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## The Effects of Perceived and Actual Financial Knowledge on Credit Card Behavior

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### Abstract

This study uses a combined measure of financial literacy or financial knowledge that includes both a test score of actual financial knowledge and a self-assessment of overall financial knowledge. The combined measure provides greater understanding about how financial knowledge affects financial behavior. The study uses a large national survey of U.S. adults and households (n=28,146) to investigate how financial knowledge affects typical behaviors related to credit card use. The five behaviors include paying credit card balances on time, carrying over a balance and paying interest on it, making only a minimum payment on a credit card, being charged a late fee, and going over a credit card limit. The results from the probit analysis show that actual financial knowledge and perceived financial knowledge both significantly influence credit card behavior.

**Keywords:** financial knowledge, financial literacy, credit card behavior**JEL Classification:** D12, D14[Suggested Citation](#) >[Show Contact Information](#) >[Download This Paper \(Delivery.cfm/SSRN\\_ID1896365\\_code545810.pdf?abstractid=1896365&mirid=1\)](#)[Open PDF in Browser \(Delivery.cfm/SSRN\\_ID1896365\\_code545810.pdf?abstractid=1896365&mirid=1&type=2\)](#)

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