AN EMPIRICAL STUDY ON SPENDING BEHAVIOUR OF CREDIT CARD HOLDERS

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Abstract

Behavior is caused. Even spending behavior too. Various factors influence the behavioral aspects of raising finance, investment pattern, and even personal finance. A person's value system, beliefs, upbringing, family pattern, education, occupation and others influence his personal finance. The present study is an attempt to examine whether there is any association between a person's background and use of credit cards. Our study indicates that there is an association between credit card spending behavior and educational qualifications, occupation, gender and whether one's spouse is employed or not. On the contrary, this sort of association was not found between the spending behavior and credit card issue bank, religion and number of dependents.

Keywords: Credit card, Bank, Spending behavior, Personal finance, Myth

INTRODUCTION

Personal Finance is the application of the principles of financial economics to an individual's or family's financial decision. It asks "How much money does a person require at various points in future?", "How do they go about getting that money?" It deals with questions like "What is the annual income and how to increase it? What are the annual expenses and how to reduce it? How to best budget the available incomes each year? How much money can be saved each year?" Words myth Dictionary considers personal finance as the management of money or other assets, of pertaining to, or belonging to a person. Among various other sources of personal finance, credit cards are found to be the most important. Mention cards and most people will think of credit cards. With the advent of globalization and privatization, there has been a sea change in the lifestyles of people and the concept of credit card gained popularity. Customers no longer need to carry huge sums in their wallet. Further, credit cards are perceived to be status symbols. Along with the other modern instruments credit cards have flooded the Indian markets and have become an essential

accessory for individuals. It is prophesied that India will be the largest card market outside US by the year 2020. This figure seems to be palpable owing to the increasing size of the middle class and its growing purchasing power. With the growing popularity of credit cards the buy now pay later mantra is firmly entrenched. Therefore it is imperative for all the cardholders to understand the mechanism and techniques of handling the little plastic thing.

BEHAVIORAL FINANCE

The field of behavioral finance is not new. Many investors have long considered that psychology plays a key role in determining the behavior of markets. However, it is only in recent times that a series of concrete studies have been undertaken in this area. The volume of literature in the field of behavioral finance has grown considerably over the past decade. This field merges concepts from financial economics and cognitive psychology. It is an attempt to construct a more detailed model of human behavior in financial markets.

Behavior is caused. Even the spending behavior is caused. Various behavioral aspects influence raising finance, investment pattern, and even personal finance. A person's value system, beliefs, upbringing, family pattern, education and occupation among others influence his personal finance. The present study is an attempt to examine whether there is any association between a person's background and use of credit cards.

RIVIEW OF LITERATURE

Steve Worthington (2012) discussed changes in credit card terms and feels societal attitudes may further reduce the borrowing. He also suggests debit cards will become increasingly important as a means of payment in the UK. Plastic cards in general will be used more as paper transactions decline. In Europe there may be convergence of plastic card usage with eventual reduction in the number of credit card issuers observed.

Hye-Jung Park, Leslie Davis Burns'study (2015) indicated that fashion interest significantly influenced compulsive buying directly and indirectly by influencing credit card use. Further,

James F. Devlin and P. Gerrard (2020) examined why most multiple credit cardholders have a "main" card (i.e. a card used more often than others) and "subsidiary" cards (i.e. cards used less often or only in an emergency) and the spending patterns associated with main and subsidiary cards.

OBJECTIVE

The present study examines the credit card holders spending behavior juxtaposed to their educational background, occupation, gender, spouse being employed or not, credit card issuing bank, and religion.

METHODOLOGY

This study is based on the survey method. Primary data was collected with the help of a questionnaire duly filled by 151 respondents. In order to measure the credit card spending behavior the scale developed by the Institute of Consumer Financial Education (ICFE) was used. The questionnaire has ten questions, on a five-point scale, pertaining to the spending behavior. For the purpose of analysis the mean scores have been taken into consideration. Based on the scores the respondents are categorized as Excellent, Very Good, Good and Poor.

10-15 EXCELLENT: Time to teach others how a person does it.

16-20 VERY GOOD: Concentrate on improving a few of the weaker areas.

21-35 GOOD: An hour a week devoted to improve spending will result in greater savings.

36-50 POOR: Immediate changes are required now to avoid a financial disaster

The Secondary data were collected from various websites, books, journals, magazines, articles and newspapers.

PROFILE OF THE RESPONDENTS:

An attempt has been made to cover respondents who fulfill various criteria**.** Majority of the respondents belong to the age group of 35-55 years. Classification based on the income has shown that the respondents fall in all the categories, but majority of them have spread between Rs.75, 000 to Rs.5, 00,000 per annum. Respondents qualifications vary, no single group dominates. Occupation wise classification indicates that teachers, software professionals and managers together constitute the majority. Thus the study reflects the opinions and attitudes of different categories of respondents.

RELATIONSHIP BETWEEN THE PROFILE OF THE RESPONDENTS AND SPENDING BEHAVIOR

This part of the study presents the relationship between the profile of the respondents   and the spending behavior of the respondents using credit cards.

EDUCATION AND SPENDING BEHAVIOR

Education brings awareness regarding various aspects of sources of personal finance and spending too. The present study gauged linkages between usage of credit cards and educational background of card holders. (Table 1). It is observed that a large majority of graduates (NT) constituting around 62 percent have just good spending behavior. Around 29 per cent rated themselves to be very good in spending and 10 percent have excellent spending behavior. Among Graduates with technical qualifications it is found that around 57

percent have good spending, 19 percent have very well and 25 per cent rated themselves to be excellent in spending behavior.

Surprisingly it is observed that Postgraduates both technical and non-technical are found among the category of Poor Spending Behavior. It is also observed that none were found in the category of excellent spending. A considerable percentage of the respondents come under the categories of good and very good. Further it is also observed that majority of the professionals in the sample are very good spending behavior. A large majority of the respondents constituting 60 percent of the sample come in the other qualifications category have good spending behavior. An examination of the relationship between educational qualification and spending behavior revealed that the chi-square value of 34.780 has significant association. There seems to be a relationship between educational qualifications and spending behavior.

Table 1: EDUCATION AND SPENDING BEHAVIOR

Education	Spending Behavior				Total
	Excellent	Very Good	Good	Poor	
Graduation NT	2	6	13		21
	9.5%	28.6%	61.9%		100.0%
Graduation Tech	4	3	9		16
	25.0%	18.8%	56.3%		100.0%
PG-NT	6	11	20	2	39
	15.4%	28.2%	51.3%	5.1%	100.0%
PG-Tech	0	21	22	2	45
	0.0	46.7%	48.9%	4.4%	100.0%
Professionals		8	7		15
		53.3%	46.7%		100.0%
Others	6		9		15
	40.0%		60.0%		100.0%
Total	18	49	80	4	151
	11.9%	32.5%	53.0%	2.6%	100.0%
Pearson Chi-Square Value =34.780 Df= 15 P = 0.003					

Source: Primary Data

OCCUPATION AND SPENDING BEHAVIOR

One's occupation gives insights into the different aspects of personal finance. Therefore the present study endeavored to see the relationship between the occupation and the credit card spending behavior (table: 2). It is observed that an insignificant percentage of teachers and managers have come under the category of poor spending behavior. At the same time it is also observed that considerable number of government employees in the sample have excellent spending behavior. Further it may be observed that majority of the teachers (57.6 per cent), and a large majority of the respondents from the profession of Software Engineers (73.3 per cent) and Chartered Accountants (66.7 per cent) are found to have good credit card spending behavior. An examination of the relationship between the occupation and credit card spending behavior revealed the chi-square value of 37.194 has significance. Thus it may be stated   that the occupation does have a significant association with the spending behavior.

Table 2: RELATIONSHIP BETWEEN OCCUPATION AND SPENDING BEHAVIOR

Occupation	Spending Behavior				Total
	Excellent	Very Good	Good	Poor	
Teacher		12	19	2	33
		36.4%	57.6%	6.1%	100.0%
Doctor		1	1		2
		50.0%	50.0%		100.0%
Lawyer		3	2		5
		60.0%	40.0%		100.0%
Chartered Accountants		2	4		6
		33.3%	66.7%		100.0%
Managers		8	9	2	19
		42.1%	47.4%	10.5%	100.0%
Government employees	10	13	14		37
	27.0%	35.1%	37.8%		100.0%
Software engineers		4	11		15
		26.7%	73.3%		100.0%
Others	8	6	20		34
	23.5%	17.6%	58.8%		100.0%
Total	18	49	80	4	151
	11.9%	32.5%	53.0%	2.6%	100.0%
Pearson Chi-square Value= 37.194 Df.=21 P= .016					

Source: Primary Data

GENDER AND SPENDING BAHAVIOR

The common notion people carry regarding spending habit is that women spend more than men. A close look at table 3 shows that majority of the women in the sample (51.4 percent) are very good in the usage of credit cards compared to men (26.3 percent). However, the percentage of men's excellent spending behavior is more than women.

Table 3: RELATIONSHIP BETWEEN GENDER AND SPENDING BAHAVIOR

Gender		Spending Behavior				Total
		Excellent	Very Good	Good	Poor	
Male		16	30	64	4	114
		14.0%	26.3%	56.1%	3.5%	100.0%
Female		2	19	16		37
		5.4%	51.4%	43.2%		100.0%
Total		18	49	80	4	151
		11.9%	32.5%	53.0%	2.6%	100.0%
Pearson Chi-Square Value = 9.316 Df = 3 **P = 0.025**						

Source: Primary Data

It is also seen that majority of the men in the sample analyzed have good spending behavior compared to women. Only men were found among the category of poor spending behavior. The chi-square value of 9.316 shows the relationship between gender and spending behavior is significant at 5 per cent level.

Table 4: **RELATIONSHIP BETWEEN EMPLOYMENT OF SPOUSE AND SPENDING BEHAVIOR**

Spouse employed		Spending Behavior				Total
		Excellent	Very Good	Good	Poor	
Employed		10	32	39		81
		12.3%	39.5%	48.1%		100.0%
Not employed		1	5	21	4	31
		3.2%	16.1%	67.7%	12.9%	100.0%
Not applicable		7	12	20		39
		17.9%	30.8%	51.3%		100.0%
Total		18	49	80	4	151
		11.9%	32.5%	53.0%	2.6%	100.0%
Pearson Chi-Square Value = 24.126 Df = 6 **P = 0.000**						

Source: Primary Data

EMPLOYMENT OF SPOUSE AND SPENDING BEHAVIOR

Normally speaking if the spouse is also employed, the couple would possess a leverage regarding spending. Therefore, the spending behavior is examined in relation to the spouse being employed or not. It may be found the credit card holders whose spouses are employed have very good and excellent usage of cards compared to others. The chi-square value of 24.126 also has significant relationship at 5 per cent level. This indicates that there is a significant associate between spouse being employed and the credit card spending behavior.

Table 5: **RELATIONSHIP BETWEEN NUMBER OF DEPENDENTS AND SPENDING BEHAVIOR**

Dependents	Spending Behavior				Total
	Excellent	Very Good	Good	Poor	
<2	10	17	34	4	65
	15.4%	26.2%	52.3%	6.2%	100.0%
<4	5	20	28		53
	9.4%	37.7%	52.8%		100.0%
<6		10	13		23
		43.5%	56.5%		100.0%
7 and above	3	2	5		10
	30.0%	20.0%	50.0%		100.0%
Total	18	49	80	4	151
	11.9%	32.5%	53.0%	2.6%	100.0%
Pearson Chi-Square value= 14.372 Df = 9 P= 0.110					

Source: Primary Data

NUMBER OF DEPENDENTS AND SPENDING BEHAVIOR

The present study also examined whether the number of dependents had any relation to the spending behavior.   It was observed in all the categories majority of them have good or poor spending behavior. Surprisingly, the excellent category revealed that more respondents were from the category of dependents with 7 and more. But, the chi-square value of 14.372 is not supporting the relationship between spending and number of dependents at 5 per cent level.

Table 6: RELATIONSHIP BETWEEN CARD ISSUING BANK AND SPENDING BEHAVIOR

Issuing Bank		Spending Behavior				Total
		Excellent	Very Good	Good	Poor	
State Bank Group		8	11	14	2	35
		22.9%	31.4%	40.0%	5.7%	100.0%
Nationalized Bank		6	12	28		46
		13.0%	26.1%	60.9%		100.0%
Indian Private Sector Banks		3	21	28	2	54
		5.6%	38.9%	51.9%	3.7%	100.0%
Multinational Bank			4	6		10
			40.0%	60.0%		100.0%
Others		1	1	4		6
		16.7%	16.7%	66.7%		100.0%
Total		18	49	80	4	151
		11.9%	32.5%	53.0%	2.6%	100.0%
Chi-Square Tests Value = 13.695 Df = 12 P = 0.321						

Source: Primary data

CARD ISSUING BANK AND SPENDING BEHAVIOR

Investigations were also made to examine whether the issuing bank influences the spending behavior. The data reveals that except the respondents from the State Bank group in the other entire group's majority of the respondents have either good or poor spending behavior. Further, the excellent spending behavior is found more among the respondents from the State Bank group compared to the other groups. Insignificant number of respondents is found in the State Bank group and Indian private sector banks with poor spending behavior. Further, the chi-square value of 13.695 was found to be insignificant between the issue bank of credit cards and the spending behavior. Therefore, it may be deduced that there is no relationship between issue bank of credit cards and the spending behavior.

Table 7: RELATIONSHIP BETWEEN RELIGION OF RESPONDENTS AND SPENDING BEHAVIOR

Religion	Spending Behavior				Total
	Excellent	Very Good	Good	Poor	
Hindu	13	33	50	4	100
	13.0%	33.0%	50.0%	4.0%	100.0%
Muslim		2	5		7
		28.6%	71.4%		100.0%
Christian	4	10	23		37
	10.8%	27.0%	62.2%		100.0%
Others	1	4	2		7
	14.3%	57.1%	28.6%		100.0%
Total	18	49	80	4	151
	11.9%	32.5%	53.0%	2.6%	100.0%
Chi-Square Value = 6.729 Df= 9 P = 0.665					

Source: Primary data

RELIGION OF RESPONDENTS AND SPENDING BEHAVIOR

Religious beliefs mould the attitudes. The religious attitudes influence the spending behavior. A close look at the usage pattern of credit cards shows that majority of the respondents from all the religions except the category of others (Sikhs, Parsis and others) have good or poor spending behavior. This is more prevalent among Muslims and Christians. Compared to other religious groups, the sample reveals, that Hindus have Excellent and Very good spending behavior. The chi-square value of 6.729 has no significance at 5 per cent value. Therefore, it may be inferred that there is no relationship between religion and the credit card spending behavior.

CONCLUSIONS

Behavior is caused. Even the spending behavior is caused. Various factors influence the behavioral aspects of raising finance, investment pattern, and even personal finance. A person's value system, beliefs, upbringing, family pattern, education, occupation and others influence his personal finance. The present study is an attempt to examine whether there is any relationship between a person's background and credit cards, which happens to be one of the sources of personal finance, usage in the form of spending. The study indicates that there is relationship between credit card spending behavior and educational qualifications, occupation, gender and spouse being employed. Whereas this sort of relationship was not found between the spending behavior and credit card issue bank, religion and number of dependents

Future studies should focus on various aspects of life style variables and their impact on the money attitudes. The income and expenditure pattern and their influence on the money attitudes, besides, the savings and investment patterns of the people in relation to their money attitudes also need scrupulous investigation by researchers. Such results may be of great importance to bankers, investment agencies and academicians involved in shaping the attitude of students of commerce and business management.

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