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A study on the usage level of credit cards and its impact on households during a pandemic.

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Abstract : There is an explicit and implicit association between pandemic and cashless payment in India. It is strongly and sufficiently linked to the expansion of cashless transactions across the country. COVID-19 has paved the way for converting the Indian economy into a cashless economy. A significant increase has been observed in credit card-operated transactions due to pandemics. This article examined how the respondents or individuals suffered during Covid-19 and the factors that influenced the household to borrow funds to fulfill their essential requirements during the covid-19. Additionally, the study aimed at classifying what kind of consumer credit was used by the individual before and after the covid-19 or pandemic situation. For this article, the descriptive method was used, and it is open-ended and close-ended questions were asked for the respondents during the survey. Anova and Correlation were used to analyze the data and conclusion according to the result.

Key words: Consumer credit, Installment credit, Revolving credit, pandemic and households

INTRODUCTION

Consumer credit:

Consumer credit is a personal debt incurred to purchase goods and services. Credit cards are a form of consumer credit. Credit allow consumer to purchase good and assets without having to pay in cash at the time of purchase. Good credit means that a person has a solid track record of paying off 100% of his debt on time. If a person have a good credit rating, you will be able to borrow money more easily and on better terms in the future. Poor credit, on other hand, means that there is a history of difficulty in fully paying off debt or paying on time. Lenders are less likely to lend a lot of money to a bad creditor, making it more difficult for them to buy a car, home, or credit card. Access to credit is a valuable asset that individuals need to protect and manage wisely. Although any type of personal loan can be called consumer credit, but the term is more commonly used to describe unsecured debt that is taken on to buy everyday goods and services. However, consumer debt may also include secured consumer loans such as mortgages and car loans.

Credits are either Closed- or Open-End

Consumer credit can be broadly divided into two:

- Installments (Closed-end)
- Revolving (Open-end)

The Basics of Closed-End Credit

Installment credit is utilized for a specified purpose, for a defined amount, and for a fixed time period. Payment is normally given in the same amount. Closed loans or installment credit include mortgages and automotive (car, bike, etc.,) loans. An agreement specifies the payback terms, such as the payment amount, number of payments, and the cost of the credit.

In general, closed loans/installment credit allows the seller some control over the item's ownership [title] until all due amount is paid. For example, a vehicle firm may have a "lien" on an automobile unit until the car/ bike loan is completely returned.

The Basics of Open-End Credit

In this kind of credit, the loan is ongoing at the time of purchase of the item and at least some payments are billed on a regular basis. Permanent credit is demonstrated by the usage of store-issued credit cards, bank cards such as 'VISA' and 'MasterCard', or 'Overdraft protection.

A credit limit is the maximum amount of credit that may be utilized. If you do not repay the entire amount each month, you may be required to pay excessive interest or additional funding expenses to continue using the loan.

- **Revolving cheque credit:** This is a form of bank credit or loan with an open end. A fixed amount advance reservation loan that may be repaid with a specific cheque. Repayments are done in monthly installments, and loan fees are determined by the loan amount used and the outstanding balance for the month.
- **Charge cards:** Charge cards are typically offered by department shops and oil companies and may only be used to purchase things from the firm that issued the card. Many are still in use, although credit cards have mainly supplanted them. You pay off your amount at your own speed and with a set interest rate.
- **Credit cards:** Financial institutions/banks issue credit cards, often known as bank cards. Financing cards make it simple to get short-term loans. Borrow up to the specified amount and repay at your own speed. You must, however, make the minimum

payment. You also pay interest on your debt, and there may be extra fees, such as B.Late charges. The payback amount is instantly reusable. The most common credit card are 'VISA', 'American Express', 'Mastercard', and Discover.

- **Travel and Entertainment (T&E) cards:** These cards are used for travel and entertainment. With this card, you must pay the whole balance each month, but there is no interest. The American Express Company (not the credit card version). The most common are Diners Club and Carte Blanche.
- **Debit cards:** Many banks issue these, and they function similarly to cheques. When you make a purchase, the money is electronically deducted (debited or withdrawn) from your bank account and placed into the seller's account. They are not technically "credit" because you pay immediately (or as fast as the funds are sent electronically0. Customers must also pay a minimum amount for their monthly balance. In the event of installments, foreclosure is possible if the agreed-upon amount is not paid, if the payment is late, or if a reminder charge is imposed.

TITLE:
A study on the usage level of credit cards and its impacts on households during a pandemic.

REVIEW OF LITRATURE:
Maria Czech & Blandyna Puszer (December 2021) the goal of this study is to illustrate how the COVID-19 epidemic has affected the consumer credit markets of the Visegrad Group nations (V4: Czech Republic, Hungary, Poland, and Slovakia). According to the findings of the study, the Covid-19 epidemic influences the amount of household debt in the V4 group and is not indifferent to household consumer borrowing decisions. **Akos Horvath, Benjamin S Kay & Carlo Wix** (January 2020) Examine the early effect of the COVID-19 shock on consumer credit utilization and availability. In this article, we look at which countries are affected by the pandemic, with credit card borrowers reducing their credit card balance and credit card transactions, while the least credit borrowers increase their outstanding balances. In line with the bank's "escape to safty" response to the COVID-19 shock, credit limits and increased credit card APR will spread to the most risky borrowers. **Robert Adams & Vitaly Bord** (October 2020) The consumer credit card market has undergone dramatic and unprecedented changes following the shutdown of COVID-19 in the U.S. economy. **Hari Sutra Disemadi & Ali Ismail Shaleh** (April 2020)this study was conducted in Indonesia, the 2019 epidemic of coronavirus disease (COVID-19) is affecting economic stability. The problem facing Indonesia today is that its ability to meet its debtors lending obligations is affected by the prevalence of COVID-19, which can affect a banks performance in lending management. The investigation method used is a normative legal investigation method that uses secondary data. The results of this study shows that policymaking can help overcome economic instability due to the COVID-19 pandemic. **Gonul Colak & Ozde Oztekin**, this article evaluates the impact of pandemic on global bank lending and finds bank and country variables that magnify or reduce the impact of disease outbreaks on bank lending. We used the finite difference approach on a sample of banks from 125 countries and discovered that bank lending was weaker in countries that were more exposed to the health crisis.

RESEARCH GAP:
The article is undertaken to identify usage level of credit cards and its impact on the households during the pandemic specifically in Bangalore east region as the research has revealed no such specific studies were conducted so far in that particular require to considering the variable which are identified for this study.

STATEMENT OF THE PROBLEM:
To understand the consequence of Covid-19 on Consumer credit in managing the households and to know the effect due of business interruption & lockdown from a social distance. To be aware of the consumer credit in managing the household during the pandemic, that is its meaning, importance, components, and how it helped the individual to maintain the household requirements. This study is conducted to know how consumer credit helped the individual to meet their essentials also the consequence of Covid-19 on the consumer credit in managing households.

OBJECTIVES:
- To identify the factor which influences the households members to use consumer credit.
- To know the effect of Covid-19 on consumer credit in managing the households.

TYPE OF RESEARCH
The survey or research or study are conducted using descriptive survey methods. This refers to a method that describes the properties of the variable under investigation. This approach focuses on answering questions about "what" rather than "reasons" in a research topic. Instead of focusing on "why". The main focus of descriptive research is not to focus on "why", but simply to explain the nature of demographics being studied.

SCOPE OF THE STUDY
- To comprehend the influence of the pandemic on consumer credit in household management, as well as the impact of company disruptions and shutdowns from social distance measures.
- The impact of lockdown is assessed, taking into consideration the effect of unemployment. Assuming a three-month shelter-in-place duration. In proportional terms, the lowest income earners would suffer the most.
- To assess the impact of covid-19 on people in order to calculate the direct impact on household income, savings, consumption, and poverty.
- A time of crisis in which some people saw their income and savings drop in order to continue consumption, followed by a period of recovery in which households save to refill their depleted saving to pre-crisis levels.

SOURCE OF DATA COLLECTION:

Data collection: Primary source of data: Primary source of data are important sources of data for any research study. In this study, the data are collected from responses received from respondents through the questionnaires. Based on the responses received in questionnaires further analysis and interpretation were done.

Secondary source of data: Secondary source of data are collected from books, articles, websites for the research.

POPULATION & SAMPLING UNIT:

This have a look at the population who were picked as respondents, who are located in Bengaluru East region, Karnataka. The sampling unit that were picked are from friends, family, relative and neighbors who are above the age group of 20 years.

ANOVA:

DISCRIPTIVE

WHICH ARE THE FACTOR INFLUENCES BUYING THROUGH ANY CONSUMER CREDIT

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
CREDIT PERIOD	9	2.0000	1.00000	.33333	1.2313	2.7687	1.00	3.00
OFFERS BY MERCHANTS	19	2.3684	1.21154	.27795	1.7845	2.9524	1.00	5.00
LIMITATIONS	14	2.2143	1.31140	.35049	1.4571	2.9715	1.00	5.00
PROCEDURAL GLITCHES	6	1.8333	.75277	.30732	1.0433	2.6233	1.00	3.00
Total	48	2.1875	1.14216	.16486	1.8559	2.5191	1.00	5.00

ANOVA

WHICH ARE THE FACTOR INFLUENCES BUYING THROUGH ANY CONSUMER CREDIT

			Sum of Squares	df	Mean Square	F	Sig.
Between Groups	(Combined)		1.701	3	.567	.419	.741
	Linear Term	Unweighted	.163	1	.163	.120	.730
		Weighted	.117	1	.117	.086	.770
		Deviation	1.584	2	.792	.585	.562
Within Groups			59.612	44	1.355		
Total			61.312	47			

SAMPLING METHOD:

Convenience sampling is described as the method, used to collect market statistics from a fairly simple pool of respondents. This is the most commonly used sampling method because it is a particularly fast, uncomplicated, and economical.

SAMPLE SIZE:

In this study the samples were collected through google forms, I have sent google form links to 100 people, but only 30 responses got.

STATISTICAL TOOL AND TECHNIQUES:

The statistical tool and techniques used are:

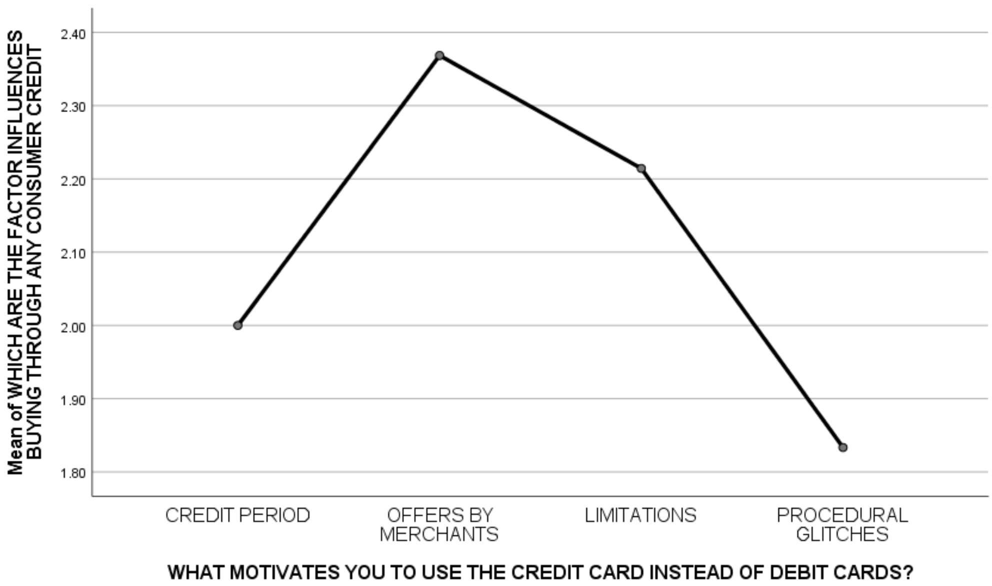
Questionnaires: A questionnaire consisting of several questions to collect the required information from respondents. It mostly consists of close-ended questions. A few open-ended questions will be included to facilitate a deeper understanding of certain aspects.

For examination and translation of the information gathered through an organized survey, certain measurable techniques, Line-chart, and statistical tools like correlation, Anova, and Descriptive were used.

Alternative Hypothesis (H1):

There is a significant difference between the factors influences the buying and motivation to use credit cards.

Null Hypothesis (H0):
There is no significant difference between the factors influences the buying and motivation to use credit cards.



Conclusion:
P value is 0.741
From the above Anova table "F" calculated at a degree of freedom is 0.419 here P value is 0.741
At a level of significance of 5% i.e 0.05, from the output P value is greater than 0.05. Therefore, null hypothesis is accepted and alternative hypothesis is rejected.
Hence there is no significant different between the factors influences the buy and motivation to use credit cards.

CORRELATIONS

		WHICH OF THE FOLLOWING BEST DEFINES YOUR SPENDING HABIT?	CREDIT ACCESS DECLINED DURIN THE PANDEMIC FO CREDIT CARD?
WHICH OF THE FOLLOWING BEST DEFINES YOUR SPENDING HABIT?	Pearson Correlation	1	-.062
	Sig. (2-tailed)		.671
	N	50	50
CREDIT ACCESS DECLINED DURING THE PANDEMIC FOR CREDIT CARD?	Pearson Correlation	-.062	1
	Sig. (2-tailed)	.671	
	N	50	50

Alternative hypothesis (H1):
There is a relationship between spending habit and credit access declined during the covid-19.
Null Hypothesis (H0):
There is no relationship between spending habit and credit access declined during the covid-19.

Conclusion:
P = -.062
The P-value is -0.062 which is lesser than the 0.01 there is a moderate negative correlation with each other hence there is a relationship between spending habit and credit access declined during the covid-19.

FINDINGS AND CONCLUSIONS:

Finding:

1. The majority of the respondents are said to be male and married.
2. Most of the respondents are belong to the age group of 20 – 34 years.
3. The majority of the respondents highest education qualification is Degree.
4. Most of the respondents are belong to the extended and Nuclear family and the total member in these family type will be 1-3 and 4-6 members.
5. Among the respondents, the majority of their occupational status is work with an organization and their income is under 30000 to 60000 and the respondents spend their most of the money to buy essentials/ one time consumables
6. Most of the respondents having the platinum installment credit of consumer credit and those credit cards are Visa
7. The majority of the respondents credit score range belongs to 600-750.
8. Among the respondents, the majority choose shortage of income, is the factor influence buying through any consumer credit and they used these credit card in the pandemic situation to fulfil their needs through online shopping.
9. The majority of the respondents said that, the offers provided by the merchants motivates them to use the credit card instead of debit cards.

Conclusion:

The topic covered in this study is particularly essential in terms of analyzing personal or small or consumer credit in household management during the covid-19. The present epidemic has prompted significant national and international action, including the closure of economies on an unprecedented scale. All entities of the national economy bear the economic burden, including households that found themselves in a special circumstance as a result of the epidemic. Downtime in the operation of a business, and even entire industries, results in fewer employment openings, and a thorough lockdown also reduces demand for goods and services, making it tough for the individual to overcome this terrible condition. During the pandemic, the majority of respondents began to use their credit cards to purchase necessities, and credit card usage rose during the lockdown owing to the cashless economy and to prevent virus transmission.

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