

Mental Accounting and Consumer Credit Behaviors of ‘Ants’ and ‘Grasshoppers’¹

Takeshi Mori²
Konan University

Abstract

The number of studies making use of the concepts of mental accounting has increased these days. The basic concepts of mental accounting in consumer credit was pioneered by the achievements of Tversky and Kahneman(1981,1984) and Thaler(1985,2008). Thaler(1985,2008) emphasized repayment periods, while Tversky and Kahneman(1981,1984) stated people evaluate total amount of credit at first.

Ranyard and Craig(1993,1995)and Ranyard et al.(2007) focused on the psychological aspects and developed the mental accounting concepts of Tversky and Kahneman(1981,1984) and Thaler(1985,2008) into a dual mental account model which combined two concepts.

In this research, the men and women aged between 19 and 50, excluding students, were surveyed in Japan in order to examine which of the following – interest rate, loan amount or repayment period – matters more in consumer borrowing.

The present article has taken two steps to evaluate the preferences on consumer credit decision making. First, personalities of consumers have been focused on. In this article, those who do not borrow easily are called “Ants” , and those who choose the wasteful spending and loan options easily are called “Grasshoppers” .

Second, as Yang et al. (2007) have used a conjoint analysis, the preferences of consumers in consumer credit were evaluated. To mention the conclusion first, ‘Ants’ and ‘Grasshoppers’ react differently. The ‘Ants’ type of consumers who do not easily take out loans react more sensitively to loan amount, and despite the fact that they react to interest rate, they are indifferent to repayment period. On the other side, the ‘Grasshoppers’ type of borrowers are relatively indifferent to loan amount, but they react more strongly to interest rate and loan period.

In the terms of mental accounting concepts, these two types of consumer behaviors corroborate the two concepts mentioned above. That is, while the concept of Tversky and Kahneman(1981,1984), which insisted people evaluate total amount of credit at first, supports the behavior of the “Ants” , the mental accounting of Thaler(1985,2008), which emphasized monthly payment, corroborate the “Grasshoppers” . The findings found in this article can have important implications for consumer credit policy.