Anti-Consumption and Personal Debt

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[to cite]:

Marcelo Nepomuceno and Michel Laroche (2012) ,"Anti-Consumption and Personal Debt", in NA - Advances in Consumer Research Volume 40, eds. Zeynep Gürhan-Canli, Cele Otnes, and Rui (Juliet) Zhu, Duluth, MN : Association for Consumer Research, Pages: 699-700.

[url]:

http://www.acrwebsite.org/volumes/1011740/volumes/v40/NA-40

Anti-Consumption Lifestyles and Personal Debt

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EXTENDED ABSTRACT

This study examines if the scores on anti-consumption lifestyles correlate with account balance and balance due. In a sample of Brazilians customers, it was found that voluntary simplicity, but not frugality and tightwadism, correlate negatively with balance due. In addition, none of the lifestyles correlates significantly with account balance.

The adoption of anti-consumption lifestyles results in the voluntary reduction of consumption by individuals. This study investigates the impact of adopting such lifestyles on the banking behavior of Brazilian customers. Arguably, an individual who reduces consumption will naturally spend less money, and have more resources. Therefore, we test if frugal consumers (Lastovicka et al. 1999), tightwad consumers (Rick, Cryder, and Loewenstein 2008), and voluntary simplifiers (Iwata 1999; Zavestoski 2002) are less susceptible to debt.

Testing this susceptibility to credit is important for two reasons. First, financial institutions should be particularly interested about customers who adopt such lifestyles. Banks that attract such customers are able to use their credit to provide loans to other customers. Second, policy makers concerned with reducing the rate of personal indebtedness in a given population might promote anti-consumption lifestyles that correlate with lower debt levels.

This study looks at other factors that might affect one's personal debt. Antecedents included in the model are income, self-control, long-term orientation and materialism. Additionally, the interactions between these antecedents are also considered in the model.

A partnership between a Brazilian financial institution and the authors made the study possible. In this agreement, the financial institution supported the data collection by recruiting their customers for the study. The sample includes 502 customers with bank accounts in Cuiaba, in one of the major rural areas of Brazil. A special effort was dedicated to recruit participants with a wide range of income levels. To increase customer participation, the financial institution created a raffle with an Ipad2. The participants answered an online survey composed of several scales, presented in random order. To measure frugality, we used Lastovicka's et al. (1999) frugality scale, as translated by Castilhos and Petersen-Wagner (2009). To measure materialism, we used Garcia's (2009) adapted version of Richins' (2004) materialism scale. Tightwadism was measured with a back translated version of the tightwad-spendthrift scale (Rick, Cryder, and Loewenstein 2008). Voluntary simplicity was measured with a back translated version of the adapted Iwata's (1999) scale. Self-control was measured with a back translated version of the self-control scale (Tangney, Baumeister, and Boone 2004). Long-term orientation was measured with a back translated version of the long-term orientation measure (Bearden, Money and Nevins 2006). In addition, we used a translated version of an instructional manipulation check (Oppenheimer, Meyvis, and Davichenko 2009) to identify and remove inattentive participants. This resulted in the exclusion of 45 participants (or roughly 9%), and a final sample of 457 customers.

The financial institution provided information on the income, account balances and balance due for each of the 457 participants. Income, participants' scores on these scales and the interaction terms were considered as independent variables in two different analyses. First, a linear regression was performed using account balances as the dependent variable. It was found that account balances do not correlate significantly with income, anti-consumption lifestyles, materialism, self-control or long-term orientation. Therefore, the adoption of an anti-consumption lifestyle does not affect one's account balance. This occurs probably because the money saved through the adoption of an anti-consumption lifestyle is directed to savings accounts. However, the interaction between the materialism dimensions with income, self-control and long-term orientation significantly affects the scores on account balances. Most notably, it was found that a person who believes that acquisition is a central goal in life will have larger account balances to deal with the temptation of consuming. In addition, low-income individuals have larger account balances when they think that possessions are a source of happiness.

In the second analysis, a regression was run only with the 172 participants who had balances due. Financial institutions in Brazil offer pre-approved credit to its customers, without the need to sign a loan. However, a high-income is a necessary condition to have access to this service. Therefore, low-income individuals are considerably less likely to have balances due, as financial institutions do not offer them this service. To deal with this bias, the variable balances due was transformed into a new variable, which considers participants' incomes. This new variable, named "weighted balances due", is the mathematical result of the division of balances due by income. When analyzing the impact of the independent variables on weighted balances due, it was found that voluntary simplifiers own less debt ($\beta=-.283$, $p=.006$), whereas frugality and tightwadism do not shield one from having larger balances due. Also interestingly, high-income individuals who score high on self-control have large balances due, probably because they are fooling themselves into believing that they are more self-controlled that they actually are. Finally, we found a negative correlation between the success dimension of materialism and "weighted balances due" ($\beta=-.214$, $p=.05$), indicating that individuals who use possessions to signal success are more prone to own larger debt. On the other hand, the centrality and happiness dimensions of materialism do not correlate significantly with balances due.

The current results show that not all anti-consumption lifestyles reduce one's balances due. The adoption of a simple lifestyle is the best shield that one has against owning larger debts. Furthermore, the belief that possessions signal success also leads one to have larger balances due. Therefore, at least in Brazil, policy makers concerned with the citizens' debt level should promote anti-materialistic values and a simple lifestyle, particularly to groups of individuals with high indebtedness. Finally, future studies should evaluate participants' saving accounts to test which anti-consumption lifestyles lead to more saving behavior. The current study showed that none of the lifestyles correlates with account balances significantly. However, this result might be particular to Brazil, where individuals are significantly motivated to invest any outstanding money. That is because, Brazil is a country with high inflation, and a place where investing in financial institutions is highly profitable.

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