

PLASTIC MONEY AND CONSUMER ATTITUDE: A STUDY WITH SPECIAL REFERENCE TO CREDIT CARDS

Prerna Garg

ABSTRACT

The economic development of a country depends upon the vital role played by the banking sector. The emergence of private/new generation banks has changed the banking operations by employing latest & sophisticated technologies like EFT, Debit & Credit cards, etc. These services have made banking accessible 24x7 around the globe thus overcoming time & space barriers. The increasing usage of credit cards can be owed to the fact that consumers are becoming more inclined towards the usage of plastic money over carrying cash, to avoid thefts & increase ease of handling. The credit concept is based on the principle of “buy now pay later”. It is a document that can be used for purchase of goods and services all across the globe.

The purpose of the study was to investigate consumer attitude towards the usage of electronic purses, in Delhi region. For analysis, correlation and T-test has been applied to study the relationship between services offered and customer choice of a credit card and to examine a significant difference in the choice of credit cards between males & females.

Since the researcher has adopted a self-designed questionnaire as the primary tool to collect data, therefore, reliability testing was done to measure the accuracy/validity of the statements selected.

The results of the study reflected a clear relationship between services offered and customer choice of a credit card & emphasized the fact that there is no significant difference in the choice of credit cards across genders however the number of cards owned & frequency of usage is more in males. The research concludes that there is a need for the card holders to understand how better to utilize a credit card effectively and responsibly. The study revealed that customer will go for innovative facilities only if they are adequately motivated and served better in a cheaper way. Their confidence in the facility and in the service provider, the affordability and accessibility of the facility are all that matters.

Keywords: Plastic Money, Consumer Attitude, Credit Cards.

I. INTRODUCTION

Evolution of banking has been a long way from the days of the medieval money lenders counting coins on the bench to the present, where it is hard to trace the trail of money from the beginning to the end. The trail starts right from the small saver leaving a few rupees in his local bank to the billions of rupee loans raised by financial institutions, capable of financing projects in any country in the world. Still, the dependability of these banking majors on their retail home base of savers and borrowers continued. In the late seventies and eighties, most of the bankers began focusing on this retail market segment with the intensification of the global competition.

Banks play a vital role in the economic development of a country. A sound and effective banking system is the backbone of any economy. The emergence of private/new generation banks has changed the banking operations by employing latest & sophisticated technologies like EFT, Debit & Credit cards, Mobile Banking etc. These services have made banking accessible 24x7 around the globe thus overcoming time & space barriers. Credit cards, one of the banking products that cater products to the needs of retail segment has seen its number grow in geometric progression in past few years. This growth has been strongly supported by the development in the field of technology, without which this could not have been possible. As per the report of RBI 2011-12, numbers of credit card issued are 17.65 millions.

A credit card is a payment card which is issued by the bank to a user for making payments. It helps cardholders to make purchase/pay for goods on the basis of the holder's promise to pay the amount on a future date. The issuer of the card creates a revolving account and grants a line of credit to the consumer from which the user can borrow money for payment to a merchant or as a cash advance to the user.

They provide convenience and safety in the purchasing process. They are commonly known as "plastic money" too. The credit card is made of plastic and is widely used by the consumers all around the globe. The dynamism in consumer behaviour and tastes led to tremendous growth of credit cards.

II. OBJECTIVES OF THE STUDY:

The study focusses to gain insights into the following objectives:

1. To understand the various services offered by credit cards.

2. To analyze the difference in the choice of credit cards by respondents of different genders.
3. To explore the relationship between services offered and customer choice of a credit card.

III. METHODOLOGY:

A. Sampling Technique

A well-structured self-designed questionnaire was prepared for the collection of necessary primary data to study the difference in the choice of credit cards by respondents of different genders and to study the relationship between services offered and customer choice of a credit card. Convenience sampling technique has been used to collect data from 103 valid respondents. The type of study was Descriptive research.

B. Source of Data Collection

A survey was conducted involving a self-designed questionnaire to the customer respondents. Respondents were asked about a variety of questions regarding their reasons to choose credit card. Secondary source of information here includes library resources, articles in various newspapers and magazines, product catalogues brochure and online resources like company websites, online reports and articles. Sample size taken for the research was 103 comprising of 66 male respondents and 37 female respondents. For the purpose of data analysis T-test has been employed to study the variation in preference across different gender and correlation has been used to study the relationship between services offered and customer choice. Since the researcher has adopted a self-designed questionnaire therefore reliability testing has been conducted to calculate the value of Cronbach alpha and confirm the reliability of the questionnaire used. The value of Cronbach alpha as calculated was 0.845. (For table on Testing of Reliability, kindly refer Table- I).

IV. LITERATURE REVIEW

K. Govindarajan, V. Vijay Anand and S. Balachandran (2012) attempted to bring out the relationship between age, occupation and education with reference to use of credit card and also establishes awareness and utilization of credit cards

associated with features of credit card. Further the researcher also brings out the perception of debit card holders regarding credit card. The above research concluded that respondent are highly happy about the security check and the support extended by the credit card department but they are not happy about the pressure mounted by the credit card department in compelling them to avail loan Further owning a credit card is considered as status symbol by the respondents. Debit card holders also expressed their desire to go for credit card if bankers approach them though they have a fear that it may increase their spending habit.

Sunayna Khurana and S P Singh (2011) tried to identify customer preferences and expectations from credit/debit card services. The main objective was to identify the factors that influence the choice of credit cards, customer satisfaction, and consumer behavior regarding the credit card in Tier-III cities like Hissar (Haryana). It was concluded that the choice of credit card depends upon income, gender and profession of the respondent. Customer satisfaction depends upon income, frequency of usage in a month and amount of usage per month. The most important factor which influences the customer to use the credit card for various places is 'saving time' and the second important factor is 'group influence'.

Prof. S.K.Mathur and Prof. (Dr) Neeraj Singh (2011) intended to find out the relationship between spending behaviour with different parameters like educational background, occupation, number of respondents, credit card issuing bank/authority and employment of spouse. Chi square test was applied for testing the hypotheses. The results revealed that there is a significant relationship between education of person, number of dependents, employment of spouse and spending behaviour. However there is no significant relationship between credit card spending and two parameters i.e., occupation and card issuing bank.

Ravichandran Subramaniam and Maran Marimuthu (2010) investigated the selection criteria of bank credit cards that contribute towards credit card among Malaysian credit card holders and to investigate the relationship between each of the credit card selection criteria with card holders' satisfaction level. The

respondents were investigated on the five selection criteria (convenience and protection, flexibility, economics, promotion, reputation) using the likert scaling. Chi square test and correlation were also been checked. This study establishes the fact that the selection criteria such as convenience and protection, flexibility, economic, promotion and reputation do not influence demography. Further, there is also evidence that a consumer's annual personal income is a contributing factor in a bank's selection criteria. Moreover, the analysis also provides input that the expected selection criteria put forth and the actual satisfaction level is yet to have its desired results and hence there is a need to narrow the expectation gap.

CH. Satyanarayana Reddy, CH. Srikanth Verma and V.Ranaprathap (2010) examined the usage pattern of both cards by Indians customers, to analyze the market penetration of both debit and credit cards in India and to suggest remedial measures to popularize credit cards in India. The paper discussed about the debit and credit market in India, usage pattern of both debit and credit cards was also being given. The total spending at merchant POS through credit and debit cards has registered a growth of 19% in 2009 on year on year basis. The total spending has increased to 83,903 crores in financial year 2009 from 70,506 crores in financial year 2008. A survey by TOI, New Delhi, provides spending in different segments by credit cards. Various remedial measures were also being suggested in the study. Finally, the paper concluded, that Indian has seen remarkable growth in the debit card market over the past few years but in the last two years, there is a slump in credit card market. The number of credit cards in India during the financial year ended march, 2009 declined to 246.99 lakh from the previous year base of 275.47 lakh, registering a negative growth of rate of 10.34%.

J.C. Arias, Robert Miller (2009) ascertained the attitudes of students relative to credit cards, including their attitudes about their perceived convenience, risk, and potential make transactions cost more than they would if paid in cash were several of the major attitudinal areas studied in this survey. Simple Random Sampling was used in the administering of the questionnaires themselves, and anonymity was assured. From the research completed by Hayhoe, Leach, Allen, and Edwards (2005) the researchers found that students acquire and spend more

to feel more in control over their lives. 36% respondents agree with the hypothesis of the researchers mentioned, in that they strongly agree with the statement that credit cards give them a strong sense of control. The conclusion from this research is that the marketing of credit cards for college students, both to their parents and to the students themselves, is extremely effective.

Dr. N. Yesodha Devi and A. Gomathi (2008) intended to find out the purpose for which the credit cards have been most frequently used and to examine the differences in the frequency of usage of credit cards among the groups of age, sex, income level and occupational status. ANOVA and t-test were used to analyze the collected data. The paper concluded that credit cardholder's usage is the maximum in the departmental stores, shopping malls, in the purchase of consumer durables and in petrol stations. Age groups of the respondents have a significant influence on the frequency of usage of credit cards. Younger age groups and the respondents of the age group between 31-40 years use the credit cards more frequently when compared to the older age groups. The t-test revealed that the level of usage does not vary among the male and female respondents.

Joji Alex.N and P.T. Raveendran (2008) investigated the relative importance of the psychological and socio cultural factors in categorising the credit card users as non defaulters and defaulters the scope of this study is confined to the psychological and socio-cultural domains. The study and its findings throw light into the non-financial factors to be looked into so as to increase the customer suitability in retail sale of a financial product like credit card.

Tapan Nayak and Manish Agarwal (2008) identified eight major factors which influence the selection of credit cards among consumers. These factors are service offers, promotional offers, interest benefits, cash benefits, ease of payments, payment charges, card benefits and time benefits. The sample size consists of 100 respondents from the area of Ghaziabad, India with the help of a well drafted and structured questionnaire. A statistical approach, 'factor analysis' had been used for the study. The main results of the study indicate that 'service offerings' are an integral part of selection of credit cards, which means while choosing a credit card, the services provided play a major role.

Erdener Kaynak and Talha Harcar (2001) studied the consumer attitudes and intentions towards credit card ownership and usage in an advanced developing country. In particular, knowledge structures, beliefs, likes and dislikes as well as attitudes of credit card owners in the possession and use of credit cards are investigated. The t-test for equality of means indicates a significant difference between these two groups in terms of attitude points. ANOVA analysis of results shows a significance relationship between the length of time of the ownership and positive attitudes. The results appear to show evidence of the relationship of both income and education by ownership. The researcher also found that there is no significant difference between Turkish males and females in the determination of credit card benefits, and their research showed no significant relationship between genders in terms of ownership. Not surprisingly, the positive attitude towards credit cards influences their ownership. The research findings verify this view: there is a strong relationship between the ownership and positive attitudes formed towards credit cards.

Gopala k. Ganesha and Erramilli M. Krishna (1987) seeks to find out what consumer prefer using one type of card over the other, their reasons for preferences and are these preferences associated with any distinguishing shopping and customer characteristics. An exploratory study that attempts to shed some light on all three problems. Two third of the respondents in this sample indicated they would prefer a store card to notional cards in any purchase situation where they have a choice, shows that store cards have strong potential. Secondly, it appears that the main reason people prefer to use store cards is to overcome disadvantages inherent in national cards, limited credit lines, cost of financing etc and not because of any benefits uniquely attributable to store cards themselves. Thirdly, product differentiation strategies may therefore be more appropriate when marketing store cards.

Amita charan intended to investigate whether there is any association among money attitude, compulsive buying and usage of credit cards. The primary data was collected through 3 different standard questionnaires and a judgment sample of 120 young credit card holders between the age group of 20-30 years was chosen from Delhi and NCR. The respondent's money attitude, credit card usage

behavior and buying behavior were studied. Factor analysis of compulsive buying was being done. Correlation is also being calculated between credit card usage and compulsive buying. Finally the study found that credit cards do facilitate the compulsive buying behavior

Phylis M. Mansfield, Mary Beth Pinto and Cliff A. Robb. attempt to review and integrate the literature surrounding consumer credit cards in various disciplines and offer a series of guiding research opportunities to the marketing discipline. As such, the purpose was threefold: First, to investigate the empirical research conducted over the past four decades with regard to consumer credit cards; Second, to provide insights for understanding consumers' attitudes towards credit cards and the determinants of credit card usage; and finally, to provide recommendations for future research in this domain. A contextual framework was utilized for the investigation that is based on the Tri-Component Attitude theory. The ABC model is considered the core of this consumer framework and is surrounded by demographic and consumer socialization issues as they relate to credit cards. Overall, the findings showed a relationship between a consumer's attitude toward credit cards and card ownership, outstanding balance, and repayment behavior.

V. RESULTS & DISCUSSIONS

1. The responses were sought from 103 valid customers. The age of the respondents indicated that majority of respondents who use credit cards falls in the age group on 31-40 years while the least belonged to the age group of 51-60 years which clearly explains the inclination of young people towards owing credit cards. Moreover, majority of the respondents surveyed owned one credit card. The research further highlighted the fact that males use credit cards more than females irrespective of the fact that females are generally considered to be more shopaholic. In addition, majority of the respondents who use credit cards are married owing to the increased expenses & more liabilities as compared to that of bachelors.

Majority of the respondents who owns credit cards are post graduates & graduates because of the proper awareness of the usage of credit card & related

policies among the most sought target segment by credit card companies. Respondents from private sector owns credit card more than public sector employees and businessman. This to some extent can be attributed to the fact that private sector employees are offered credit cards at better terms because of the salary accounts they operate & the private label they are linked to.

The research indicated that majority of respondents who use credit cards fall under the income group of 3 lakh- 4.99 Lakhs. This is supported by the reason given by majority of the respondents stating that being in an average salary bracket sometimes limits their expenses, therefore they always need a proper combination of cash & credit facility. (Kindly refer Table-II).

2. Descriptive Statistics was used to compute the Mean and Standard Deviation of the constructs involved in understanding the Usage Pattern of Credit Card Holders/Customer Choice. From the computation of mean on the usage pattern of credit card holders, the study highlights that the respondents like using cards because it gives out cash under unexpected circumstances.(Kindly refer Table-III).

3. To understand the benefits preferred by credit card holders from Credit cards/Services offered by Banks, Descriptive statistics concluded that the most preferred benefits from a credit card, good customer care facility influences the respondents to use the credit cards more. Other factors like convenience to use and promotional schemes offered by credit cards also affects the selection of a credit card. (Kindly refer Table-IV)

4. To study the relationship between Services Offered and Customer Choice of a credit card, first hypothesis was formulated stating:
H01: There is no significant relationship between services offered (SO) and customer choice (CC) of a credit card.

The research concluded there is a moderate positive correlation between services offered and customer choice of a credit card with Pearson correlation of 0.670 & p-value 0.00 (<0.05) proving the existence of significant correlation among the two variables. From the literature review it is being inferred that facilities like good customer care facility, ease to use cash can increase the usage pattern of

credit cards and choice of a particular credit card by the consumers. (Kindly refer Table V).

5. To examine a significant difference in the choice of credit cards between males & females, second hypothesis was formulated stating:

H02: The choice of credit cards does not differ significantly among males & females.

The research explored that there is no significant difference in the choice (suitability over cash) of credit cards between males & females. This can be supported by the fact that the preference level for credit cards vary more across occupation & income level, although the frequency of credit cards usage at the time of shopping & the number of cards owned do vary across the genders.

This is justified by the literature reviewed for the purpose of this research which stated that males are less safety conscious. Therefore, they look out for ways (holding more Credit cards) that can provide them with an ease of buying without carrying cash. (Kindly refer Table VI).

VI. RECOMMENDATIONS/SCOPE OF FURTHER STUDY

1. Majority of the business class/ PSU respondents realized lack of proper awareness about the usage cards & related policies. So, the study recommends the credit cards companies to look out for measures to improve awareness among them.

2. Since the repayment dates offered by credit card companies are too rigid, therefore the respondents seeks for a little more relaxation in the same.

3. Indian market have seen a remarkable growth in the popularity & ownership of debit cards in the past few years as compared to credit cards. This can be overcome if the non-financial factors are looked into so as to increase the customer suitability in sale of a financial product like credit card.

4. The credit card offering companies should lay more emphasis on customization of benefits & promoting the same in appropriate fashion by deploying suitable media & targeting female segment.

5. Security issues should be seriously looked into by the banks and necessary precautionary and remedial actions should be taken by them so that more people are brought to the mainstream of credit card activities.
6. Due to lack of understanding of using credit cards the people from higher age group generally tend to avoid using credit cards. Promotional offers and knowledge can be provided to this particular segment of people so that they can use a credit card.
7. Credit card facilities have to be extended to semi-urban and rural areas also. Awareness about the benefits of credit cards has to be created among the villages and for that intensive campaigning and awareness camp have to be organized.
8. The study sought responses from selected respondents of Delhi region only so a greater number of sample size population customers holding credit cards in non-metro cities can also be considered.
9. Apart from the variables taken in the study, variables like personal recommendation, low monthly service charge, etc also affects the consumer's attitude towards the usage of credit cards.

VII. CONCLUSION

The purpose of this study was to develop a better understanding of attitude of customers towards the usage of credit cards and what factors contribute towards the selection of credit cards. Credit cards in India are extremely useful for the middle class people who increase their purchasing power through the plastic card. In recent years, a large number of personal financial literacy initiatives have begun. With a wider acceptance of the cards by all the merchant outlets and the issuance of the credit cards by more number of banks the frequency of the usage of the cards has also increased rapidly. Therefore there is a need for the card holders to understand how better to utilize a credit card effectively and responsibly.

The study reveals that customer will go for innovative facilities only if they are adequately motivated and served better in a cheaper way. Their confidence in the facility and in the service provider, the affordability and accessibility of the facility are all that matters.

REFERENCES

1. Arias J.C., Miller R. (2010). Market analysis of student's attitudes about credit cards. *Business Intelligence Journal*, Vol.3, No.1, pp. 23-36.
2. Devi. N.Yesodha, Gomathi.A (2008). A study on the frequency of usage of credit cards in Coimbatore city. *IMA journal*, Vol. XXIV, No. 3, pp.15-19.
3. Dwarkadas. Jajoo Rupa (2011).Consumers perspectives towards Credit Card. *International Referred Research Journal*, Vol.III, Iss-31, pp. 47-49.
4. Erdener Kaynak and Talha Harcar (2001). Consumers' attitudes and intentions towards credit card usage in an advanced developing country. *Journal of Financial Services Marketing*, Vol. 6, 1, pp. 24-39.
5. Ganesha. Gopala K., Krishna. Erramilli M. (1987). Consumer Preference for Alternatives Credit Card Based Payment Methods: Some Empirical Evidence. *The Journal of Applied Business Research- Fall*, Vol. 3, No. 3, pp.137-145.
6. Khurana. Sunayna, Singh. S P. (2011). An Analytical Study of Customer's Preferences and Satisfaction in Credit Card Industry. *The IUP Journal of Bank Management*, Vol. X, No. 1, 2011, pp. 71-87.
7. Mansfield. Phylis M., Pinto. Mary Beth, Robb. Cliff A. (2013). Consumers and credit cards: A review of the empirical literature. *Journal of Management and Marketing Research*, Vol.12, pp. 1-26.
8. Mathur. S.K., Singh. Neeraj (2011). A Study on Spending Behavior of Credit Card Holders. *People's Journal of Management*, pp. 110-114.
9. Nayak.Tapan, Agarwal. Manish (2008). Consumer's behavior in selecting credit cards. *The ICFAI University Journal of Services Marketing*, Vol. VI, No. 4, pp. 49-56.
10. Sheikh. Rashel, Hossain. Faruk, Islam. Kazi Zahirul (2014). Factors Affecting Customer's Preferences in Selecting Credit Card in Bangladesh. *European Journal of Business and Management*, Vol.6, No.12, pp.62-70.
11. Subramaniam. Ravichandran, Marimuthu. Maran (2010).Bank credit card and the selection criteria: An exploratory study. *African Journal of Business Management*, Vol. 4(16), 18, pp. 3463-3472.
12. Worthington. Steve, Stewart. David, Lu. Xiongwen (2007). The Adoption and Usage of Credit Cards by Urban-Affluent Consumers in China. *International Journal of Bank Marketing*, Vol. 25, Iss: 4, pp. 238 – 252.

TABLES

TABLE I: TEST OF RELIABILITY

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.844	.845	30

TABLE II: DEMOGRAPHIC PROFILE OF RESPONDENTS

	Frequency	Percentage
<i>Gender</i>		
Male	66	64
Female	37	36
<i>Marital status</i>		
Single	51	49.5
Married	52	50.5
Widowed	0	0
<i>Education</i>		
High school	0	0
Secondary school	15	14
Graduate	35	34
Post graduate	50	49
Doctorate	3	3
<i>Status of workplace</i>		
Public sector	38	37
Private sector	42	41
Owned business	23	22
<i>Annual income</i>		
Less than 1 lacs	1	1
1 lacs- less than 3 lacs	20	19
3 lacs- less than 5 lacs	50	49
5 lacs- less than 7 lacs	26	25
7 lacs and above	6	6
<i>Number of cards owned by the respondents</i>		
One	62	60
Two	35	34
More than two	6	6

TABLE III: USAGE PATTERN OF CREDIT CARD HOLDERS/CUSTOMER CHOICE

Descriptive Statistics			
Constructs	N	Mean	Std. Deviation
Likeability for using credit cards.	103	3.98	1.171
An alternative to unavailability of cash	103	3.78	1.171
More spending when credit cards are employed	103	3.50	.948
Less sensitivity to price in presence of credit card	103	3.54	1.312
Gives out cash under unexpected circumstances	103	3.92	1.135
People around me influences my use of credit cards	103	3.69	1.129
Less concern about the shopping bills	103	2.53	1.083
Fulfils the desire to have a higher living standard	103	3.90	1.005
A modern and fashionable way to pay bills	103	3.83	1.138
Overcomes the dislike to carry too much cash	103	2.17	1.052
Carrying cash is risky	103	3.79	1.081
Heavy use of credit cards results in heavy debt.	103	3.53	1.219
The cost of using credit cards is too high.	103	3.67	.984
Increases the worry of my credit cards debt.	103	3.65	1.218
Unwise to use any credit card without a second thought	103	3.76	1.133

TABLE IV: BENEFITS PREFERRED BY CREDIT CARD HOLDERS FROM CREDIT CARDS/SERVICES

Descriptive Statistics			
Constructs	N	Mean	Std. Deviation
Convenience of a credit card (can use anywhere)	103	4.11	1.084
Cards offered by the bank	103	3.83	.961
More safe than carrying cash	103	3.99	1.052

Shop without using any cash	103	4.09	1.121
Shop via the internet	103	3.97	1.115
Shop via my telephone	103	3.91	1.020
Credit card brand name effect	103	4.01	1.043
Promotional schemes offered by credit cards	103	4.12	1.013
Long repayment time period.	103	3.82	1.046
Low interest rate	103	3.86	1.048
Low late payment charge	103	3.98	1.057
No annual fee	103	4.02	1.048
Flexible repayment dates	103	3.83	.991
Security while transaction	103	3.91	1.121
Good customer care facility	103	4.24	1.043

TABLE V: CORRELATION MATRIX

		Total CC	Total SO
Total CC	Pearson Correlation	1	.670*
	Sig. (2-tailed)		.000
	Sum of Squares and Cross-products	9151.922	7322.126
	Covariance	89.725	71.786
	N	103	103
Total SO	Pearson Correlation	.670*	1
	Sig. (2-tailed)	.000	
	Sum of Squares and Cross-products	7322.126	13051.670
	Covariance	71.786	127.958
	N	103	103

TABLE VI: T-TEST

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	T	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Choice of Credit Card	Equal variances assumed	1.166	.283	.751	101	.455	1.464	1.950	-2.404	5.331
	Equal variances not assumed			.733	69.533	.466	1.464	1.997	-2.519	5.446

ABOUT AUTHOR

Prerna Garg, is an Assistant Professor at the Department of Management Studies, Gitarattan International Business School, Affiliated to GGSIP University, New Delhi. Having done her MBA from UP Technical University, her research interest includes Consumer Behaviour, Sales Management and Retailing. With an experience of over 5 years as an academician, she has attended several National/International Conferences and Seminars at Institutes of repute and has been contributing substantially in research on areas like Green Marketing, Perception towards Food Advertisements, Service quality in Banks and many more.

