



A STUDY ON CONSEQUENCE OF BUYING BEHAVIOUR OF CREDIT CARD USERS WITH REFERENCE TO IN CHENNAI CORPORATION, TAMILNADU

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Abstract

Credit card was identified as a key area for investigation to see the influence, it's on buying behaviour of consumers. With this in mind, the researcher commissioned quantitative and qualitative research to explore consumer's understanding towards usage of credit cards, its influence on the determinants of shopping for behaviour and its impact on debt position and saving attitude followed by strategies for effective utilization of credit cards. The supply of easy and lots of credit product offerings to the consumers, aggravates the case. Hot cash there makes a person to be more cautious while spending, but credit cards give him the correct to spend immediately, while he's spent conscious and thus his buying behaviour is influenced by credit cards. This anomaly makes both the firm and individual spending model non sustainable within the long term. Hence, the current study aims to know the characteristics of shopping for behaviour when it's influenced by credit cards after identifying a number of the key attributes. The results showed positive effect towards influence of Credit card on customer's buying behaviour but showed no significant difference in influencing buying behaviour with relevance age, gender, qualification, employment and income. The study concluded that credit cards influence buying behaviour by A study on Consequence of buying behaviour of Credit card users with reference to In Chennai Corporation, Tamilnadu.

Keywords: Credit Card, Shopping, Risk, Attributes of Consumer, Market Perception.

Introduction

A credit card is a personal consumption payment card; popularly used around the world for various types of transactions. These cards were first issued in the United States in the early twentieth century and since then widely used across various transactions. According to Watkins (2000) credit cards stimulates consumer personal spending. Similarly, credit cards are considered as a personal money management platform Within the past few decades, credit card usage has increased substantially all over the world and became one of the most profitable financial services.

A credit card is a payment card provided to the customers for a payment of goods and services, based on the cardholder's promise to the card issue to pay them for the agreed charges in addition to the amount provided by the bank. The bank provides a revolving account to the customer for a purchase or for payment to the merchant and it is considered as borrowed money and it has to be returned within a given due date. A charge card is something that requires the balance to be repaid in full each month and it is different from a credit card. In contrast, credit cards allow the consumers to pay the debt in dues with its interest charged. A cash card is something that can be used like currency by the card holder. A credit card made of plastic which represents a line of credit. A line of credit is an account in which you can borrow money repeatedly. In most cases, customers give more preference to credit cards in comparison to line of credit. They prefer fund providers like chase or Citibank. You will usually have



more than one issuer for single card. A certain period of time will be given to you to pay back the borrowed money from the date of application. Then you can swipe your card as needed to spend money out of the money you spend on a credit card has to be paid back. If you fail to repay the payments within the given time, you will have to pay the interest and extra charges.

A credit card association such as Visa and MasterCard, issue general-purpose credit cards as part of a system of payments named after the small plastic card issued to users of the system. The issuer of the card 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. A credit card is different from a charge card, where a charge card requires the balance to be paid in full each month. In contrast, credit cards allow the consumers to 'revolve' their balance, at the cost of having interest charged. The card holders have the option to settle the monthly statement in full or take credit and pay a specified minimum every month. The use of credit cards plays a very important role in online purchasing and contributes significantly to the economy of one nation. The choices available in the market are money and most cards offer different features filling petrol on priority, easy overseas travel, special privilege for women a six by four-centimeter plastic card makes possible all this and more plastic culture has caught on in India, the initial years have been shed and cards have become virtual currency. Late fees can impact your pocketbook, and late or missed payments can also have a negative effect on your credit score. Also pay attention to all mail received from your credit card company. This kind of credit card is one of the best credit cards and their characteristics have no comparison with any other type of credit cards. Credit cards work in a very simple way, a consumer is issued a credit card after his application for a credit card has been approved by concerned authorities and a credit company shows its consent to issue the applicant a credit card. Now the customer who has purchased the credit card will be able to buy things on credit up to the limit of credit which was agreed upon by both parties in terms and conditions. A consumer can also use credit card online facilities to get benefit from his credit card. This online credit card facility is easy to use and it is faster than the actual procedures of cash transactions.

The key objective of this research is to determine the factors that influence on credit card usage behavior of Sri Lankan Consumers. In addition, the research study expects to examine the impact made by identified factors influencing on credit card usage behavior of Sri Lankan Consumers, to identify the most prominent factors influencing on credit card usage behavior of Sri Lankan Consumers and to critically assess the inter-relationship of each factor influencing on credit card usage behavior of Sri Lankan Consumers.

Review of literature

Subhani in 2008 conducted a study on 'Plastic Money/Credit Cards Charisma for Now and Then'. The study was based to find out the charisma of plastic money, its usability and affordability and its impact on its preference to use. The research found that the preference to use of plastic money/ credit card has its pros and cons with its usability and affordability.

According to the consumer behavior, plastic money is a form of conditioning and acts as a stimulus which qualifies a consumer to spend. The study shows that the preference to go for plastic money has a positive attitude that it is easy to use. The perception of credit card usability is associated with a psychological phenomenon that people are likely to spend less with credit card and spend more with the same amount of cash on hand in the same budget and this precept also linked with the consumer self-convenience.



Lowenstein and Hafalir in 2012 conducted a study on “The Impact of Credit Cards on Spending”. The study focused on two types of customers: one who carry debts and the one who do not carry debt. The one who carry debt are known as the Revolvers and the one who do not carry debt are called the convenience users. The study measured the impact of payment with credit card as compared to cash by an insurance company employee spending on lunch in a cafeteria. It was found that there was change in the payment medium of people from cash to a credit card when an incentive to pay with a credit card was given. It was then found out that credit cards do not increase spending. However, the use of credit cards has a differential impact on spending for revolvers and convenience users. Revolvers spend less when induced to spend with a credit card, whereas convenience users display the opposite behavior.

JiaLokeYiing (2007) Review of network Economics, December, 6 (4). In his study “Determinants of merchant participation in credit card payment scheme” aimed at establishment of the determinants of merchant participation in credit card payment schemes. It is also found that a merchant’s personal background, type of business and total value of sale plays an important role in determining a merchant’s acceptance of cards in making payments and it is also found that customer’s usage of credit cards and other merchants’ acceptance of credit cards in payments have influenced a merchant’s choice significantly. Findings suggest that non-pecuniary strategic factors are the strong drivers and barriers to a merchant’s involvement in credit card payments services as compared to the monetary factors.

P Manivannan (2013) in his research paper “Plastic Money a way for cash Less Payment System” examined that Plastic Money i.e., usage of Credit card was measured a luxury, and has become needed. These plastic money and electronic payments were and used by only higher income group. This facility extended not only to customers in urban areas or cities, but also to customers residing in rural area. However, today, with development of banking and trading activity, the fixed income group or salaried classes are also start using the plastic money and electronic payment systems and particularly Credit cards.

Mandeep Kaur (2011), the study examines the point of view of credit card users as well as member establishments towards the usage of plastic money. It focuses on some important aspects in usage such as challenges experienced by customers and bankers, value attribution to plastic money adaptation and some factors influencing them to use plastic money. It also analyses the current position and trends of plastic money in India.

Anupama Sharma (2012)in her research paper “Plastic card frauds and the countermeasures: towards a safer payment mechanism” have thrown light on the number of frauds increased considerably in the usage of plastic cards as in case of plastic card frauds the most affected parties are the merchants of goods and services as they have to bear the full liability for losses due to frauds, the banks also bears some cost especially the indirect cost whereas the cardholders are least affected because of limited consumer liability and concluded that all these losses can be dealt with by making the prudent use of the new technology and taking the respective counter measures.

Bansi Patel and Urvi Amin (2012) in their research paper “Plastic Money: Roadway Towards Cash Less Society” discussed that now days in any transaction Plastic money becomes inevitable part of the transaction and with-it life becomes easier and development would take better place and along with the plastic money it becomes possible that control the money laundry and effective utilization of financial system would become possible which would also helpful for tax legislation.



Nirmala. R. Sonu (2015): ANALYSIS OF THE USE OF PLASTIC MONEY highlighted the advantage of instant transaction as one of the major factors favoring the use of plastic money over real money by the population today. It has already been highlighted by the study that convenience of not carrying cash and ease of transaction is one of the major psychologically influencing factors that encourage the use of plastic money instead of real money. Additionally, the results of the study have also stressed upon the convenience and ease of use while paying or shopping by plastic money. The saving of time and the fact that the plastic money seems to be more portable also seems to further the cause of a possible change in the scenario of money usage in the economy. On the other hand, Security comes forward as a major cause for concern for the population using plastic money. Therefore, it is easy to conclude that the population is ready as ever to use plastic money at a greater level due to its high levels of ease and convenience.

Objective of Study

Today, the market is multi-cultural and non-geographical because of liberalization, privatization, and globalization. Technological development especially within the field of communication, any product whether it's goods or industrial goods, it reaches the market in no time. This study has been conducted with the following objectives:

- To know the concepts of Credit card and consumer buying behaviour.
- To create an intensive review of literature regarding the study.
- To check the appliance and operation of Credit card.
- To investigate the influence of credit cards on buying behaviour of consumer decision and devise strategies for effective utilization of credit cards.

Credit cards became indispensable for this day modern life style. People like better to do shopping with credit cards instead of cash. Therefore, there's a necessity to review the extent to which credit cards have influence over the factors of shopping for behaviour. The association of Credit card usage pattern with reference to demographic variables on debt position and saving attitude of Credit card users, if analyzed, adequately and appropriately, would result in devising various strategies for effective utilization of credit cards, thus leading to reducing debt and promoting saving attitude of Credit card users. Though many attempts are made in studying buying behaviour with different variables, this research attempts to review buying behaviour with regard to credit cards

Hypothesis for Study

H01: There are no significant association between demographic variables and Credit card usage pattern of card users.

H02: There are going to be no significant association between the category of merchants where credit cards are used.

Research Methodology

Research Design

The present research may be a combination of exploratory and descriptive study. An exploratory study is undertaken when not much is thought about the case at hand, or no information is out there



on how similar problems or research issues are solved within the past. A descriptive study is undertaken so as to determine and be able to describe the characteristics of the variables of interest in a very situation. Thus, the study made a trial to explore and explain the concepts of credit cards and its influence on buying behaviour of consumer decision.

Sample Design

The researcher identified the locations where, the study was conducted that were likely to draw in sizable number of consumers. Sampling method was accustomed collect primary data, from the Credit card users visiting banks, shopping malls, payment call centers and departmental stores of the prime location in Chennai Corporation, Tamilnadu.

Data Collection

Primary data was collected from the Credit card users in the flesh through a well-structured questionnaire. Secondary data was collected from journals, publications, reports, periodicals, research papers, manuals, books, magazines, articles, newspapers and online portals. A set of 250 survey questionnaires were completed. The researcher collected the information by frequenting the places in one month period so to have random selection of Credit card customers. The questionnaire may be a self-developed tool by the researcher. The factors considered within the tool are classified into personal, psychological and socio cultural.

Results and Analysis

Table 1: Types of Credit Card Users and their Ratios

	Category	Frequency	Percentage
Age	18-25	85	34%
	26-45	135	54%
	46-60	30	12%
Total		250	100%
Gender	Male	178	71.20%
	Female	72	28.80%
Total		250	100%
Sector	Private	85	34%
	Public	45	18%
	Business	120	48%
Total		250	100%
Income	< 50000	30	12%
	>25000 But < 100000	95	38%
	> 100000	125	50%
Total		250	100%

Represents demographic characteristics of credit card users. It is observed that majority of credit card users are in the age group of 26 - 45 years (54%) followed by 18-25 years (34%). Male credit card users are the prime users of credit cards when compared to female credit card users with (71.20%) and (28.80%) respectively. Credit card users working in Business Class (48%) uses credit card extensively followed by Private Sector (34%) and public sector (18%). It is observed that



leading group of this study credit card users are in the monthly income exceeding of Rs.1,00,000 (50%) followed by income ranging between Rs.25,000 to Rs. 1,00,000 (38%).

Table 2: Types of Merchants where Credit Card Users Uses it

Type of Merchant	Used Never		Used Sometimes		Always Uses		Total
	No.	%	No	%	No.	%	
Petrol Pumps	30	12%	160	64%	60	24%	250
Appeals	25	10%	135	54%	90	36%	250
Hotels	32	12.80%	108	43.20%	110	44%	250
Hospitals	130	52%	45	18%	75	30%	250
Travel	42	16.80%	67	26.80%	141	56.40%	250
Departmental Store	20	8%	118	47.20%	112	44.80%	250

A significant majority of credit card users always use their credit cards mostly in Travel industry (56.40%), and Hotels (44%). The results also indicate that people were not willing to use their credit cards in Hospitals (52%), Apparels (10%). Results also reveal that credit card users sometimes use their credit cards in petrol stations (64%), and Departmental Stores (47.20%). Findings reveal that the study have important implications because credit card companies are more interested in credit card expenditure categories which will enable them to identify the potential customers using credit cards. Based on this information credit card companies develop new promotion programs for both retailers and financial service providers in order to encourage credit card usage among consumers.

Based on above result both the Null hypothesis has been rejected as we can see that the use pattern of credit card is different for different class of consumers as well as for different category of merchants.

Conclusion and Suggestions

The current study investigates the influence of credit cards on buying behaviour of consumer decision and devise strategies for effective utilization of credit cards. The researcher commissioned quantitative and qualitative research to explore consumer’s understanding towards usage of credit cards, its influence on the determinants of shopping for behaviour and its impact on Credit card debt and saving attitude of Credit card users and devised strategies for effective utilization of credit cards. The inference of the study is that Credit card users consider credit cards as status symbol; use them for cashless transaction with little vigilance, expecting the Credit card issuing banks to waive off charges. Credit card users within the cohort 18 - 30 years, male, married, working in camera sector earning above Rs.25,000 are more socially influenced, having favorable attitude, with higher motivation, exhibiting addictive personality, carrying better risk perception and are found to be defective decision makers who are less cautious during the method of shopping for behaviour.



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