A Study On The Impact Of Credit Cards On Consumer Spending Behaviour At Coimbatore City.

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ABSTRACT

Credit cards have emerged as a ubiquitous feature of everyday financial transactions, followed by convenience, security, and flexibility in consumer consumption. The present study attempts to analyze the influence of credit card usage on consumer spending patterns in Coimbatore city. The most important areas covered are demographic variables, attitude towards risk in finance, impulse buying tendency, and payment behaviour. The results concur that credit card usage has a strong influence on consumption patterns and money handling in support of good credit behaviour and financial knowledge.

Key Words: Credit Card, Spending Behaviour, Financial Awareness, Impulsive Buying, Consumer Discipline.

INTRODUCTION

In the modern age of computers and communication, credit cards have emerged as an essential money instrument, with convenience, flexibility, and buying power earning it a consumer's delight. Cashless spending facility, reward benefits, and pay-later facilities have helped make them popular, particularly in the case of city dwellers. With increased usage, however, comes the risk of overspending, accumulation of debt, and financial distress, especially for those consumers who are unaware of interest rates, payment terms, and fees. The emotional convenience of paying now and paying later in most cases results in

impulse buying, therefore, it is very crucial to establish the effect of using credit cards on consumer financial conduct.

STATEMENT OF THE PROBLEM

Although credit cards offer the convenience of expenditure and ease of transactions, they often lead to overspending since customers are not conscious of interest charges and repayment terms. This study seeks to establish:

1. What is the level of consumer awareness on the use of credit cards responsibly?
2. How do spending and repayment behaviour influence financial well-being?

SCOPE OF THE STUDY

In the present study, an attempt has been made to assess and evaluate various aspects of consumer spending behaviour, as well as their awareness and preferences regarding credit card usage.

OBJECTIVE OF THE STUDY

- To determine demographic factors that influence spending with credit cards.
- To investigate how the use of credit cards has influenced consumer expenditure in Coimbatore District.
- To determine the impact of credit cards on impulsive purchasing and financial discipline.

RESEARCH METHODOLOGY

RESEARCH DESIGN

- **Sampling size:** 110 Respondents
- **Sampling Technique:** Convenience Sampling Technique
- **Statistical Tools used:** Percentage Analysis, Ranking Analysis, Likert Scale Analysis, Frequency Analysis
- **Primary data:** Collected 110 respondents.
- **Secondary data:** Journal , books and websites.

LIMITATIONS OF THE STUDY

● This study is limited to Coimbatore city.

● The sample size is limited to 110 respondents.

● Time constraints limited broader data collection.

FINDING AND INTERPRETATION

SIMPLE PERCENTAGE ANALYSIS:

$$PERCENTAGE = \frac{NUMBER\ OF\ RESPONDENTS}{TOTAL\ NUMBER\ OF\ RESPONDENT} * 100$$

INTERROGATION	RESPONSE	FREQUENCY	PERCENTAGE
Number of Credit Cards Owned	1	35	31.8
	2	62	56.4
	3 or more	13	11.8
	TOTAL	**110**	**100**
Bank Credit Card Used	SBI	10	9.1
	HDFC	28	25.5
	ICICI	38	34.5
	AXIS Bank	25	22.7
	Kotak Mahindra	7	6.4
	Others (DBS, Indian Bank)	2	1.8
	TOTAL	**110**	**100**
Frequency of Credit Card Usage	Daily	5	4.5
	Weekly	32	29.1
	Monthly	33	30.0
	Occasionally	40	36.4
	TOTAL	**110**	**100**
Repayment Method	Full Payment Every Month	20	18.2
	Minimum Payment Only	50	45.5
	Partial Payment	36	32.7

	Struggle to Pay	4	3.6
	TOTAL	**110**	**100**

INTERPRETATION:

- A majority (56.4%) of respondents own two credit cards, indicating a tendency among users to maintain multiple cards for different purposes.

- A majority (34.5%) of respondents use ICICI Bank credit cards, indicating that ICICI is the most preferred credit card issuer among the sample.

- A majority (36.4%) of respondents use their credit cards occasionally, indicating that card usage is mostly situational rather than frequent.

- A majority (45.5%) of respondents pay only the minimum amount due on their credit cards, indicating a potential risk of interest burden and long-term debt.

RANKING ANALYSIS:

TABLE SHOWING THE PRIMARY REASON FOR USING A CREDIT CARD

S. No	Factors	No. of Respondents	Percentage (%)	Rank
1	Impulsive Purchases	38	34.5	1st
2	Emergency Expenses	27	24.5	2nd
3	Luxury Purchases	25	22.7	3rd
4	Rewards & Cashback	13	11.8	4th
5	Convenience	7	6.4	5th

INTERPRETATION

Impulsive purchases rank 1st (34.5%) as the key reason for using credit cards, followed by emergency expenses at 2nd (24.5%) and luxury purchases at 3rd (22.7%). Rewards and cashback benefits rank 4th (11.8%) and convenience ranks 5th (6.4%) as the least considered factor.

LIKERT SCALE ANALYSIS

$$\text{Likert Scale} = \frac{\sum (F \times X)}{\text{TOTAL NUMBER OF RESPONDENTS}} * 100$$

Parameter	Very Satisfied (5)	Satisfied (4)	Neutral (3)	Dissatisfied (2)	Very Dissatisfied (1)	Total Respondents	Likert Value
Credit cards increase impulsive purchases	32	28	25	15	10	110	3.65
Usage increases during discounts/sales	15	22	40	21	12	110	2.43
Regret after impulsive purchases	18	24	30	20	18	110	3.00
Exceeded card limit	12	16	38	27	17	110	2.30
Tracks credit card expenses	20	28	25	22	15	110	2.85

INTERPRETATION

The majority of respondents agreed that credit cards increase impulsive purchases, as shown by a high Likert value of 3.65. Most also agreed that credit cards promote unnecessary purchases (3.46). The feeling of regret after impulsive buying stands neutral (3.00), while tracking of expenses scored a moderate 2.85. Respondents showed low awareness of interest and charges (2.08), and many admitted to paying late fees or interest (2.19). The stress or guilt felt after spending is also moderately reported (2.97). Usage during discount seasons showed a low average of 2.43, and occasionally exceeding credit card limits scored a low 2.30.

SUGGESTION

To promote prudent use of credit cards by customers in Coimbatore, banks and financial institutions are suggested to carry out awareness programs to notify users about interest rates, repayment facilities, and concealed charges. Adding features like expense tracking, spending alerts every month, and budgeting features in banking apps can enable people to be more adept at managing their finances. Special credit card products by income classes and consumption patterns can also induce improved financial conduct. Moreover, reward schemes must be linked with real consumer requirements to ensure value-driven usage instead of impulse spending. Banks can even assist consumers by providing repayment advice and debt prevention tools for long-term financial stability.

CONCLUSION

The study concludes that while credit cards are rewarding and convenient, the consumers in Coimbatore are not financially literate, and this leads to repayment issues and impulse spending. Most of the respondents pay minimum payments and do not know the charges, which puts them under financial stress. Impulse buying is a key promoter of credit card usage. Promoting financial literacy and correct usage is the hour of need to allow consumers to utilize credit correctly and stay financially sound.

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