



Impact Of Credit Card On Buying Attitudes (A Study With Reference To Sub-Urban Locality)

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Abstract:

The advancement of technology is indeed a spectacular position to provide services that were not even imaginable a few years ago. Credit Card is one of the new born children of modern payment system. Now accepting credit cards in the main places of business has accelerated and allowed customers to provide greater and better quality products and services. Similarly, buyers are not too worry about carrying large sums of money with them when their debit cards and credit to enable them access to their funds parked with their banks. It is essential that each retailer to provide all the benefits it can to attract and retain the customers. On this background an attempt has been made to study the impact created by credit cards in the sub-urban locality.

Key words: Credit Cards, Payment system, Sub-Urban areas.

1.Introduction About Banking

In India, the ancient Hindu scriptures refer to the money-lending activities in the Vedic period. During the era of Ramayana and Mahabharata, the banking had become a full-fledged activity. In the smrity period which followed the Vedic period, the business of banking was largely carried on by the members of vaish community. The banker in this period performed many of the functions which a modern banker performs these days viz. accepting deposits, granting of advances, acting as banker to state and issuing and managing currency of the country.

In addition to receipt of deposits and lending money, the modern banker renders many services. It becomes necessary to attract to customers by providing a wide range of Innovative services to customers. Adam Smith rightly observed, “The earliest banks of Italy where the name began were finance companies to make loans to and float loans for the Government of the cities in which they were formed ... After these banks had been long established, they began to do what we call as banking business, but at first they never thought of it”.

2.Origin Of Credit Card

In 1951, the Franklin National Bank in New York issued the first modern credit card. At the earlier stage the credit card was unsolicited. The cardholders were subject to credit screening prior to issue of the card. Merchants signed agreements to accept the card. When a purchase was made, the cardholder presented the card to the merchant, who would copy the information on the card on to the sales slip. The purchase was credited with the amount of purchase less discount to the merchants account at Franklin Bank. The merchant was required to call the bank for approval when the purchase exceeded the merchant’s floor limit. Franklin National Bank’s credit card program was copied by hundreds of other banks in the late 1950’s and 1960’s.

Credit card accesses a customer’s financial resources. Credit card may also be categorized as general purpose or proprietary. General-Purchase credit card can be used at any merchant. Proprietary or limited purpose credit cards are tied to the retailer and can be used only in their stores. Credit card is a form of consumer loan, a revolving credit account that has a credit limit of a specific amount that can be borrowed against it in part or in full. The available credit limit is restored for use again when once the outstanding balance is paid. Initially it was created to help, for small purchases by

customers from local merchants. Later on, credit card has become a predominant means for consumers to obtain goods and services.

3.Need And Significance Of The Study

The launching of credit card is indeed one step future in meeting the social objectives expected to today's banking. Through credit card are relatively new to India, it is treated as a status symbol and as a vehicle of consumerism, banks in India spurned this business till recently as did not go along very well with the spirit of authority and saving which they were expected to promote. But with increasing economic and financial liberalization and growing prosperity of the urban middle class, banks felt it desirable to enter this line of business. As of now, so many banks are in the field besides the non-banking institutions.

4.Scope Of The Study

The study covers the area of cardholder's opinion about the credit cards and the impact on buying behaviours. Therefore, the study is confined only to the cardholder's opinion. It also analyses the cardholder's preferences on the area of study.

5.Objectives Of The Study

The objectives set out below promoted to undertake the study report.

1. To understand the conceptual framework of credit cards.
2. To explore the various areas of usage.
3. To know the opinion of the respondents about credit cards.
4. To study the cardholders in general and their buying behaviours.
- 5.

6.Data Collection

The study is mainly based on the primary data collected by the researcher. The data is collected through an interview schedule, which contains 25 questions in all, concerned with different aspects of the study. The interview schedule was distributed to credit cardholders and responses were collected. However, the secondary datum through books, journals, periodicals, and published information are used at appropriate places.

7.Sampling Design

The structured interview schedule was administered for collection of required data. The responses were obtained from 200 credit cardholders. To obtain primary data, survey was undertaken in the study area covering Sub-Urban locality of Tambaram taluk.

8.Analysis And Interpretations

Response	No of Respondents	Percentage
Strongly Agreed	28	14
Agreed	150	75
Disagreed	18	9
Strongly Disagreed	2	1
No opinion	2	1
Total	200	100

*Table 1: Distribution of Respondents according to Buying Behaviour
Source: Primary Data*

The purpose of this table is to draw the opinion of the respondents about, how the credit card helps them for their buying behaviour.

Among the respondents considered, 28 respondents have strongly agreed that their credit card helps them and make changes in the buying pattern and behaviour in the society. Majority of respondents, 150 respondents have agreed for the same purpose in the market. Out of the respondents considered, 18 respondents disagreed, and 2 respondents have strongly disagreed about the acceptability of the card for the purpose of buying behaviour. And 2 respondents are not willing to express the opinion, this is very small in number. So, even if we draw their opinion it won't make any change in the responses of the credit card holders in the study area.

Hence it is highlighted that, major part of respondents has accepted that, their credit card is helping them to improve the buying pattern and behaviour in the market where the study has been made for this purpose.

Areas of Usage	No. of Responses	Percentage
Fuel	64	8.82
Hotels & Restaurants	100	13.77
Medical & Hospitalization	64	8.82
Travel & Ticket Booking	70	9.64
Provisions	100	13.77
Clothing	146	20.11
Domestic Appliances	78	10.74
Electronic Items	28	3.86
Club Membership	48	6.61
Internet	24	3.30
Others	4	0.56
Total	726	100

Table 2: Distribution of Respondents according to Areas of Usage

Source: Primary Data

Note: Total denotes number of responses of the respondent's

The above table explains the various areas of usage of credit card in the study area. According to the opinion of the respondents surveyed, 146 have opted they are using the card for the purchase of cloths and related things. 28 respondents have preferred for the purchase of electronic items and 100 respondents are using the credit cards in hotels and restaurants. Usage of cards in petrol bunk are the choice for only 64 respondents. 70 respondents has opted the cards for travel and ticket booking. 64 respondents are using the cards for medical and hospitalization in the study area. Purchase of domestic appliance and paying the club membership fees is the areas of usage of credit card for 78 and 48 respondents respectively. Some of the respondents are using the credit cards in departmental stores and for availing the internet facilities. But they are very low in number. This study reveals that, the study area is a conservative one, though different modern facilities are available, but most of respondents are using credit card only for the purchase of cloths and purchase of provisions from departmental stores.

Response	No of Respondents	Percentage
Strongly Agreed	80	40
Agreed	108	54
Disagreed	4	2
Strongly Disagreed	--	--
No opinion	8	4
Total	200	100

Table 3: Distribution of Respondents according to the changes in Life Style

Source: Primary Data

The above table is framed to draw the responses of the credit card holders, how possible their credit card changes the life style of the respondents in the study area which are surveyed for this purpose.

Among the respondents considered 80 respondents opinioned and strongly agreed their credit card changes their life style. Majority of respondents, i.e. 108 respondents have agreed that, their card make an impact and opinioned that their life style has been changed because of using the credit card. Moreover they have considered the usage of credit card as a status symbol in the society.

Out of the respondents considered, only 4 respondents have disagreed that their credit card is not making any changes in the life style. And 8 respondents are not willing to express their opinion, this is not larger. So, even if we could draw their opinion that may not makes any impact on the responses which are drawn from other respondents in the study area.

Hence it is observed, major part of respondents have accepted, their credit card is considered as a status symbol and that makes the changes in their life style

Value of Usage	No of Respondents	Percentage
Up to Rs.4,000	80	40
Rs.4,001 to Rs.6,000	40	20
Rs.6,001 to Rs.8,000	22	11
Rs.8,001 to Rs.10,000	28	14
Rs.10,000 and above	30	15
Total	200	100

Table 4: Distribution of Respondents according to Value of Usage

Source: Primary Data

The above table shows the value of usage of the credit card in the study area. Among the respondents surveyed in the area 80 respondents are using the card for a value of Rs.4000, 40 respondents are using the card for a value of Rs.4001 to Rs.6000. The respondents groups comprising 22 respondents are using the card for a value of Rs.6001 to Rs.8000. The level for Rs.8001 to Rs.10000 has the respondents group of 28 members. Only 30 respondents are using the credit card for a value of purchase of Rs.10000 and above.

Hence, it is concluded that, more level of respondents are using the credit card with less value, and high value usage of credit cards are made by limited respondents.

This position highlights that, the study area has small and marginal value users of the credit cards.

Occupation Level of Education	Govt		Private		Self. Employed		Others		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
No formal Edu.	0	0	0	0	20	66.6	10	33.3	30	15
School Edu.	20	50	2	5	6	15	12	30	40	20
Graduation	46	76.6	4	6.67	8	13.3	2	3.33	60	30
Post Graduation	20	50	20	50	0	0	0	0	40	20
Prof./Technical	14	47	10	33	6	20	0	0	30	15
Total	100	50	36	18	40	20	24	12	200	100

Table 5 : Distribution of Respondents according to Education and Occupation

Source: Primary Data

This table shows the relationship of the education with the occupation of the card holders in the study area.

Out of the respondents considered 100 respondents are in Government service, of which 20 respondents have the school education, 46 respondents have the graduation, and 20 respondents have completed the post graduation. And only 14 respondents are professionally qualified.

In the study area, 40 respondents are self employed, of which 20 respondents have no formal education, 6 respondents has school education, graduated respondents are 8, professionally qualified respondents are 6.

The third category of employment is private sector employees. This accounts 36 respondents. Out of that, one has school education, 4 respondents are graduate, 20 are post graduate, and 10 are professional qualified. 24 respondents are in other category of employment. In general it is confined that more credit card holders are in government service and graduate.

Frequency of Purchase	Once in a Month		Twice in a Month		Thrice in a Month		More than Thrice		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
Occupation										
Salaried										
– Public/ Govt.	32	32	26	26	20	20	22	22	100	50
– Private	12	33	24	67	0	0	0	0	36	18
Self Employed	10	25	10	25	2	5	18	45	40	20
Others	16	67	6	25	2	8	0	0	24	12
Total	70	35	66	33	24	12	40	20	200	100

Table No: 6 Distribution Of Respondents According To Occupation And Frequency Of Usage

Source: Primary Data

The distribution of respondents according to occupation and usage of credit card indicates that, 50 percent of the respondents belonging to salaried class – Public or Government category, of this 32 percent are using credit card once a month, 20 percent are using credit card twice a month, 20 percent are using credit card thrice a month and the remaining 22 percent of the respondents are using credit card more than thrice a month. 18 percent of the respondents belong salaried – private category, of this 33 percent are using credit card once a month, 67 percent are using credit card twice a

month, 20 percent of the respondents belongs to self employed professionals, of this 25 percent are using credit card once a month, 25 percent are using credit cards for twice a month. 5 percent are using thrice a month and the remaining 45 percent of the respondents are using credit card more than thrice a month. The remaining 12 percent of the respondents belonging to other category, of this 67 percent are using credit card once a month. 25 percent are using card twice a month, 8 percent are using thrice a month

Income	Credit Limit			Total
	0-20000	20000-40000	40000-60000	
0-100000	30	18	0	48
100000-200000	48	20	0	68
200000-300000	20	20	12	52
300000-400000	8	6	8	22
400000-500000	0	6	4	10
Total	106	70	24	200

Table 7: Distribution of Respondents according to Income and Credit Limit

Source: Primary Data

This table is analyzing the level of income and the credit limit extended by the card issuing companies.

In the study area, 48 respondents are having the income level of up to Rs.100000 lacks, in that 30 respondents are having credit limit up to Rs.20000 and 18 respondents has a credit limit of Rs.20000 to Rs.40000.

The income level of Rs.100000 to Rs.200000 has 68 respondents, in this 48 respondents has the lower credit limit of up to Rs.20000 and 20 persons are in the limit of Rs.20000 to Rs.40000.

In the next position, 52 persons are this category. Their income level is Rs.200000 to Rs.300000. This comprises 10 persons are having the credit limit up to Rs.20000, 20 persons having the limit of Rs.20000 to Rs.40000 and 32 persons are having the limit of Rs.40000 to Rs.60000.

The next income level of Rs.300000 to Rs.400000 is having 22 respondents, of which it consists 8 persons are having the limit up to Rs.20000, 6persons are having Rs.20000 to Rs.40000 and 8 are lying in the category of Rs.40000 to Rs.60000.

In this, high income group people are only 10 persons. Their income level is Rs.400000 to Rs.500000. It consists of 6 persons are having the limit of Rs.20000 to Rs.40000 and 4 persons are having the higher limit of Rs.40000-Rs.60000.

So, it is observed that lower income group respondents are availing lesser credit limit and income level is the major criterion for having credit limit.

8.1.Hypothesis 1

There is no correlation between Income and Credit Limit.

Income	Credit Limit								
	X Y	0- 20000	20000- 40000	40000- 60000	f	dy	fdy	fdy ²	fdxdy
		2.5	7.5	12.5					
0-100000	5	15(100)	9(0)	0	24	-20	-480	9600	1500
100000-200000	15	25(50)	10(0)	0	34	-10	-340	3400	1200
200000-300000	25	10(0)	10(0)	6(0)	26	0	0	0	0
300000-400000	35	4(-50)	3(0)	4(50)	11	10	110	1100	0
400000-500000	45	0	3(0)	2(100)	5	20	100	2000	200
	f	53	35	12	100	0	-610	16100	2900
	dx	-5	0	5	0				
	fdx	-265	0	60	-205				
	fdx ²	1325	0	300	1625				
	fdxdy	2500	0	400	2900				

Table 8: Calculation of Karl Pearson's Co-efficient of Correlation between Income and Credit Limit

Note: Figures in parentheses denotes fdxdy of eachcell

$$r = 0.427$$

To test this hypothesis, the values of Karl Pearson's co-efficient of correlation were calculated. For this purpose, the cardholders were classified according to their Income and Credit Limit.

8.1.1. Interpretation

The correlation co-efficient between Income and Credit Limit is positive that implies the credit limit is extended because people with more income have the capacity for re-payment.

8.2. Hypothesis 2

There is no correlation between Income and Monthly Purchase.

INCOME	MONTHLY PURCHASE									
	X Y	2000- 4000	4001- 6000	6001 - 8000	8001- 10000	f	dy	fdy	fdy ²	fdxdy
		0.3	0.5	0.7	0.9					
0-100000	5	18(4)	4(0)	0	2(-8)	24	-20	-480	9600	56
100000- 200000	15	22(2)	5(0)	3(-2)	4(-4)	34	-10	-340	3400	22
200000- 300000	25	11(0)	5(0)	6(0)	4(0)	26	0	0	0	0
300000- 400000	35	3(-2)	4(0)	2(2)	2(4)	11	10	110	1100	6
400000- 500000	45	1(-4)	2(0)	0	2(8)	5	20	100	2000	12
	f	55	20	11	14	100	0	-610	16100	96
	dx	-0.2	0	0.2	0.4	0.4				
	fdx	-11	0	2.2	5.6	-3.2				
	fdx ²	2.2	0	0.44	2.24	4.88				
	fdx	106	0	-2	-8	96				
	dy									

Table 9: Calculation Of Karl Pearson's Co-Efficient Of Correlation Between And Between Income And Monthly Purchase

Note: Figures in parentheses denotes fxdy of each cell

To test this hypothesis, the values of Karl Pearson's co-efficient of correlation were calculated. For this purpose, the cardholders were classified according to their Income and Monthly purchase.

$$r = 0.314$$

8.2.1. Interpretation

The correlation co-efficient between Income and Monthly purchase is positive it is concluded that people with higher income, frequently use the credit card for monthly purchase.

8.3. Hypothesis 3

There is no correlation between Income and Usage of Credit Card.

To test this hypothesis, the values of Karl Pearson's co-efficient of correlation were calculated. For this purpose, the cardholders were classified according to their income and Usage of Credit Card.

Income X	Usage Y	(X-25)	(X-25) ²	(Y-20)	(Y-20) ²	(X-25)(Y-20)
5	24	-20	400	4	16	-80
15	34	-10	100	14	196	-140
25	26	0	0	6	36	0
35	11	10	100	-9	81	-90
45	5	20	400	-15	225	-300
125	100	0	1000	0	554	-610

Table 10: Calculation Of Karl Pearson's Co-Efficient Of Correlation Between Income And Usage Of Credit Card

$$r = -0.819$$

8.3.1. Interpretation

The correlation co-efficient between Income and Usage of Credit card is negative that implies that those who are having lesser income are using cards frequently. Indirectly it tells that the credit card are useful at the instances were the people with lesser income do not have the money.

8.4.Hypothesis 4

There is no correlation between Income and Cash With drawl.

To test this hypothesis, the values of Karl Pearson's co-efficient of correlation were calculated. For this purpose, the cardholders were classified according to their Income and Cash Withdrawal

Income X	Cash Withdrawals Y	dx (X-25)	dx ²	dy (Y-8)	dy ²	dx dy
5	7	-20	400	-1	1	20
15	7	-10	100	-1	1	10
25	8	0	0	0	0	0
35	4	10	100	-4	16	-40
45	0	20	400	-8	64	-160
125	26	0	1000	-14	82	-170

Table 11: Calculation of Karl Pearson's co-efficient of correlation between Income and Cash Withdrawals

$$r = -0.822$$

8.4.1.Interpretation

The Correlation co-efficient between Income and Cash Withdrawals is negative that implies that those who are having lesser income are using credit card for withdrawals frequently. Indirectly it tells that the credit card are useful at the instances were people with lesser income do not have the money.

9.Conclusion

Credit card, which was considered to be sumptuousness, has become indispensable. Credit card was considered to be used by elevated income group. Among the various financial services rendered by commercial banks and other financial institutions extending their credit card facility to clientele is an important contemporary day function. These facilities are now extended not only to customers in urban areas or cities, but also to customers residing in rural areas. But today, with the development of banking

and trading activities, the fixed income group or salaried classes are also start using the credit cards. There will be the criticism that, it induces far more purchases or make people spendthrift. This may be so in the initial stage, but when once a customer gets used to the credit cad, they will come to know how to use the same in a discretionary manner. Hence it is concluded that the operations of Credit Card now reached the sub urban areas too and made the impact on the buying attitudes of the respondents.

10.Reference

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