



Financial Awareness and Approaches towards Credit Card Practices among Users' of Udhampur District

Arti Kundan¹, Amisha Gupta²

¹Research Scholar, Department of...The Business School, Jammu. University., Jammu, (J&K), INDIA

²Associate Professor, Department of...The Business School, Jammu. University., Jammu, (J&K),INDIA.....

ABSTRACT: The objective of this study proposes to recognize the subjective financial awareness and approaches towards credit card practices among customers of Udhampur district. This study also categorizes respondents' gender, education level and monthly income towards credit card practices. There were 100 users' being selected to be the respondent of this study by the convenience sampling method. The results which were being proved by using t-test revealed that there were no significant differences in credit card practices between male and female users ($t = 1.014$, $p \leq 0.314$). In addition, the analysis which were being tested by using one-way ANOVA showed that there were significant differences in credit card practices between monthly income levels ($F = 1.212$, $p \leq 0.225$), while there were no significant differences in credit card practices between education ($F = 2.415$, $p \leq 0.042$). In addition, the findings which were being tested using Pearson correlation showed that there was no significant relationship between financial awareness and credit card practices ($r = 0.134$ $p \leq 0.146$). Therefore, this study determines that gender, monthly income and financial awareness influencing the credit card practices among users' of Udhampur district of Jammu region. Meanwhile, only monthly income influencing the credit card practices. To get accurate results, future research should increase sample size to a bigger geographic areas and larger sample and it is suggested to determine other factors which might affect credit card practices among card users'. Future research should focus on emerging a reliable measure of financial awareness and attitude and also examine the association between financial awareness and a variety of attitudes other than credit card usage.

Keywords: Credit card, Financial awareness, Customers, Usage, Attitude, Udhampur.

I. INTRODUCTION

In present scenario, credit cards serve as a necessary credit and payment mechanism throughout the world. Credit cards are a payment tool that offers to the customers the opportunity of buying needed goods or services, without making any payment at that moment of buying; it allows them to make such payment later, without any additional financial burden [17]. The concept of using a card for purchases has given by utopian novel. Carrying a lot of cash can be bulky, risky and sometimes, one may run short of it, just when it is needed most [2]. A credit card is the smart solution to these problems and is safe and suitable alternative to cash. Most people associate a credit card with prestige and credit worthiness. Credit card is used as a financing instrument apart from a medium of convenience. In other words it allows us to obtain goods and services with the concept of buy now and pay late [13].

Credit cards have become a fact of life for most consumers and are a part of the consumer values. The burst of credit cards and their easiness of access have given consumers increased opportunities for making credit purchases. However, while many consumers are able to use credit cards wisely, others seem to be unable to control their spending habits [6]. The history of credit cards actually started way back in the 18th century in Europe. Credit cards have been around in the United States since the 1920's when individual firms such as hotels, oil companies and department stores began issuing them to customers. The first advertisement for credit was placed in 1730, by a furniture merchant who named Christopher Thompson, offered furniture that could be paid off weekly. This familiarized the idea that people who could not have enough money to buy luxurious items could make fixed payments or installments until the full cost of the items were paid [12]. According to the Reserve Bank of India in March 2016 a total of 24.51 million credit cards, 661.8 million debit cards were in operation. Between March 2015 and March 2016, India added some 0.38 million credit cards and added 3.44 million debit cards. While the number of cards is increasing slowly, people are gradually becoming more comfortable in using them as well, and there is increase in their usage. In June 2017, debit cards were down by 86.2 million to 793.83 million, shaving off most of the increase that demonetization brought in. In January 2018, the number of debit cards increased to 846.7 million, with 4.23 million new cardholders, while a total of 36.24 million credit cards were in operation [18].

Ubiquitously credit card is a convenient form of payment and are accepted anywhere in the world. It permits us to obtain goods and services with the concept of buy now and pay later. For each new credit card account, an issuing bank offers credit to a customer to make purchases in what is also known as consumer credit [15]. There are many benefits of using credit card. The utmost recognizable one is that user can defer payment made. Also that, credit card can raise the purchasing power of customers. Moreover, credit card owners gain in terms of convenience where they can access funds at any time and almost anywhere in the world in order to purchase goods and services. After discussed about the benefits of credit card, let's consider about the limitations of credit card. Items purchased using credit card is more expensive with the fee or interest charged. Consequently, credit card users are really spending more than the actual cost of goods and services [12]. This could cause monetary burden such as overdue payments if customers are not capable to pay back the loan. Another problem that happens with credit cards is that people simply get too many of them. From the discussion above, we can see that credit cards are encouraging the increasing of credit card debts.

II. MATERIALS AND METHODS

This study was being carried out in Udhampur district of Jammu region. The sample method conducted in this study was convenience sampling where questionnaires will be distributed to 100 card users'. All respondents have at least one credit card regardless government or private sector. In this study, questionnaires were being used to collect data and information. A total of 100 questionnaires were being conveniently distributed to those people who have at least one credit card. Data collected was being analyzed using the Statistical Package for Social Science (SPSS 21.0). Descriptive statistics including frequencies, means, and percentages were also being used when suitable to define responses to the independent variables such as the demographic and socio-economic characteristics of respondents, the financial awareness of credit card and the credit card attitudes and also the dependent variable which is the credit card practices. T-test was being used to measure the differences in credit card practices between gender while one-way ANOVA was being conducted to examine the differences in credit card practices between education levels and monthly incomes. Pearson correlations were being used to measure the relationships between financial awareness and credit card practices.

III. RESULTS AND DISCUSSION

The demographic profile of the respondents and financial awareness on credit card practices has also been presented in the tabular form in the below table 1 and table 2, Table 1 depicts demographic profile of the respondents and Table 2 revealed descriptive analysis of respondents' financial awareness on credit card practices, respectively

Table 1: Respondents' Demographic Characteristics

| Variables | Number (n = 100) | Percentage (%) |
|------------------------|------------------|----------------|
| Gender | | |
| Male | 50 | 50 |
| Female | 50 | 50 |
| Age | | |
| 21-30 | 41 | 41 |
| 31-40 | 28 | 28 |
| 41-50 | 23 | 23 |
| 51-55 | 8 | 8 |
| Marital Status | | |
| Single | 41 | 41 |
| Married | 58 | 58 |
| Divorced | 1 | 1 |
| Education Level | | |
| 10 th | 1 | 1 |
| 12 th | 27 | 27 |
| UG | 7 | 7 |
| Graduates | 15 | 15 |
| PG | 49 | 49 |
| PhD | 1 | 1 |
| Occupation | | |
| Private Sector | 71 | 71 |
| Government Sector | 11 | 11 |
| Business | 12 | 12 |
| Self-employed | 6 | 6 |
| Monthly Income | | |
| RM 1500 - RM 2500 | 39 | 39 |
| RM 2501 - RM 3500 | 27 | 27 |
| RM 3501 - RM 4500 | 15 | 15 |
| RM 4501 - RM 5000 | 8 | 8 |
| > RM 5000 | 11 | 11 |

Table 2: Descriptive Analysis of Respondents' Financial Awareness on Credit Card Practices

| Statement | Answer | n(%) |
|---|--------|---------|
| 1. To apply a credit card, the applicant must earn an monthly income of Rs. 18,000. | TRUE | 75 (75) |
| 2. There are three types of credit cards, namely Classic, Gold and Platinum. They are issued based on your income level and other criteria set by credit card issuer. | TRUE | 98 (98) |
| 3. There are no finance charges (interest charges) for every purchase by using credit card. | FALSE | 65 (65) |
| 4. Purchases by credit cards are more expensive than by cash. | TRUE | 56 (56) |
| 5. Over limit fees will not be charged even though purchases made exceeded the credit card limit. | FALSE | 74 (74) |
| 6. Credit card increases the current purchasing power but reduces the purchasing power of the future. | TRUE | 70 (70) |
| 7. The use of credit cards can obtain the early use of goods when short of cash. | TRUE | 85 (85) |
| 8. Outstanding balance for credit card must be settled in full by the payment due date. | FALSE | 45 (45) |
| 9. Late payment of credit cards after the due date involves additional fees charged. | TRUE | 90 (90) |
| 10. You will have to pay the annual fee even though you do not use the credit card. | TRUE | 85 (85) |

Statistical Analysis of Hypothesis

Ho1: There is no significant difference in credit card practices between genders.

Table 3: Results of the Differences in Credit Card Practices between Genders

| | Mean deviation | Standard | t | P |
|---------------|----------------|----------|--------------|--------------|
| Gender | | | 1.014 | 0.314 |
| Male | 39.10 | | 4.478 | |
| Female | 39.30 | | 4.816 | |

Note: $p > 0.05$

For Table 3, the hypothesis was verified by using independent sample T-test which investigated the differences in credit card practices by gender. There was no significant differences in credit card practices between male and female users' ($t = 1.014$, $p \leq 0.314$). Thus, this hypothesis was failed to reject since the p-value is more than 0.05. The current result seems consistent with the previous research which was done [11]. They found that there were no differences between genders in terms of the number of credit cards held, balances, amount of monthly payment, or general attitudes toward credit. For the similar case, Armstrong and Craven's study showed no significant difference in gender and outstanding credit card balances. Furthermore, there is also a study reported no gender differences in terms of making minimum payments

Ho3: There is no significant difference between monthly income towards credit card practices.

Table 4: Results of the Differences in Credit Card Practices between Monthly Incomes

| | Mean | Standard Deviation | F | P |
|-----------------------|-------|--------------------|--------------|--------------|
| Monthly Income | | | 1.212 | 0.225 |
| RM 1500 - RM 2500 | 39.38 | 4.534 | | |
| RM 2501 - RM 3500 | 40.26 | 4.091 | | |
| RM 3501 - RM 4500 | 37.53 | 5.998 | | |
| RM 4501 - RM 5000 | 40.12 | 5.167 | | |
| > RM 5000 | 37.55 | 3.205 | | |

Note: $p > 0.05$

For Table 4, the hypothesis was being tested using one-way ANOVA which explored the differences between monthly income and credit card practices of the respondents. From Table 7, $F(1.212, p \leq 0.225)$. There was no significant difference between monthly income and credit card practices. Thus, this hypothesis was failed to reject since the p-value is more than 0.05. The result obtained seems consistent with the past research where research studies show that low-income families are common of financial stress [16]. However there is no evidence to prove that these low-income families have less financial awareness. Financial stress could be related to many social issues such as unemployment, large families and poor economic conditions.

Ho3: There is no significant difference between towards Education Level credit card practices.

Table 5: Results of the Differences in Credit Card Practices between Education Level

| | Mean | Standard Deviation | F | P |
|------------------------|-------|--------------------|--------------|--------------|
| Education Level | | | 2.415 | 0.042 |
| 10 th | 38.38 | 4.534 | | |
| 12 th | 41.26 | 4.091 | | |
| UG | 35.53 | 5.998 | | |
| Graduate | 42.12 | 5.167 | | |
| PG | 37.53 | 3.205 | | |
| PHD | 34.45 | 3.105 | | |

Note: $p > 0.05$

For Table 5, the hypothesis was being tested using one-way ANOVA which analyzed the differences between education level and credit card practices. From Table 5, $F(2.415, p \leq 0.042)$ there was significant difference between education level and credit card practices. So, parents should emphasize and give good education to their children so that they are aware about all the financial obligations about credit card usage. Thus, this hypothesis was rejecting since the p-value is less than 0.05.

Ho4: There is no significant relationship between financial awareness towards credit card practices.

Table 6: Results of the Relationship between Financial Awareness and Credit Card Practices

| | R | P |
|---------------------|-------|-------|
| Financial awareness | 0.134 | 0.146 |

Note: $p > 0.05$

This hypothesis was being tested using Pearson correlation test which studied the relationship between financial awareness and credit card practices of respondents. The result displayed in Table 6 indicated that there was no significant relationship between financial awareness and

credit card practices ($r = 0.134$, $p \leq 0.146$). Thus, this hypothesis was failed to reject since the p-value is more than 0.05. The current finding seems consistent with the previous research which was done. The studies have shown that a person would not necessarily be able to make the right financial decision with the financial awareness, as that person may not be familiar with the financial awareness of the financial construct. Further, based on a particular research, it has been shown that stress is a resultant feature of financial awareness [12].

IV. CONCLUSION

Results indicated that there are no significant differences in credit card practices between genders ($t = 1.032$, $p = 0.302$) and monthly incomes ($F = 1.103$, $p = 0.257$). Besides that, there is no significant relationship between financial awareness and credit card practices ($r = 0.134$, $p = 0.146$). Meanwhile, it is found that there are significant differences in credit card practices between education levels ($F = 2.415$, $p = 0.042$). Therefore, it can be concluded that credit card practices are not affected by most of the factors mentioned above of cardusers' except for education level.

V. IMPLICATION OF THE STUDY

Based on the results of this study, education levels influences the credit card practices among card users'. Consequently, parents should stress and give good education to their children since they are young so that they can involve a positive and better credit card practices when their children possess a credit card in the future. Results also revealed that there is no significant relationship between financial awareness and credit card practices. This concludes that users' having high financial awareness do not compulsory has better credit card practices. Based on these findings, government could arrange some kind of seminar to guide users' on how to apply their financial awareness in credit card usage.

VI. FUTURE SCOPE

The sample size of this study was relatively small as it was only limited to the credit card holders in Udhampur district of Jammu region. Therefore, this study is hard to represent the whole population of card holders. Thus, future study should increase the sample size if possible to a larger geographic areas and more sample in order to get better and accurate results. In addition, this study only focused on three selected factors which are socio-demographic, financial awareness and approaches towards credit card practices. Thus, it is suggested to determine other factors which might affect credit card practices among card holders in order to attain better and more accurate results. Further, future research should focus on developing a reliable measure of financial awareness and approaches. Future research should also study the relationship between personal financial awareness and a variety of approaches other than credit card usage, as there could be significant results in the degree of influence that financial awareness and approaches has on these several credit card practices.

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