

IMPACT OF USE OF CREDIT CARD ON BUYING BEHAVIOUR

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Abstract:

A credit card is a small plastic card issued to users as a system of payment. It allows its holder to buy goods and services based on the holder's promise to pay for these goods and services. The issuer of the card creates a revolving account and grants a line of credit to the consumer (or the user) from which the user can borrow money for payment to a merchant or as a cash advance to the user.

Keywords: Attitude, Awareness, Credit card, Cardholders and Perception.

Introduction

In its non-physical form, a credit card represents a payment mechanism which facilitates both consumer and commercial business transactions, including purchases and cash advances. A credit card generally operates as a substitute for cash or a check and most often provides an unsecured revolving line of credit. The borrower is required to pay at least part of the cards outstanding balance each billing cycle, depending on terms as set forth in the cardholder agreement. As the debt reduces, the available credit increases for accounts in good standing. These complex financial arrangements have ever-shifting terms and prices. A charge card differs from a credit card in that the charge card must be paid in full each month.

Credit card may be a plastic card having magnetic strip issued by a bank. Credit card are off from being one and also the same and comparing credit card options may be challenging but necessary to decide on between the most effective. Various benefits are related to it like Grace Period. Credit limit, cash withdrawal facility and bonds point etc. Credit cards haven't only led to innovation, within the Credit card business, but have also placed banks on a competent ground, in such the way Credit card business still commands a lucrative market. There's an endless quest to buy newer products and therefore the life is targeted on the imaginary world of unattainable.

Literature Review

Yeo Jung Sang (1992) this thesis is based on the attitude and behavior of card holders towards credit cards. The researcher had employed dichotomous multi nominal logic way of analysis to figure out the demographic features of customers like age, education level, size of the house hold, income level, number of bank card holdings, store card holdings, relative interest rate, and relative membership fee. The study concluded that the effects of the explanatory variables were significant except the number of store card holdings.

Parimala (2001) in her Ph. D. thesis described the level of marketing done in credit cards in Tiruchirappalli. Her major findings are not sufficient to get the complete details as the cardholders were not aware of all services offered by the issuers because of lack of sufficient advertisement and

publicity. The suggestions given in her study to overcome these reasons for less awareness and reduce charges for penalty, interest, annual charges are very helpful for growth and expansions of credit cards market.

Mandeep Kaur (2011) the study examines the point of view of credit card users as well as member establishments towards the usage of plastic money. It focuses on some important aspects in usage such as challenges experienced by customers and bankers, value attribution to plastic money adaptation and some factors influencing them to use plastic money. It also analyses the current position and trends of plastic money in India.

Sudhakara, A. M. (2012) this thesis aims to review the technological progress made by the banking industry in India in ensuring the security to its customers in the light of continuous cyber race between creators of security standards and the fraudsters who hack such security standards.

Objectives of the study

1. To study the impact of Credit Card on Consumer behavior.
2. To study that how to manage use of credit card.
3. To study financial knowledge about credit card usage.
4. To finding difficulties about repayment the credit card debt.

Research Methodology

The present research may be a combination of exploratory and descriptive study. An exploratory study is undertaken when not much is thought about the case at hand, or no information is out there on how similar problems or research issues are solved within the past. A descriptive study is undertaken so as to determine and be able to describe the characteristics of the variables of interest in a very situation. Thus the study made a trial to explore and explain the concepts of credit cards and its influence on buying behavior of consumer decision.

Data Collection

Primary data was collected from the Credit card users in the flesh through a well-structured questionnaire. Secondary data was collected from journals, publications, reports, periodicals, research papers, manuals, books, magazines, articles, newspapers and online portals. A set of 50 survey questionnaires were completed. The researcher collected the information by frequenting the places in one month period so to have random selection of Credit card customers. The questionnaire may be a self-developed tool by the researcher. The factors considered within the tool are classified into personal, psychological and socio cultural.

Result and Analysis

Table 1 Types of credit card users and their ratios

	Category	Frequency	Percentage
	18-25	17	34%
Age	26-45	22	44%
	46-60	11	22%

Total		50	100%
Gender	Male	38	76%
	Female	12	24%
Total		50	100%
Sector	Private	20	40%
	Public	12	24%
	Business	18	36%
Total		50	100%
Income	Less than 250000	19	38%
	250000-500000	22	44%
	More than 500000	09	18%
Total		50	100%

Represents demographic characteristics of credit card users. It is observed that majority of credit card users are in the age group of 26 - 45 years (44%) followed by 18-25 years (34%). Male credit card users are the prime users of credit cards when compared to female credit card users with (76.00%) and (24.00%) respectively. Credit card users working in Private sector (40%) uses credit card extensively followed by Business sector (36%) and public sector (24%). It is observed that leading group of this study credit card users are in the Annual income of less than Rs.2.5lakh (38%) followed by income ranging between Rs.2.5lakh to Rs. 5 lakh (44%).

Table 2 Types of Merchants where credit card users use it

Types of Merchant	Used Never		Used Sometimes		Always Uses		Total
	No.	%	No.	%	No.	%	
Petrol Pumps	18	36	12	24	20	40	50
Online Shopping	05	10	27	54	18	36	50
Hotels	26	52	09	18	15	30	50
Travels	13	26	16	32	21	42	50

A significant majority of credit card users always use their credit card mostly in Travel industry (42%). And Petrol Pumps (40%). The results also were not willing to use their credit card in Hotels (52%). Result also reveal that credit card users sometimes use their credit card Online Shopping (54%). And Travel (32%). Findings reveal that the study have important implications because credit card companies are more interested in credit card expenditure categories which will enable them to identify the potential customers using credit cards. Based on this information credit card companies develop new promotion programs for both retailers and financial service providers in order to encourage credit card usage among consumers.

Conclusion

The researcher commissioned quantitative and qualitative research to explore consumer's understanding towards usage of credit cards, its influence on the determinants of shopping for

behavior and its impact on Credit card debt and saving attitude of Credit card users and devised strategies for effective utilization of credit cards. The inference of the study is that Credit card users consider credit cards as status symbol; use them for cashless transaction with little vigilance, expecting the Credit card issuing banks to waive off charges. Credit card users within the cohort 18 - 30 years, male, married, more socially influenced, having favorable attitude, with higher motivation, exhibiting addictive personality, carrying better risk perception and are found to be defective decision makers who are less cautious during the method of shopping for behavior.

The government can also restrain the marketing efforts of credit card companies. Smoking causes harm to people's physical health. Likewise, excessive credit card debt also lowers their financial health. Credit card marketers should coordinate credit limits on all cards in possession of an individual so that it is impossible to run up a total debt far beyond the individual's ability to pay. They should straight away increase efforts to engage young college going youth. Make it even more apparent that all the money borrowed and all the interest accrued must eventually be paid. Limit the number of any one type of credit card that a person can hold. Another possibility would be to restrict mail and telephonic campaigns offering various inducements to accept new credit card. The credit card industry must take the aforementioned steps to reduce the burden of the credit card debt among the individuals. Consumers may enhance their financial decisions as they are aware of the impact of the current prospect dichotomy on their behavior.

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