

Consumers' Buying Behavior towards Credit Card Services: An Empirical Study

Ms. Poonam Shekhawat, Dr. Monty Kanodia

Abstract

In this research paper an attempt has been taken to investigate the consumer behavior regarding the credit card services provided by banking sector, how consumers respond to it, and shows their attitudes towards credit cards. The objectives of this research paper are: To know the reasons of availing the services; understand the availing pattern of credit cards by the consumers; Mode of availing the services; Awareness regarding charges charged by the bank; To understand the priority pattern regarding the offers of credit card. The stratified random sampling technique is used to determine the sample size of the study. The sample size was taken 100. In the absence of secondary data, a questionnaire was prepared to collect the primary data. Consumers appeared to be satisfied with the use of their credit cards. On the whole, credit card users appeared to believe that cards are useful and the consumers are better off with credit cards than without them.

Keywords: Banking Sector, Consumer Behavior, Credit Card Services, Consumer Awareness

Introduction

A credit card is a card issued by the banks to the users to enable the cardholder to pay a person or to a seller for goods and services they consumer. The card issuer (mostly a bank) creates a payment cycle of credit card and provides a line of credit to the cardholder, from which the cardholder can borrow money from bank to make the payment to a seller or as a cash advance. In simple words, a credit card includes payment services with grace period of credit. The use of credit cards originated for the very first time in the United States during the 1920s, when individual companies, like hotel chains, oil companies etc. started issuing cards to customers for purchasing at their businesses. Usage of credit cards by bank customers in India started in late 1980s.

Review of Literature

A review of literature is simply a summary of research papers and thesis related to the same work. Literature reviews has been done to get more clarification related to credit card services and consumer behavior.

The study is done to know the effect of credit card incentives on consumer buying behavior by Mwendu, J., Wachira, M., & Amata, E. (2017). The study is conducted in Kenya on 18 respondents which were selected by applying simple random sampling. The finding reveals that majority of banks having credit card facility are foreign owned and they are providing credit card service from last 4-10 years. Most of the banks used credit card incentives to attract customers. About 72% of respondents admitted that credit card incentives greatly influenced their credit lines and they are willing to take higher limit credit card due to incentives.

Bukhari, S. F. H., Ashraf, Z., Qureshi, S. A., Ismail, A., & Memon, F. S. (2015). In this paper the factors have been identified which were responsible for usage and adoption of credit cards. The study was conducted on 105 respondents of Karachi, Pakistan. The main factors identified which have high impact on the usage of credit cards are first one is creating high awareness to consumer about the benefits arrived from using credit cards, second one is functional dimension of banks like if bank offer higher convenience, higher facilities and ease of use and make payment will attract more consumer and lastly the cost charged by banks for credit card, banks should adopt better risk management at the time of issuance so that interest rates charged on credit card does not become high. Different packages and offers on purchases also attract consumers. The religious factor has a very low impact and socio-economic has a negative impact on purchase of credit card.

Waran, Y. (2014). In his study, some factors have been determined which are influencing the usage of credit cards and also to compare the attitude of consumers towards the services of credit card. The study is conducted in Sivakasi Taluk of Tamil Nadu on 200 respondents. The study shows that the income and advertisement factor has a major role in selection of credit card. Most of the people purchased credit cards on the advice of bankers. Majority of people use their cards on occasion of any festival and most of the amount spent is on purchase of Jewellery. Convenience factor is on top reason for using credit card then followed by avoidance of risk then prestige power then immediate payment and lastly cash withdrawal facility.

The buying behavior of customers towards credit card services is studied by Kopal, C., & Calik, N. (2014) in his paper Cardholders perception to-

wards Credit Card Services of Banks- A Comparative study with reference to public sector and Private sector banks in Sivakasi Taluk,. The study is conducted in Eskisehir a city of Turkey on 880 respondents which were selected by using simple random sampling. The study reveals that majority of people uses only one credit card and maximum use of credit card is done to purchase groceries then followed by clothing and sunglasses. Most of the credit cards are cancelled due to no pays of debt regularly. 70% of people do not pay attention on prices while using credit card.

Garg, P., Singh, P., & Kalra, S. (2014). The research is done to study the factors affecting perception of customers towards use of plastic money and to study the satisfaction level of consumers using credit cards. The study is conducted on 100 respondents in Delhi and further correlation is applied to get the detail results. The finding of the study reveals that most of the consumers are affected by easy usability of credit cards. Majority of people are using credit cards for their routine transactions. Consumers are satisfied with the services of credit card as they are easy to use and easy to carry. Debit card are used more than Credit cards and the young generation and business class people find debit card as more flexible to use while service class people do not make any discriminate between plastic money.

Kumar, S. (2013). Mr. Kumar prepared this research paper to understand the pattern of use of credit cards by consumers and to identify the grievances faced by credit card holders while using credit card. The study is conducted in Jalandar, Punjab on 165 people. Chi square was applied to get the results. The result of the study reveals that the information which is most important for credit card consumers is repayment, finance charges and fees. For credit card users it is difficult to understand accept advantageous offers offered by companies. Consumers take credit cards as a substitute option while making purchases in retail stores and the major grievance people has face is receiving the information lately about outstanding balances rendering them with little or no time which leads to penal charges.

Research Methodology

This research paper studies the behavior of consumers using credit card. The study has been conducted to address to the following questions:

1. From how long you are using the service?
2. Reasons for availing the service from preferred bank?
3. Who influenced you to get the service?
4. Mode of availing the service?
5. Financial knowledge and satisfaction level regarding credit card ser-

vices.

Statement of the Problem

The credit card consumers apparently face many problems like interest charges, billing cycle, delayed payment etc. These problems were discussed with credit card holders to know their level of satisfaction by using credit card and also to know their awareness regarding credit card services. On the basis of discussion, the objectives of this research paper were formulated.

Objectives of Study

- To explore the different aspects which influence buying decision of credit card consumer.
- To analyze impact of financial knowledge on consumer satisfaction for credit card services.

Hypothesis

Ho: There is no significant impact of financial knowledge on the consumer satisfaction for credit card service.

Ha: There is significant impact of financial knowledge on the consumer satisfaction for credit card service.

Variables of Study

The variables help to assume any value. Variables are of two types as one is Dependent variable and other one is independent variable. In this research paper consumer satisfaction is dependent variable.

Sampling Plan

The sampling plan is a kind of roadmap or a blue print which provides help in selection of sample from given population. The study remained focused to the credit card consumers located in the city of Jaipur. The researcher obtained lists of credit card holders. The number of such consumers was taken to 100 by random sampling. The respondents were segregated on the basis of different demographic factor such as occupation, age, gender, marital status, qualification and monthly income. The sampling unit for current research paper is represented by working class mainly covering Private employee and Government employee opting credit card services from Jaipur.

Process & Tools for Data Analysis

In the current research paper, for descriptive analysis of demographic profile tables and percentage have been used. For studying the impact of fi-

financial knowledge on consumer satisfaction, regression has been applied.

Validity for the study

Validity can be termed as the extent to which a research or concept can be accurately measured in a quantitative study. The data taken for the current study is of quantitative in nature and further it has been tested with the help of Multiple linear regression.

Descriptive Analysis of Data

Analysis of Demographic Profile of Respondents.

Table 1

Age	
Basis	Frequency
Between 20 to 35	29
Between 36 to 50	32
Between 51 to 65	22
66 and above	17
Total	100

Table 2

Qualification	
Basis	Frequency
Under Graduate	35
Graduate	54
PG level	21
Total	100

Table 3

Gender	
Basis	Frequency
Male	63
Female	37
Total	100

Table 4

Occupation	
Basis	Frequency
Private employee	54
Government employee	46
Total	100

Table 5

Monthly Income	
Basis	Frequency
Less than 25,000	23
25,001 - 50,000	39
50,001 - 75,000	20
75,001 - 1 Lakh	18
Total	100

Table 6

Marital Status	
Basis	Frequency
Single	33
Married	67
Total	100

Findings of Descriptive Analysis of Demographic Profile

The above demographic data reveals that majority of respondents using credit card services are from Age between 36 to 50 years; majority of respondents are Graduated; In case of Marital status respondents are majorly Married; For gender, most of them are Male; For occupation, majority of people are private employee and lastly majority of respondents Monthly Income lies between the range of 25001 to 50000.

Table 7

From how long you are availing the Credit Card Service	
Association with bank (in years)	Frequency
Less than 5 years	43
5 to 10 years	57
Total	100

Interpretation: The above table-7 represent the period of using Credit Card Service by the respondents. The majority of respondents availing Credit Card Service occur between the period of 5 to 10 years.

Table 8

Reason(s) for availing the Credit Card Service from preferred bank					
Reason(s) for availing the service from preferred bank? (Rank on scale of 1 to 5 where 5 for Most preferred and 1 for least preferred).	Most preferred	Second preference	Third preference	Fourth preference	Least preferred
Bank is Near to their place.	19	20	16	14	31
Bank offers	42	24	13	11	10
Planning for future	18	12	38	19	13
Availing tax benefits.	16	23	14	37	10
For maintaining relations with bank	19	35	11	19	16

Interpretation: The above table-8 represents the preference given for availing the credit card service from preferred bank. The data shows that near-by area has least preferred by the respondents, Bank offer has been most preferred, future planning is given third preference, fourth preference is given to tax benefits whereas maintaining relations with bank has given second preference by the respondents for availing credit card service.

Table 9

Who influenced you to get the Credit Card Service	
Basis	Frequency
Family Members	17
Colleagues	15
Marketing Campaigns of Banks	14
Own Preference	54
Total	100

Interpretation: The above table-9 represents the different aspects that influenced the consumer to get Credit Card Service. The above data shows that family members has the least influence on respondents for availing credit card service, Colleagues are the second influencing component, marketing campaigns is the third influencing component whereas personal preference of respondents is the most influencing component for availing credit card service.

Table 10

Mode of service availed while using Credit Card Service				
Rank on scale of 1 to 4 where 4 for Most preferred and 1 for least preferred.	4	3	2	1
Online	48	20	18	14
Offline	16	12	26	46

Inferences: As per the above table-10, it reveals that majority of respondents has least preferred offline and most preferred Online as a mode of service for using Credit Card Service.

Table 11

Financial Knowledge regarding Credit Card Service on various below mentioned parameters					
Services	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I have knowledge about the charges for late payment.	3	8	18	45	26
I have knowledge about withdrawal of cash.	3	7	23	39	28
I have knowledge about the Billing cycle of credit card.	3	9	19	37	32
I have knowledge about Europay, Mastercard & Visa.	5	6	19	40	30
I have knowledge about credit card balance transfer.	0	5	20	46	29

Inferences: The data of above financial knowledge table-11 depicts that majority of respondents strongly agree that they have knowledge regarding Credit Card Service.

Table 12

Rate level of satisfaction for the below mentioned Credit Card Service					
Particulars	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Sufficient Cash backs.	0	5	19	49	27
Sufficient Reward points.	2	3	15	46	34
Repayment days are enough.	0	2	11	57	30
Convenient working hours.	0	4	23	39	34

Inferences: The above table-12 shows the data for level of satisfaction of respondents for Credit Card Service towards the different statements and

it shows that more than 60 to 70% strongly agree or agree that they are satisfied with credit card service.

Empirical Analysis for Credit Card Services

Model Summary for Credit Card Service

Table 13

Model summary				
Model	R	R square	Adjusted R square	Std. Error of the estimate
1	.985	.971	.971	1.67178
a. Predictors : (Constant), Financial knowledge				

Source: Processing of Primary Data in SPSS

The model summary table-12 represents that the value of adjusted R square is .971 for model 1. It suggests that 9.7% of variance in consumer satisfaction for credit card service which can be explained by independent variable financial knowledge for credit card service.

ANOVA for Credit Card Service

Table 14

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	37142.033	1	37142.033	13289.525	.000
	Residual	1112.344	398	2.795		
	Total	38254.377	399			
a. Dependent variable; Consumer satisfaction						
b. Predictors; (Constant), Financial knowledge						

Source: Processing of Primary Data in SPSS.

Regression model opted for credit card service is fit as significance value is less than 0.05 as shown in the above table-13.

Coefficients for Credit Card Service**Table 15**

Coefficients						
Model		Unstan- dardized B	Coeffi- cients Std. Error	Standard- ized coeffi- cients Beta	T	Sig.
1	(Constant)	.127	.121		1.046	.296
	Financial knowledge	.829	.007	.985	115.280	.000
a. Dependent variable: Consumer satisfaction.						

Source: Processing of Primary Data in SPSS.

The equations for linear regression on the basis of table-14 are as follows-

$$\text{Credit card service} = .127 + .829 (\text{Consumer satisfaction}) (1)$$

$$(0.000) \qquad (0.000)$$

Findings of Empirical Analysis: The coefficients table represents that independent variable is significant in predicting the dependent variable. The value of unstandardized Coefficients in the model represents a positive relationship between dependent variable and independent variable. In the above table the coefficient value of financial knowledge is more thus it can be stated that the financial knowledge is a dominant factor influencing consumer satisfaction. Therefore, if financial knowledge of consumers for credit card service is high then the consumers will have high level of satisfaction associated with credit card service.

Conclusion: The respondents are using credit card services from a period of 5 to 10 years and reason for availing that is majorly because of the attracting bank offers provided by the banks. Online mode is preferred for using the same and respondents were availing the service from their own preference. As per the study almost 70% respondents have financial knowledge and they are satisfied with the credit card services. It can be concluded that there is an impact of financial knowledge over satisfaction level of consumers for their buying behavior for credit card services.

References

- Bukhari, S. F. H., Ashraf, Z., Qureshi, S. A., Ismail, A., & Memon, F. S. (2015). Inspecting the Dynamics Leading towards Credit Card Usage: An Empirical Inquiry from Pakistan's Credit Card Industry. *Global Journal of Management And Business Research*, 15(9), 01-15.
- Cargill, T. F., & Wendel, J. (1996). Bank credit cards: Consumer irrationality versus market forces. *Journal of Consumer Affairs*, 30(2), 373-389.
- Koparal, C., & Calik, N. (2014). Bank credit card usage behavior of individuals; are credit cards considered as status symbols or are they really threats to consumers budgets? A field study from Eskisehir, Turkey. *International Journal of Social Sciences*, 3(4), 75-97.
- Lim, W. M., Ng, W. K., Chin, J. H., & Boo, A. W. X. (2014). Understanding young consumer perceptions on credit card usage: Implications for responsible consumption. *Contemporary Management Research*, 10(4).
- Leon, M. M. (2012). Money illusions: A study on payment mode and economic framing. California State University, Fullerton.
- Mwende, J., Wachira, M., & Amata, E. (2017). Effects of Credit Card Incentive on Consumer Borrowings in Kenya: A case of Commercial Banks in Kenya. *International Journal of Academic Research in Economics and Management Sciences*, 6(2), 35-43.
- Soman, D., & Cheema, A. (2002). The effect of credit on spending decisions: The role of the credit limit and credibility. *Marketing Science*, 21(1), 32-53.
- Waran, Y. (2014). Cardholders perception towards Credit Card Services of Banks- A Comparative study with reference to public sector and Private sector banks in Sivakasi Taluk, Tamil Nadu, India. *Abhinav National Monthly Referred Journal of Research in Commerce & Management*, 3(5), 74-82.

<https://www.investopedia.com/terms/c/creditcard.asp>