeating sense of fulfillment (Ahuvia & Friedman, 1998).

Morgan (1993) details the increasing importance of the study of the self in the consumer behaviour literature: noting that because perceptions of the self play a significant role in motivating behaviour, and since many of these behaviours increasingly involve products, the development of a self factor may prove valuable in better understanding consumer behaviour. Consumers’ perceptions of their possible self’s motivate behaviours designed to accomplish the goal of becoming the positive possible self, while avoiding becoming the negative possible self. Further evidence suggests that shaping the desired possible self may be more influential of behaviour than is the person’s current conception of self (Cross & Markus, 1991). This line of research is clearly relevant to compulsive buying because of the inherent differential between the ideal and real selves in these consumers; buying represents an attempt to achieve the ideal self, even if only for a short period of time. However, Morgan’s self factor which promises to revolutionize the accuracy of target marketing necessarily cannot be one-dimensional if it is to provide the depth of understanding suggested possible by research on the possible self. Such work has already been accomplished and may be recognized as modern personality psychology.

Contrary to previous research, compulsive buying was found to be a function of one's personal goals and not simply an attempt to reduce psychological tension (James A Roberts & Stephen F Pirog III, 2004). It appears that compulsive buying may be more preferential than depicted previously. This finding is important and suggests that extrinsic goals are partially responsible for the increased incidence of compulsive
buying possibly through the tension such goals create. For example, the desire for social status is a comparative and competitive process which requires consumers to continually increase their conspicuous signals of wealth and power (Bell, 1998). As long as others are also attempting to signal their social power through possessing and displaying material goods, the level of goods required to make a powerful social statement continually rises. The result is no end to one's wants and little improvement in our satisfaction, despite an ever increasing consumption of goods (Bell, 1998). The conceptual framework of the factors leading to compulsive buying offered by Valence et al. (1988) lends support for such reasoning. The authors posit that advertising creates material aspirations (extrinsic goals) that create tension through the competitive process of achieving social status.

However, the relationship between tension and one's personal goals may not be so straightforward. It is also possible that extrinsic goals such as the desire for financial success and an attractive appearance are the results of tension which finds its release in the spending of money in the hopes of appearing more attractive and financially successful. This reasoning finds support in the research of Burroughs & Rindfleisch (1997), Rindfleisch et al (1997), and Roberts et al (2003) who found that materialism, similar to the extrinsic goal of financial success, was an outcome of the stress created by family disruption. In essence, materialism was viewed as a coping strategy. The present research helps establish an ignored link between personal goals and values such as materialism and compulsive buying. This study finds strong support for the argument that extrinsic goal systems are positively associated with compulsive buying, while intrinsic goal systems are negatively associated.
In particular, two intrinsic goals (self-acceptance and community feeling) and two extrinsic goals (financial success and attractive appearance) were significantly correlated with compulsive buying. It may be that extrinsic goals are symptomatic of more insecure personal styles that may be associated with repeated attempts to address these insecurities through purchasing, consuming, and displaying material goods. This is consistent with research that suggests contemporary college students are highly materialistic (Roberts, 2000) and more insecure than previous generations.

Greater awareness of compulsive buying may lead to more diagnoses because of more media and professional attention, but does not necessarily indicate the compulsive buying is growing (Faber, 2004). Shopping is changing in nature (Cambell, 2004). The focus is shifting from the purchase of provisions to satisfy the physical needs of oneself towards the use of consumer goods as a distinctively means of acquiring and expressing a sense of self identity (Dittmar & Beatty, 1998), regulatory emotions (Elliott, 1994) or gaining social status (McCracken, 1990). Changes have enhanced the complexity of consumption (Mick, Broniarczyk & Haidt, 2004) and created an atmosphere that has turned out to be more favourable for the risk of compulsive behaviour than before. The belief that consumer goods are an important route towards success, identity and happiness (Dittmar, 2000) are core values of consumer society. With easier access to malls, a sea of products available, and little or no social stigma attached to constant shopping (which formerly had been considered an indication of moral or spiritual decay, Hirschman, 1992), compulsive shoppers encounter temptations daily.

Featherstone (1992) suggests that (postmodern consumers) make lifestyle a life project and display their individuality and sense of style in the particularity of the assemblage
of goods, clothes, practices, experiences and bodily dispositions they design together into a lifestyle.

The consumer uses these symbolic meanings to construct, maintain and express each of her/his multiple identities (Woodruffe-Burton & Elliott, 1998). The increased ease and frequency of opportunities to buy may explain why the ratio of household debt to disposable income in the U.S. has reached all-time highs. Impulse purchasing is a hefty chunk of this, being estimated at $4.2 billion dollars in U.S. store sales annually and over one-third of all department store purchases (Bellenger, Robertson & Hirschman, 1978). Chang & Arkin (2002) have reported that people with low self-esteem and marked self doubt are noticeably eager consumers.

Research on negative facets of consumption is useful because it can potentially contribute to society’s well being, an important criterion for usefulness of any research (Faber & O’Guinn, 1989). Compulsive buyers account for between 1 and 8 percent of the population (Faber & O’Guinn, 1992), ninety percent of all consumers make impulse buys (Cobb & Hoyer, 1986), and two-fifths describe themselves as impulse buyers (Rook & Fisher, 1995). Impulsive, compulsive and addictive buying lie along a continuum of purchase behavior characterized by deficient self-regulation (Natarajan & Goff, 1991), a continuum that includes normal impulsive consumer behaviour at one extreme and deviant addictive behaviour at the other. While there is no agreement about the etiology of unregulated buying (Black, 1996), learning theory models are common to many explanations i.e., these disorders progress from impulsive to repetitive and harmful compulsive behaviour.

This is confirmed by research that found compulsive buying is inversely related to conscientiousness a cardinal personality trait indicating general organization and
efficiency (Mowen & Spears, 1999). Credit cards are widely abused by compulsive buyers (Faber & O’Guinn, 1992), disrupting the temporal proximity of excessive buying behaviour and the perception of its financial consequences. For example, even people who think they have limitless funds, such as celebrities or athletes, discover their funds are indeed finite (e.g., witness Mike Tyson’s & Elton Johns announcement of bankruptcy).

Introversion:

Evidence for a relationship between extraversion and compulsive buying can be found in the buying motive of compulsive buyers: their need to purchase stems from the social rewards inherent in the retail situation. This suggests that compulsive buyers are likely to be more extraverted than other consumers. Faber & O’Guinn (1988) finding that compulsive buyers score significantly higher on envy subscale of a measure of materialism supports this argument: as envy is an evaluation of negative possession relative to others, it provides indirect evidence that compulsive buyers are extraverted. Research shows that compulsive buyers are no more likely to shop via catalog than other consumers.

Emotional Stability (Neuroticism):

Faber & O’Guinn (1985) found that compulsive buyers experience an emotional high when shopping, a stark contrast to the low mood levels which motivate such shopping excursions. This pattern indicates a good deal of variability in compulsive buyer’s trait of emotional stability. Indeed, the bulk of research in the area indicates that compulsive buyers use the experience as a mood leveler (Faber & O’Guinn, 1992). Further research has shown that compulsive buyers often shop to escape
boredom and as a means of emotional stimulation (Hassay & Smith, 1996). These arguments run parallel to the observation that compulsive buying and depression frequently co-occur. Although it is clear that the consequences resulting from compulsive buying are stressors that can spur depression, it is also clear that their emotional and behavioural components are closely tied and that purchasing, like any number of other tasks, can help ease depression. With regard to control theory, compulsive buying is a behavioural cycle which manipulates the external environment such that it more closely approximates the ideal state; this cycle continues until either a higher order cycle preempts (e.g. the stress of over spending becomes too great) or the environment matches the ideal, desired state (e.g. mood stabilizes).

Agreeableness:

Compulsive buyers are typically upset by the knowledge that they are hiding excessive purchases from their families. Shopping is an increasingly popular form of self-expression (Kowinski, 1985). Thus, while compulsive buyers are aware their excessive buying is deviant, they attempt to hide that behaviour so that it would appear to be in accord with established social norms. Certainly some possibility exists for the compulsive buyer to seek emotional equilibration through other compulsive behaviours such as drug use; one might surmise the compulsive buyer feels relatively greater restraint by societal norms. Compulsive buyers demonstrate not only a need to conform to society’s expectations, but a desire to be a part of society that is envied. There is a high intention of agreeableness to society norms on the part of the compulsive buyer.
Conscientiousness (Self Control):

On the face of it, compulsive buyers would appear to be less conscientious than other consumers because they spend with relatively little thought given to the consequences of that spending. Care must be taken not to interpret elemental traits purely with regard to the name given to that particular trait. The researcher must ask, are compulsive buyers more disorganized or careless or weak willed than any other consumer? The answer to this is that they are not; they demonstrate a great deal of care in hiding merchandise and the accompanying bills, as well as willpower in containing their drives to purchase. These acts represent an attempt to at least appear conscientious. The explanation, then, is that the needs met through compulsive buying are super ordinate to and independent of those met through maintaining conscientiousness. It might, then, be plausible that highly conscientious individuals do not tend to buy compulsively; such a dominant conscientiousness trait would override any compulsion to spend more than was prudent (Mowen & Spears, 1999).

Importance of Personality Trait Combinations:

A study by Brandstatter & Guth (2000) in their experimental design shows the following: A person with low self-control desires random pay-off and they are risk prone. A person who is emotionally unstable (Neuroticism) and an introvert is more sensitive to life expectancy and hence a decrease in life expectancy may make them spend more than to save. A person who is an emotionally stable extrovert is less sensitive to life expectancy. That is, emotional stability makes a larger difference in extroverts than in introverts. Emotionally stable-extroverts tend to have a steady spending behaviour and external influences do not impact much. Theory of Gray (1987) states that emotionally stable introverts are least sensitive changes to and
emotionally unstable extroverts are the most sensitive to external influences. Comprehensive and basic, measures of personality as well as measures of situation perception in future experiments on economic decisions, is necessary.

Personality traits influence the probability of getting a job and hence earning. One step backward in the context of buying behaviour, earnings has a soothing effect on spending behaviour (Ellen K.Nyhus & Empar Pons, 2005).

Financial factors are mostly backward looking point-in-time measures, these models are inherently constrained and it is not clear how well these models perform out-of-sample (time, firm, industry). This area of research is relatively well developed but still has to overcome the above mentioned problem. A combination of financial and non-financial factor leads to a more accurate prediction of default than the single use of either financial or non-financial factors (Jens Grunert, Lars Norden & Martin Weber, 2005).
Limitations of Using Personality Traits in Economic Outcomes:

The interface between personality psychology (personality traits) and economics (economic outcomes) are faced with the many challenges as cited from Borghans, Duckworth, Heckman & Weel, 2008. The economists and psychologists estimate preference parameters such as time, preference, risk aversion, altruism and social preferences to explain behaviour of individuals in decision making situations.

Personality in the given context is about how people actually think, feel and act. It is not on motivation, values, interests and attitudes which give rise to personality (Mc Adams, 2006; Roberts, 2006; Mc Adams & Pals, 2007). The basic question to be asked here is: How to reduce the risk of misinterpretations when using personality traits in economic outcomes? Personality inventory measurement system and their relationship with preference parameters are important. At the same time personality score and its stability of measurement across situations alone reduces the risk of misinterpretations. Personality influences the cognitive process and measurements of cognitive ability are affected by personality factors.

In personality the big five traits viz; openness to experience, agreeableness, extraversion, emotional stability and conscientiousness are the most prominent. But economists have questioned the predictive validity, stability or their casual status. They believe that behaviour is situational. Most personality studies are observational not experimental so personality traits reflect the outcomes, rather than the cause. The value of personality traits need to be ascertained as personality traits are malleable over the life cycle and are more sensitive to investments by parents and sources of environmental influences. Cognitive ability and personality predict a variety of social
and economic outcomes. Social policy remEDIATE DEFICIT IN PERSONALITY, AT THE SAME TIME BEHAVIOUR IS NOT PURELY SITUATION SPECIFIC.

A FEW QUESTIONS OF RELEVANCE TO BRING IN MORE MEANING AND CERTAINTY WHILE USING PERSONALITY PSYCHOLOGY ARE:

IS IT CONCEPTUALLY POSSIBLE TO SEPARATE COGNITIVE ABILITY FROM PERSONALITY TRAITS? IS COGNITIVE ABILITY LEADING TO PERSONALITY TRAITS OR VICE-VERA? IS IT POSSIBLE TO EMPIRICALLY DISTINGUISH COGNITIVE FROM PERSONALITY TRAITS? MEASURES OF ECONOMIC PREFERENCES ARE INFLUENCED BY NUMERACY AND INTELLIGENCE. FOR EXAMPLE, IQ SCORES ARE DETERMINED BY INTELLIGENCE, MOTIVATION AND ANXIETY. OVER THE LIFE CYCLE, THE DEVELOPMENT OF COGNITIVE ABILITY IS INFLUENCED BY PERSONALITY TRAITS SUCH AS CURIOSITY, AMBITION AND PERSEVERANCE.

THE NEXT RELEVANT QUESTION IS: WHAT ARE THE MAIN MEASUREMENT SYSTEMS IN PSYCHOLOGY FOR INTELLIGENCE AND PERSONALITY AND HOW ARE THEY VALIDATED? PERSONALITY IS MEASURED USING SELF RESPONSE QUESTIONNAIRE AND TIME, PREFERENCE AND RISK AVERSION HAS AN IMPACT. A LONGITUDINAL STUDY ALONE CAN COMPOUND IN FACTORS LIKE TIME, PREFERENCE AND RISK APPETITE. THE SELF-RESPONSE QUESTIONNAIRE BASED STUDY IS FOCUSED ON CONSTRUCT VALIDITY AND NOT THE PREDICTIVE VALIDITY, AND THE LATER REQUIRES MORE IMPORTANCE. ANOTHER WEAKNESS IS THE FACT THAT NO SYSTEMATIC RELATION IS SEEN BETWEEN TYPES OF MEASUREMENT.

WHAT IS THE EVIDENCE ON THE PREDICTIVE POWER OF COGNITIVE AND PERSONALITY TRAITS? THE RELATIVE IMPORTANCE OF A TRAIT VARIES BY THE TASK STUDIED. COGNITIVE TRAITS ARE PREDICTIVE OF PERFORMANCE IN A GREATER VARIETY OF TASKS. PERSONALITY TRAITS ARE IMPORTANT IN EXPLAINING PERFORMANCE IN SPECIFIC TASKS. IN BIG FIVE PERSONALITY TRAITS CONSCIENTIOUSNESS AND EMOTIONAL INSTABILITY ARE MORE PREDICTIVE. THE BIG FIVE TRAITS SEEMS RELEVANT BUT NOT EXCLUSIVE DETERMINANTS OF ECONOMIC PREFERENCE PARAMETERS.
How stable are personality traits across situations and across the life cycle? Are they more sensitive than cognitive traits to investment and intervention? Both cognitive and personality traits evolve over the life cycle to different degrees and at different stages of life. For example, Conscientiousness increases monotonically from childhood to late adulthood. Traits are sufficiently stable across situations and evolve across situations, influenced by parental and environmental investments. The environment can be for example the emerging retail and credit card environment.

The panoply of measures and constructs also points to the relatively recent and incomplete convergence of personality psychologists on the big five model as well as the lack of consensus among researchers about identifying and organizing lower-order facets of big five (De Young, 2007), Hofstee, de Raad & Goldberg, 1992). For example, Costa & McCrae, 1992) argue impulsivity is a facet of neuroticism. Others et al. 2005 argue impulsivity is a facet of conscientiousness. Others blend conscientiousness, extraversion and Neuroticism (Revelle, 1997), adds to the limitation of using big five personality trait measures. Heckman, stixrud & Urzua (2006) and Urzua (2007) demonstrate the importance of correcting for reverse causality in interpreting the effects of personality tests in a variety of socio-economic outcomes.

When measuring cognitive and personality traits one should standardize for incentives and environment. For example, if a situation warrants extraversion and if it is rewarded then there will be more manifest extraversion, than in a less rewarded situation. Levels of intelligence of an individual determine his awareness level. The relevant question is why certain traits reacting to particular situations and why all traits not reacting in a similar way? How do you determine the required benchmark? Defining the benchmarks level is important. This produces an operational definition of
latent traits across measurement situations. With the diversity of measurements on the same latent trait; it is flexible enough to capture interactions among the traits and the notion that at high enough levels of certain traits; incentives might not matter whereas at lower levels they might. So transportability of tests beyond test taking environments is not possible. Incentives to respond to a personality test differ for different people. The low scores on IQ tests can be increased up to a full standard deviation by offering incentives such as money or candy, particularly a group administered tests and particularly with individuals at the low end of the IQ spectrum. Personality psychologists have begun to address the role of context including rewards and observational frames on the measurement of personality traits (Bandura, 1999; Roberts, 2007; McAdams, 2006).

In economics choices, market settings play a crucial role in policing behaviour. Even if individuals seek to exhibit irrational behaviour they must live within their constraints. List (2004, 2006 & 2007) has shown how behaviour in market setting alerts the choices that are made in lab settings where the market forces are absent. Different incentives and context act as agents.

There is a consensus in psychology that hyperbolic \( V = \frac{A}{(1+K \cdot d)} \) \( v = \) current utility, \( d = \) delay, \( K = \) discount rate parameter), functions fit data from experiments better than do exponential \( V = \frac{A}{(1+K)} \) functions (Rachlin 2004) but the evidence is far from solid. Virtually all methods of estimating time preference assume that respondents are equally numerate. The assumption is often untrue. Shamosh & Gray (2007) shows IQ and discount rates are inversely related. More intelligent individuals (de wit et al, 2007) smarter individuals (Funder & Block, 1989) have low discount rates. Frederick et al
suggest that time preference is tri-dimensional i.e., impulsivity, compulsivity and inhibition.


The malleability of personality can be defined and measured in several ways. Mean level change refers to change overtime in absolute levels of a trait and is measured by changes in scores over time. Rank order change refers to changes in the ordinal ranking of a trait in a population and is measured by test re-test rank correlations. If social role changes are experienced by most people in a population at the same time, we will observe the effects as mean level changes in personality. If social roles are not assumed synchronously rank order changes are observed. Changes in personality may drive social role changes rather than the other way round. However the experimental analysis of Gottschalk (2005) suggests genuine causal effect of work on personality traits.

A second useful dichotomy is normative change defined as, changes that are typical of the average individual in a given population and caused either by biological programming or by predictable changes in social roles. Non normative change encompassing both intentional changes caused by deliberate self directed efforts, deliberately chosen changes in social roles and a typical life events.

Helson et al (2002) has documented the substantial influence that social roles and cultural milieu can have on personality development. This is consistent with the
economic model of investment and the response of manifest traits to incentives. Environmental factors and in particular stable social roles also contribute to stability in personality and that genetic factors can contribute to change (Roberts, Wood & Caspi, 2008). Heritability estimates for big five traits are relatively stable across the life course at about 40 to 60 percent (Bouchard & Hochlio, 2007). Personality change in adulthood may be precipitated by major shifts in social roles. Clausena & Giles (1990) claim that female labour force participation increases self-confidence. McGue, Bacon & Lykken (1993) suggest that only permanent changes in environment (ex. social role like parenthood) might budge personality.

Conventional economic theory is sufficiently elastic to accommodate many findings of psychology. But certain traditional concepts used in economics should be modified and certain emphasis redirected. Certain findings in psychology cannot be rationalized by standard economics models and could fruitfully be incorporated into economic analysis. This provides a wide scope for exploring and enhancing the existing framework of empirical knowledge in personality psychology in economics.

The opportunities are as follows:

1. Radical reformation of classical choice theory.

2. Cognitive and personality traits impose constraints on agent choice behaviour.

   For example, high rates of measured time preference may be produced by the inability to delay gratification or an inability of agents to imagine the future.

Personality traits are likely to prove useful in economic models of decision making under ambiguity. Individuals may differ in their capacities to deal with poorly defined situations. Greater intelligence may help define situations, but person with greater self
control, openness to experience, lower levels of anxiety and those who seek excitement may better cope with ambiguity. It is essential to identify which traits are important for which outcomes, which leads to better measures, models and policy intervention.

A longitudinal study with an independent experimental design followed or complemented by a survey based design will ensure a better predictive model. Together with this economic preference measures should be subject to same standards as personality measures: Internal reliability, test re-test stability, convergent validity, discriminant validity, and predictive validity (Borghans, Duckworth, Heckman & Weel, 2008).

Purpose of Including Big Five Personality Traits by the Researcher in the Pilot Study

The pilot study attempted to refine the current understanding of the influence of four personality traits of introversion, emotional stability, agreeableness and self control on compulsive buying and credit default. Around 200 respondents using credit cards for a period of above one year were selected as respondents for the study. Materialism, Enhanced Credit card Spending and Credit Card Financing Behaviour was also included as predictors.

The four personality traits introversion (Faber & O’Guinn, 1988), emotional stability (Faber & O’Guinn, 1985 & 1992) (Hassay & Smith, 1996), agreeableness (Kowiniski, 1985) conscientiousness (Mowen & Spears, 1999) and their impact on compulsive buying is far understudied and various mentioned studies have conflicting results. The pairing of personality traits gains importance (Brandstatter & Guth Werner, 2000) is a new argument of relevance when studying personality traits, as different situation perceptions influence economic decisions and outcomes.
The research question asked by the researcher in the pilot study was:

Is the hypothetical relationship of Personality traits like Introversion, emotional stability, agreeableness and conscientiousness to Compulsive Buying Behaviour (CBB) consistent and valid as per the existing hypothesis?

The objective for the pilot study was (only the personality based objective shown here)

1. To investigate the relationship of Introversion, emotional stability, agreeableness, conscientiousness on compulsive buying and credit card default.

The hypotheses were (as from literature): (only the personality based hypothesis shown here)¹

P.H1- Introversion is negatively related to compulsive buying.

P.H2 - Emotional stability is negatively related to compulsive buying.

P.H3 - Agreeableness is positively related to compulsive buying.

P.H4 - Self-control (conscientiousness) is negatively related to compulsive buying.

The researcher originally intended to study a Conceptual model as shown in the below figure 3. The hypothesis for personality variables was based on the following under mentioned conceptual frame.
Do Personality variables and its impact on compulsive buying enhance the model efficacy?

What does the existing literature say?

Faber & O’Guinn (1988) reported that compulsive buyers score significantly higher on envy subscale a measure of materialism. As envy is an evaluation of negative possession relative to others, it provides indirect evidence that compulsive buyers are extraverted.

P².H1-Introversion is negatively related to Compulsive Buying

Compulsive buyers use the shopping experience as a mood leveler (Faber & O’Guinn, 1992). Further research has shown that compulsive buyers often shop to escape boredom and as a means of emotional stimulation (Hassay & Smith, 1996).

P².H2-Emotional Stability is negatively related to Compulsive Buying

Shopping is an increasingly popular form of self-expression (Kowiniski, 1985). Thus, compulsive buyers agree to excessive buying as a means to be self expressive to compensate for stress, disappointment, frustration and lack of self-esteem.

P².H3-Agreeableness is positively related to Compulsive Buying

Compulsive buying is negatively related to conscientiousness, a cardinal personality trait indicating general organisation and efficiency (Mowen & Spears, 1999).

P².H4-Conscientiousness is negatively related to Compulsive Buying
Figure 3: Original Proposed SEM Model depicting the relationship among the variables as in the pilot study

Conceptual Definitions used in pilot study adopted from Big five personality Inventory © 2000 by UC Berkeley Psychologist Oliver D. John (only the personality based conceptual definitions shown here)*

Bipolar scales of:

Extraversion- Introversion

Conscientiousness (Self control) - Unstructured

Tough Minded- Agreeableness

Emotional Stability (confidence) – Neuroticism (sensitive)
Introversion—People are reserved and shy, able to concentrate on long tasks, prefers a calm environment, dislikes the limelight and attention, inhibited and somewhat reluctant in teams, not a natural communicator, deliberate and reflects on things, lacks spontaneity.

Extraversion

Open and talkative, competitive, enthusiastic and persuasive, enjoys a fast pace and variety at work, gregarious, socially active and energetic, can be impulsive or indiscreet, needs praise-enjoys attention, can lack concentration in routine or long tasks.

Emotional Stability

Relaxed, calm under pressure, high self esteem, decisive, asserts him/her, optimistic, enjoys talking lead, resilient to pressure, copes with the unexpected, enjoys autonomy ambitious.

Emotional Instability (Neuroticism)

Unsure of self, hesitant, checks with superiors, prone to anxiety under pressure, dislikes making big/important decisions, not ambitious, somewhat pessimistic, concerned by change or the unexpected, may be temperamental, low emotional control, nervous presenting self or own ideas.

Low Agreeableness (Tough Minded)

Self reliant and independent-pushy, not a natural team player-dominant, goal oriented-tough and determined, capable of dealing office politics, drives through obstacles,
somewhat impatient with weaker colleagues, able to make unpopular decisions, autocratic management style.

High Agreeableness

Empathetic and consensus oriented, enjoys team participation, tolerant to others, seen as kind and generous, patient and democratic with others, can find disciplining others difficult, can be seen as too soft or submissive, naturally democratic management style.

High Conscientiousness (High Self Control)

Structured approach to work, Quality conscious and detailed, plans and forecasts-organised, reliable and efficient, preserving and dutiful, committed to the job-striving, keen to achieve.

Low Conscientiousness (Unstructured)

Flexible and informal approach to work, multi-tasker, not detail conscious-expedient, prefers big picture-strategic, less committed to formal tasks, works well in a chaotic environment, dislikes paper work-unstructured.

Operational Definition as used in pilot study: (Only the personality based operational definitions shown here)\(^1\)

Bipolar scales of personality factors adopted from James Carl Stone, 2001 for reduced number of items, 25 items instead of Oliver D. John’s 45 item inventory. (All scales are a 5 point scale from strongly disagree (1) to strongly agree (5)).

Extraversion- Introversion: High scorers tend to be introverted, reserved, inhibited, quiet and low scorers tend to be sociable, friendly, fun loving, talkative.
Conscientiousness (Self Control) - Unstructured

High scorers (those with high self-control) tend to be reliable, well organised, self disciplined and careful and low scorers tend to be disorganized, undependable, negligent.

Tough Minded-Agreeableness

High scorers (those with high agreeableness) tend to be good natured, sympathetic, forgiving, courteous and low scorers tend to be critical, rude, harsh, and callous.

Emotional Stability (Confidence)-Neuroticism (Sensitive)

High scorers (those with high neuroticism or emotional instability) tend to be nervous, high-strung, insecure, worrying and low scorers tend to be calm, relaxed, secure and hardy (the questionnaire is attached in the appendix).

Does Personality variables enhance model efficacy? Finding and discussion on personality variables as per the pilot study:

In the discriminant analysis done to find the impact of the variables before proceeding with SEM as per the above model (figure 3) the following were reported. The variables materialism, compulsive buying, enhanced credit card spending, credit card financing behaviour, introversion, emotional stability, agreeableness and conscientiousness was used to categorise the dependent into non-defaulters and defaulters (see Research Methodology chapter, Instrumentation for details). The difference between the group means, for all the predictor variables, is greater than 0.5, which is good except for introversion (0.397), materialism (0.288) and compulsive buying (0.481). The discriminant function with three predictors is significant (p<.05). The three predictor
variables selected in the model are Agreeableness (AGREE), Credit Card Financing Behaviour (CCFB) and Enhanced Credit Card Spending behaviour (ECCS), whose differences between group mean scores, are greater than 0.85. The relative importance of all predictor variables used in the categorisation of the dependent outcome, is not explicit, due to the insignificant differences between group mean scores (Alex & Raveendran, 2008).

High Agreeableness is showing -0.437 to credit non-defaulters. This relationship is not conducive to previous hypothesis, which shows a positive relationship with compulsive buying (CB). Further, compulsive buying (CB) is having a positive relationship with credit defaulters. The explanation can be as follows. Compulsive buyers are typically upset by the knowledge that they are hiding excessive purchases from their families. Further, it has been shown that shopping is an increasingly popular form of self-expression (Kowiniski, 1985). Thus, while compulsive buyers are aware their excessive buying is deviant; they attempt to hide that behaviour so that it would appear to be in accordance with established social norms. Certainly some possibility exists for the compulsive buyer to seek emotional equilibration through other compulsive behaviours other than shopping such as drug use. But drug use being against accepted social norms unlike excessive shopping, compulsive buyer feels relatively greater restraint (Alex & Raveendran, 2008).

Compulsive buyers demonstrate not only a need to conform to society’s expectations, but a desire to be a part of society. The above arguments show that compulsive buyers are occasionally tough-minded as well, as against the contrary hypothesis that they are high on agreeableness (AGREE). But in the study the credit non-defaulters are rarely compulsive buyers and they show high agreeableness. The relationship need to be
further probed in future studies. However, when discussing personality factors, the pairing of personality traits gains importance (Brandstatter & Werner Guth, 2000). Emotional stability makes a larger difference in extroverts than in introverts. Emotionally stable-extroverts tend to have a steady spending behaviour and external influences do not impact much. In the given context, the theory of Gray (1987) which states that, emotionally stable introverts are least sensitive to changes and emotionally unstable extroverts are the most sensitive to external influences (stimuli) is confirmed. This is true for the present set of credit non-defaulters as the respondents are emotionally stable extroverts and they have a steady spending pattern. Further the non-defaultter respondents are having low compulsive buying, and are high on conscientiousness as seen in the study of Mowen & Spears, 1999 (Alex & Raveendran, 2008).

Conclusion on the efficacy of the model with personality traits:

Evidence is acting against the use of personality traits as cited in from Nathan (1988) & Borghans, Duckworth, Heckman & Weel, 2008. The same non-consistent trend is shown in the study of Alex & Raveendran, 2008 and hence the final model for predictability of credit card default was based on the variables materialism, compulsive buying, enhanced credit card spending and credit card financing behaviour.

What was (not) accomplished by the researcher in the cross-sectional pilot study?

The inclusion of big five personality traits as a set of predictor variables to predict its influence on compulsive buying behaviour and credit default was not possible in survey design as the influence of the personality predictors were inconsistent based on the
evidence gathered from pilot study. An experimental study is a better method to find the influence of personality predictors.


A. Maladaptive preoccupation with buying or shopping, or maladaptive buying or shopping impulses or behaviour, as indicated by at least one of the following:
   1. Frequent preoccupations with buying or impulses to buy that is/are experienced as irresistible, intrusive and/or senseless.
   2. Frequent buying of more than can be afforded, frequent buying of items that are not needed, or shopping for longer periods of time than intended.

B. The buying preoccupation, impulses, or behaviours cause marked distress, are time consuming, significantly interfere with social or occupations functioning or result in financial problems (e.g. Indebtedness or bankruptcy).

C. The excessive buying or shopping behaviour does not occur exclusively during periods of hypomania or mania.

End note- 1- The other predictor variables are shown in figure 3 and these variables are already explained in the introduction chapter.
2- Personality variable based hypothesis.
Credit Card Spending and Financing Behaviour:

A flexible means of consumer borrowing is through the use of credit cards. The consumer applies only once for a card's credit line that can be paid off in monthly installments or in full each month. Credit cards eliminate the need for successive credit applications that most other types of loans require. When a credit card is used money is borrowed and the credit card balance is credit card debt of the holder. This is unsecured debt because it is not secured by a particular asset like a home loan or automobile loan. If a credit card holder is unable to make payments it is more difficult for the credit card issuer to collect the unpaid balance since there is no underlying asset to seize (Master Card, 2006).

A formal structure of consumer credit is an invention of the twentieth century. Previous to this, individuals in need of funds borrowed from family and friends and if they ventured outside this circle; retailers, pawnbrokers, and illegal money lenders were likely sources. By the 1980's in India, consumers had more formal institutions as sources of credit finance companies, retail lenders, licensed consumer finance companies, credit unions and commercial banks. These organized, continuous and impersonal lenders offered funds in a form that had not been typically offered through installment borrowing. Borrowers could now borrow a lump sum with repayment made in a fixed periodic way over specified period, a form that most borrowers found more attractive than forms previously offered such as single payment loans. Credit cards probably symbols most likely identified with the consumer culture were introduced in 1950’s and popular in India since mid 1980’s in large tier one towns and in the early 1990’s in Tier II towns (Economic Times Archives).
Credit cards have three important attributes for consumers: they are a medium of exchange, they serve as a source of short and intermediate term revolving credit and they are convenient to use. The credit card user has a high degree of repayment flexibility in the monthly payment requirements. Credit cards allow the consumer to borrow the exact amount desired and a high degree of repayment flexibility in the monthly payment requirements. In contrast, mortgages and personal loan often require a loan amount specification and a fixed monthly payment (Master Card, 2006).

The credit card industry identifies two patterns of credit card usage (Canner & Cyrnak, 1986): the convenience users who pay monthly balances in full and finance users who carry from month to month and accrue finance charges.

Convenience users avoid interest charges by paying credit card balances in full every month. Besides avoiding interest charges, these cardholders behave in this way in order to maintain a smaller average cash balance to use the card as a bridge between receipt of income and expense payment, and to take advantage of the free use of money during the grace period (The period of time after the billing date within which the entire balance can be paid to avoid finance charges) (Master Card, 2006).

A finance user is more lucrative to a credit card issuer than a convenience user. A finance user, unlike a convenience user, has monthly finance charges to pay to the issuer on the unpaid balance. Besides finance charges, the card issuer earns income through other sources as well: Credit card holder fees such as annual, late payment and on purchases made over the credit limits and discounts paid by retailers typically 1 to 3 percent of purchase price. Both convenience and finance users may choose to participate in special incentive programs (such as rebates on gasoline purchases, and
discounts on Rupee amounts charged) that may be offered on a credit card, which are expenses of the credit card issuer (Master Card, 2006).

Much of the research associates credit card usage with economic, sociological, and psychological variables (Davies & Lea, 1995; Lea et al, 1993; Livingstone & Lunt, 1992). Kinsey (1981) uses household financial and demographic characteristics to determine both the probability of a household having a credit card and the number of credit card accounts a household likely to have. Canner & Cynak (1986) find a positive association between family income, age of the family head and relative financial liquidity with convenience use, but an inverse relationship with a family’s relative debt position. Levin & Kao (1993) associate two credit card related dependent variables, type of credit card use and number of credit cards used, to the socio-demographic factors of age, education, marital status, employment status, and rural versus urban living.

Enhanced Credit Card Spending: The features of credit card such as the convenience of buying now and paying later and the conveyance of a line of credit encourage spending. The relative ease of acquiring not just one card, but several cards, multiplies the impact of their spending. Through experimental studies, the second stream shows the availability of credit cards increase how much consumers are willing to spend when compared to just having cash available (Feinberg, 1986; Hirschman, 1979; Soman, 1996).

Hirschman (1979) surmises that credits enhance spending because credit cards permit current purchases to be made on the basis of anticipated future income. Feinberg (1986) conducted four experiments and a study to test the hypothesis that credit card stimuli associated with spending evoke spending responses. He finds probability, speed and magnitude of spending to be magnified when credit card is used, due to conditioning.
Soman (1996) suggests and tests several explanations as to why credit cards enhance spending. He theorizes and empirically shows the increased spending could be a result of consumer computation bias: the use of credit cards reduces the salience of payments and consumers are unable to keep track of actual expenditure and the status of their wealth. On the other hand, maintaining a Cheque book makes salient the consumer’s expenditures and wealth status. Another empirical explanation is that spending power offered by a credit card’s limit is confused by consumers with increased wealth, especially since the credit line has been granted by experts. Soman’s results show the effects of external stimuli (like retail environment) on an individual’s credit card spending.

Card Financing Behaviour and Debt Accumulation: Consumers acquire personal debt for several reasons: economic necessity, lack of budgeting skills, the influence of media images, compulsive buying, greed, acceptance of debt by friends and keeping up with the Joneses (Faber & O’Guinn, 1988; Lea et al, 1993; Livingstone & Lunt, 1992; Lunt & Livingstone, 1991).

To better understand the causes of debt accumulation, Lunt & Livingstone (1991) use a network approach and find credit cards to be an integral link. Lunt & Livingstone identifies a set of internal (e.g. greed, careless budgeting) and external (e.g. advertising) causes of personal and problematic debt. They use a cross-section of ordinary people who varied in levels of personal indebtedness and asked them to form causal relationships between the various reasons for personal debt. Lunt & Livingstone then use these responses to form a network of relationships of personal debt causes. The credit system, notably the convenience of credit cards and high credit limits, are interlinked by the respondents with social pressures, commercial pressures (advertising), personality traits (lack of self control, greed) and personal crises.
(fluctuating income). Many people use credit because of economic circumstances. They borrow because they do not have the resources necessary to achieve a certain standard of living. Some choose to go beyond a decent standard to maintain a higher desired standard of living and use credit to achieve it. Some people do not know how to budget their money, so lack skills necessary to live within their means. A credit card makes it more precarious to shop and spend without a budget. Running out of cash is an indicator that financial resources are depleted and might be a necessary cue to stop spending for someone without a budget. However, a credit card’s credit limit, sometimes numbering in tens of thousand of rupees (INR), prolongs reaching this point.

Change in income has an impact on buying and deferred buying as reported in behavioural life cycle theory (Shefrin & Thaler, 1988). Congruent with the behavioural life cycle theory, willingness to buy was greater when subjects received a temporary income increase than when they received a temporary income decrease although total assets were equal. Modigliani (1988) states that people strive toward a uniform consumption during the life cycle; which implies that they take loans when their income is low today and is expected to be higher in the future and they save when their income is higher than expected. Middle-aged households have a greater degree of consumption than younger and older households. People decompose wealth into three different mental accounts viz, current income, current assets, future income and their propensity to consume differs (Shefrin & Thaler, 1988 & 1992). Some consume more from current income than current assets (Shefrin & Thaler, 1988). Others consume more from current assets than current income (Selert, Karlsson & Garling, 1997). Income increase increased decisiveness to buy and income decrease decreased decisiveness not to buy. People are more likely to borrow money (use a future income)
for something with long durability than for something with short durability. People may have their reasons for using mental accounts, applying them as general self-control device. In real life situations factors like temptation and impulsiveness may decrease the effectiveness of mental accounts as a self-control device.

There is increasing evidence that credit card debt has contributed to the rise in family financial problems and personal bankruptcies (Brobeck, 1997).

Heavy users of credit card viewed:

1. Money as a source of power/prestige 2. Experienced more anxiety of financial matters 3. Less concerned about retaining money 4. Lower level of self worth and tended to feel less internal control over money 5. Locus of control significant factor in a person’s perception of their financial situation (Hayhoe, 1994; Dessart & Kueylen, 1986) 6. Higher income students had higher debts (Prather & Huyer, 1996) 7. Credit and money attitudes are good indicators of individuals spending patterns, perceived economic well-being and acceptable debt levels (Davies & Lea, 1995).

Consumers who use credit cards spend more than those who use other means of payment (Tokunaga, 1993; Soman, 2001). Behavioural, psychological, demographic variables can predict consumers who use consumer credit effectively (Tokunaga, 1993). Palmer et al (2000) suggest that a fruitful area of research is investigating the difference between credit card usage patterns of highly materialistic persons from those of people who are less materialistically driven. Consumers who make past payments by credit card compared to cheque or cash are more likely to purchase an additional discretionary product (Soman, 2001). Atkinson (2001) suggests that people at all wage levels struggle financially for three primary reasons 1. Life emergencies 2.
Poor money management (lack of knowledge or discipline to create and follow a financial plan/budget). Living beyond their means where a consumerism mentality leads us to think of certain luxuries like a cell phone or cable TV service as necessities.

Searching for the determinants among Korean TV home shoppers for compulsive buying behaviour (Park, 2003 & 2005) it was found that credit card usage is the most influential factor followed by expenditure on fashion goods. Park also found that TV home shoppers who purchased fashion goods showed a higher degree of compulsive buying than those who purchased non-fashion goods. Based on these findings, Park raised the need for further research encompassing various fashion-related variables to better understand compulsive buying and to clarify those variables’ relationships with credit card use. The purpose of study was to identify the direct impact of fashion-related factors on compulsive buying and the indirect impact of fashion-related factors on compulsive buying through credit card use. The study proposed a model to better understand compulsive buying. This was based on the study of Krugger (1988) that compulsive buyers are likely to be very conscious of how they look and appear to others and to be engaged in an unceasing pursuit of things, especially clothing, the study examined the variable, fashion orientation, which relates to an individual’s concern about the perception of other people toward his or her clothing. The causal path of the model is that fashion orientation may influence compulsive buying both directly and indirectly (i.e., credit card mediates the relationship between fashion orientation and compulsive buying behaviour).