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## A STUDY ON CONSUMER SPENDING VIA CREDIT CARDS

Dr. S. S. MURUGANANDAM, M.Com., M. Phil., MBA., Ph.D.

Professor

Dr. NGP Arts and Science College

R. Shakthi

Dr. NGP Arts and Science College

### ABSTRACT:

The project titled "A Study on Consumer Spending via Credit Cards" aims to comprehensively analyze the patterns and trends of consumer expenditure through credit card transactions. In an increasingly digitized economy, credit cards have become a pivotal tool for modern-day transactions. This research endeavors to shed light on the dynamics of consumer behavior by investigating their spending habits, preferences, and the factors influencing their choices when using credit cards. The study will encompass a multi-dimensional approach, combining both quantitative and qualitative methods to gather and interpret data. Quantitative analysis will involve the collection and examination of transaction data from various credit card companies and financial institutions. This data will be subjected to statistical techniques to identify spending trends across different demographics, geographic locations, and product categories. Additionally, the research will delve into qualitative aspects by conducting surveys, interviews, and focus group discussions to gain insights into consumer perceptions, attitudes, and motivations related to credit card usage. Furthermore, the project intends to explore the impact of socio-economic factors, such as income levels, age groups, and cultural backgrounds, on consumer spending behavior. By deciphering these influences, the study aims to provide valuable insights to both financial institutions and policymakers, enabling them to make informed decisions regarding credit card regulations, marketing strategies, and financial literacy initiatives.

### KEYWORDS:

Consumer, Credit Card, Digital Transactions, Digitized economy.

## INTRODUCTION:

Money in the twenty-first century comes in various forms: coins, currency notes, and now, plastic money. Credit cards, a type of plastic money, have become a significant part of this landscape. These tiny cards speed up shopping transactions by carrying an identifying number unique to each customer. Enabling payments for a wide range of products and services, credit cards offer a revolving account that lets users borrow money from the bank for purchases. This convenience, coupled with safety by eliminating the need to carry cash, the option to pay in installments, and non-monetary benefits like rewards, bonuses, and shopping miles, has led to widespread credit card adoption. India has witnessed a substantial surge in credit card usage, and the trend points toward further growth. This expansion necessitates robust customer service within the credit card business. As credit card networks broaden and encompass more individuals, service quality becomes paramount. The trajectory suggests a future with even more credit card usage, potentially leading to a cashless society.

Credit cards have evolved into a crucial trade promotion tool, offering convenience and security in the purchasing process. A major driver of their popularity is the shift in consumer behavior; credit cards enable deferred payments, requiring only a signature at the cash counter. Today, nearly all banks, both Indian and multinational, offer credit cards in partnership with Visa International or MasterCard. This flood of options has intensified competition, with advertising and reward programs vying for loyal credit card users. A credit card acts as a payment card, allowing customers to make purchases based on the promise to repay the bank for the charges incurred. The bank extends a revolving account for purchases, which must be returned by a specified due date. It's essential to distinguish between charge cards, requiring full monthly repayment, and credit cards, enabling payment in installments with interest. While a credit card represents a line of credit, allowing repeated borrowing, a cash card functions like currency. Customers typically favor credit cards over lines of credit, often preferring established providers like Chase or Citibank.

Multiple issuers can be associated with a single card, offering a period to repay borrowed money from the application date. This marked the advent of the plastic money era, with foreign banks dominating due to factors like experience, operational strength, and brand recognition. These cards are positioned to appeal not only to the upper class but also the middle-income brackets, aided by new private banks' lowered eligibility criteria. The value of money and credit needs no explanation. Technological advancements have reshaped various sectors, including banking, education, and retail. The convergence of finance and technology has led to tech-driven systems, enhancing customer service in banking. Credit and debit cards are vital tools for survival and competitiveness in today's market. These cards offer consumers benefits such as cashless transactions, short-term credit, prestige, late payment flexibility, and installment shopping. The availability of diverse installment programs continually shapes dynamic consumer behaviors.

## STATEMENT OF THE PROBLEM:

Credit cards have revolutionized the way people perceive money, expanding beyond the affluent and urban locales to become a part of middle-class life across the nation. Yet, this surge has introduced complexities such as credit card fraud, payment defaults, and unchecked spending habits. This rapid expansion, however, has streamlined transaction processes. A prevalent trend among credit card users is deferring payments, a practice that leads to escalating bills with interest rates as high as 50 to 60 percent annually, pushing individuals into a cycle of debt. The value of credit cards varies based on individual profiles. Early on, consumers view owning credit cards as a privilege, but concerns about exorbitant interest rates and fees charged by banks persist. With interest around 42 percent per year, any delays or failures in payment lead to additional charges on all subsequent card transactions. Accumulating outstanding balances can severely jeopardize one's financial stability. Contemporary credit card competition is fierce, with providers vying for customers' attention. Incentives like reward points have become commonplace, functioning as alternative modes of repayment.

## OBJECTIVES:

- To study the socio-economic characteristics of respondents.
- To find out the factors influencing customers to use credit cards.
- To study about the satisfaction level of the customers of credit cards in various banks.
- To study the problems faced by customer while using credit card.

## SCOPE:

The scope of this study is to access and evaluate various aspects of the customer's awareness and their preferences to use credit card from various banks. To know about the customer grievance of credit card service from various banks. To know about the factors that influences the customer's decision to choose credit card for their payment purpose. To study on satisfaction level of the customers.

## LIMITATION

- Time taken for the study is very limited and the study is confined only customers of various banks.
- Sample size is limited to 130.
- All the findings and observations related to service are purely based on respondents and the response may be due to personal factor.

## REVIEW OF LITERATURE

**H. Lee Mathews and John W. Slocur Jr (2022)** had conducted two studies about the relationship between the consumer's usage of bank credit cards, and his or her income and social class. The findings of the study had revealed that the members of the lower social class had tended to use their cards for installment purpose. It concluded that all users had a favorable general attitude towards credit card but the installment users were motivated to use their card more frequently.

**Terry.M Wickre (2022)** in his study had analyzed the Customer awareness about the Visa and the Master charge card issued by the bank. The author had conducted a pre and post study with the advertising strategies and found out that by advertising, customers had become more aware of their credit card and its operations. Advertising had increased the consumer ability to choose the best card.

**Yeo Jung Sang (2021)** in his thesis had focused on the attitude and behaviors of credit card holders. The researcher had used dichotomous multi nominal logic to analyses the demographic factors 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 results of the study revealed that the effects of the explanatory variables were significant except the number of store card holdings.

**Lalitha Anantha Krishnan (2021)** in her study focused on the credit cards that are accepted by a number of merchant establishments The study highlights the advantages and disadvantages of using credit cards. Statistical tools were used to analyses the collected data. It was found that the system could force the credit card holders to make unnecessary purchases which would encourage consumption and acquisition of durables.

## RESEARCH METHODOLOGY

- **Research design**

A research design is purely and simply the framework of plan for a study that guides the Collection and analysis of data. It is descriptive in nature.

- **Source of data**

The study is based on primary and secondary data. The primary data had been collected from the respondents through questionnaire and secondary data is collected from articles, books, magazines and newspapers.

- **Sampling techniques**

Convenience sampling technique is used for the study

- **Sample size**

The sample size for the study is 135 respondents.

S.NO	FACTOR	NO. OF RESPONDENTS	PERCENTAGE
1	18 to 30	67	51.5%
2	31 to 50	41	31.5%
3	Above 50	22	16.9%
4	Total	130	100%

- **Tools for analysis**

- Simple percentage analysis
- Chi - square test
- Rank analysis
- Weighted average method

### 1. Simple Percentage Analysis

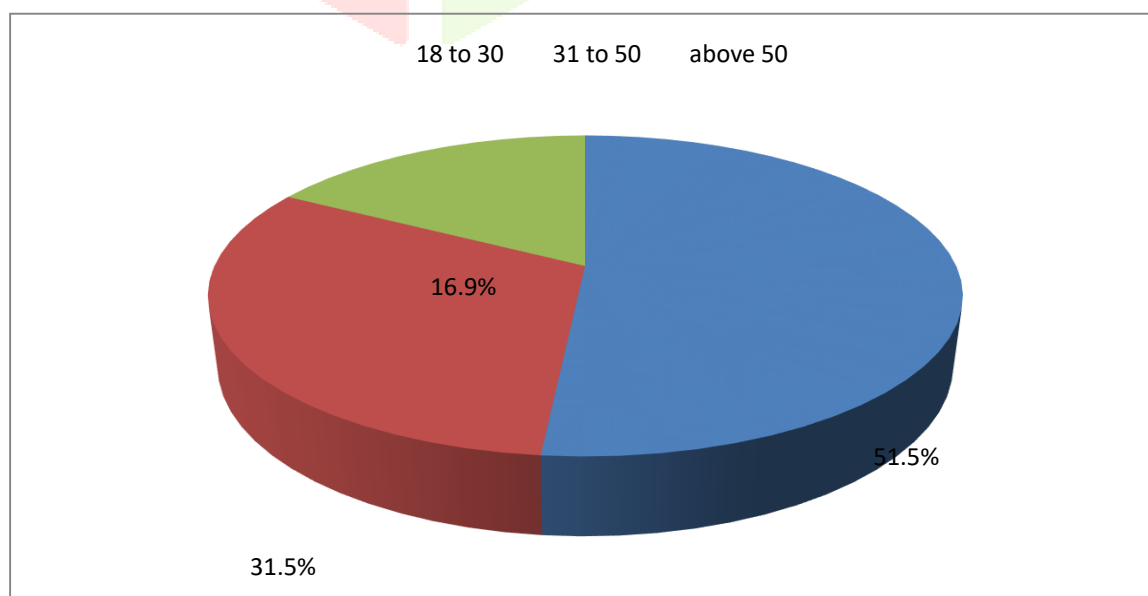
Source: Primary data

#### INTERPRETATION

The above table shows that majority of the respondents that is 51.5 % of the respondents are at the age of 18 to 30, 31.5 % of the respondents are at the age of 31 to 50, and 16.9 % of the respondents are at the age of above 50.

#### INFERENCE

Majority 51.5% of the respondents are between 18 to 30 years of age.



Majority 51.5% of the respondents are between 18 to 30 years of age.

## 2. Chi – Square Test:

### RELATIONSHIP BETWEEN AGE OF THE RESPONDENTS AND USAGE OF CREDIT CARDS BY THE RESPONDENTS

FACTOR	USAGE OF CREDIT CARDS				TOTAL
	Below 1year	1-2 years	3-4 years	Above 5 years	
18-30	26	27	12	2	67
31-50	10	17	12	2	41
Above 50	3	13	6	0	22
<b>TOTAL</b>	<b>39</b>	<b>57</b>	<b>30</b>	<b>4</b>	<b>130</b>

To find out significant relationship between age of the respondents and usage of credit cards by the respondents, chi square test is used and result is given below.

#### HYPOTHESIS

There is no significant relationship between age of the respondents and usage of creditcards by the respondents

#### CHI-SQUARE TEST

FACTOR	CALCULATED VALUE	DEGREES OF FREEDOM	TABLE VALUE	RESULT
Age	8.272	6	12.592	ACCEPTED

#### INTERPRETATION

In the above analysis the calculated value (8.272) is lower than the table value (12.592) at the level of 0.05% significance. Hence the hypothesis is Accepted. So there is no significant relationship between age of the respondents and usage of credit cards by the respondents.

### 3. Rank Analysis

#### FACTORS AFFECTING ON THE USAGE OF CREDIT CARD

FACTOR	1	2	3	4	5	TOTAL	RANK
Technological issue	19 (95)	5 (20)	14 (42)	6 (12)	86 (86)	130 (255)	V
Difficult to find talented	3 (15)	19 (76)	26 (78)	78 (156)	4 (4)	130 (329)	II
In expensive to implement	5 (25)	16 (64)	58 (174)	25 (50)	26 (26)	130 (339)	I
Illiteracy	6 (30)	16 (64)	15 (45)	60 (120)	33 (33)	130 (292)	IV
Security fear	5 (25)	8 (32)	44 (132)	42 (84)	31 (31)	130 (304)	III
Lack of awareness	7 (35)	11 (44)	33 (39)	46 (92)	33 (33)	130 (243)	VII
Others	6 (30)	13 (52)	29 (29)	57 (114)	25 (25)	130 (250)	VI

#### INTERPREATION

The above table shows that majority inexpensive to implement is given rank I by the respondents, difficult to find talented is given rank II by the respondents, security fear is given as rank III by the respondents, illiteracy is given as rank IV by the respondents, technological issues is given rank V by the respondents, others option is given as rank VI.

#### INFERENCE

Preference of inexpensive to implement by the respondents, the highest rank towards usage of credit cards.

#### 4. Weighted Average Method:

##### FACTOR COSIDER WHILE BUYING CERDIT CARD

FACTOR	Highly satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	TOTAL	Mean
Credit cards provide more convenience and wide acceptance	103 (515)	19 (76)	7 (21)	0 (0)	1 (1)	130 (613)	4.715
Interest rate and other charges on credit card is reasonable	12 (60)	102 (408)	15 (45)	1 (2)	0 (0)	130 (515)	3.961
Cash back	20 (100)	27 (108)	78 (234)	4 (8)	1 (1)	130 (451)	3.469
Discounts	12 (60)	70 (280)	25 (75)	21 (42)	2 (2)	130 (459)	3.530
Points	18 (90)	35 (140)	68 (204)	5 (10)	4 (4)	130 (448)	3.446
Priority access to events	14 (70)	52 (208)	51 (153)	12 (24)	1 (1)	130 (456)	3.507
Fixed monthly cash reward	21 (105)	59 (236)	39 (117)	11 (22)	0 (0)	130 (480)	3.692
Store vouchers	19 (95)	60 (240)	40 (120)	9 (18)	2 (2)	130 (475)	3.653

#### INTERPRETATION

The above table shows by the factors consider while buying credit card respondents. It interprets that the highest mean score is 4.715 for Credit cards provide more convenience and wide acceptance, the mean score for Interest rate and other charges on credit card is reasonable is 3.961, the mean score for Cash back is 3.469, the mean score for Discounts is 3.530, the mean score for Points is 3.446, the mean score for Priority access to events is 3.507, the mean score for Fixed monthly cash reward is 3.692, the mean score for Store vouchers is 3.653



## INFERENCE

The highest mean score is 4.715 for Credit cards provide more convenience and wide acceptance.

### 5.1 FINDINGS

1. Majority of the respondents are at the age group of 18-30 years with 5.5%.
2. Most of the respondents are female with 69.2%.
3. Most of the respondents are UG qualified with 57.7%.
4. Majority of the respondents are married with 53.8%.
5. The respondent's occupation which is mostly preferred with 40.8% are students.
6. Most of the respondents earn 20001-50000 as their family income with 53.8%.
7. Majority of the respondents have upto 3-5 members in their family with 45.4%.
8. The respondents who are earning in their family is considers as upto 2 with 68.5%.
9. Most of the respondents are aware of credit card features through magazine with 27.7%.
10. Majority of the respondents are using the credit cards for the period of 1-2 years with 43.8%.
11. The respondents mostly have up to 3-5 credit cards with 49.2%
12. The majority of the respondents have chosen that credit cards do not offer good value with 63.1%
13. Majority of the respondents have chosen that interest rate of the credit cards is 10-11.99% with 39.2%
14. Most of the respondents have chosen their usage of credit cards is once in a month with 46.2%
15. The reason for using credit cards is extended payment period with 46.2% of the respondents.
16. The mostly preferred credit cards are Mastercard with 41.5%
17. Majority of the respondents have chosen gold with 45.4% as a category of credit card.
18. Most of the respondents have chosen fees for credit card with 41.5% as a more concerned feature.
19. Majority of the respondents are attracted with credit cards.
20. Most of the respondents are highly satisfied with credit cards.
21. Majority of the respondents have given rank 5 for factors affected with the credit cards.
22. Majority of the respondents have chosen that credit cards are not intended with credit cards with 60.8%
23. The usage of credit is likely benefitted to the customers. Most of them have chosen the same feature with 54.6%

## 5.2 SUGGESTIONS

- Pay on time. Paying your credit score card account on time allows you keep away from past due charges in addition to penalty hobby costs carried out on your account, and allows you preserve a great credit score record. Stay below your credit limit.
- Avoid pointless fees.
- Pay extra than the minimal payment.
- Watch for adjustments withinside the phrases of your account
- Better consumer care help must be furnished to the customers
- Provide advance facilities to the credit card holders to keep the customers lifelong usage of credit cards. from Give discounts to customers those who maintain & changing their bank. Give proper records and statements of the credit their credit level. account to the customers to increase the knowledge of customer about the credit.
- Ensure steps to reduce the attempts of fraud and also to increase policies.
- Proper education should be given to senior citizen about the usage of credit cards confidence among customers.

## 5.3 CONCLUSION

This study is very crucial in knowing the mindset of the credit card users in respect to how they perceive different attributes and aspects relating to credit card defaults. Banks should clearly explain the credit card agreement to the customers before issuing them the cards. Similarly, the customers should also be fully aware about the consequences of debating a card.