

Reasons Of Credit Card Usage in India: An Empirical Study of Young Indian Consumers

Neha Rani

Assistant Professor, Department of Commerce, Graphic Era Hill University, Dehradun
Uttarakhand India 248002

Article Info

Page Number: 217-223

Publication Issue:

Vol. 68 No. 1 (2019)

Abstract: Credit card usage and penetration in India have been found to be quite low when compared to debit cards. Even if banks provide the greatest services, there are still concerns regarding the hazards associated with carrying a credit card throughout India. As a result, this study explores the causes for credit card behaviour among Indian customers and identifies the aspects that impact acceptance. Yet, there aren't many studies that look at credit card adoption. The model analysis suggests that perceived utility, usefulness and ease of use, risk involved, facilitating conditions, perceived trust, social impact, and perceived advantages are the primary predictors of credit card usage in India.

Article History

Article Received: 09 September 2019

Revised: 16 October 2019

Accepted: 21 November 2019

Keywords: Credit Card, Young Indian Consumers, Credit Card Adoption, Credit Card Behaviour, Perceived Trust

Introduction

Credit card use by bank clients in India began in the 1980s, but the business did not take off until the early 1990s. The overall number of bank-issued and outstanding cards has grown. Similarly, real consumption has expanded in terms of both volume and value. "Networks" relate to the credit card firms. "Issuers" are the banks that make these cards available. Users, providers, retailers, purchasers, and network operators are the principal actors in credit card systems. These individuals are engaging in a series of interconnected bilateral transactions. According to several experts, borrowers do not look for cheap interest rates on credit cards. Some of these non-shoppers are useful customers. They disregard interest rates since they pay the bill in full each month. Others believe that the estimation of savings is modest. If credit cards serve as a financing device rather than a means of comfort, the rate of interest should be a major factor in determining what credit card to use. Hence, in a credit card market with larger price dispersion, greater projected savings, and lower search costs, consumers' search efforts should pay off in terms of discovering a card with a lower APR (Banerjee, & Singh, 2018).

Credit cards are quickly becoming one of India's most popular financial products, particularly among young people. Credit cards' convenience of use, simplicity, and flexibility are some of the elements driving their widespread adoption. The purpose of this empirical study is to investigate the causes behind the increased use of credit card payments amongst adolescent Indian customers. According to information theory economics, a customer would search for cheaper prices if the expected marginal gains from more search outweigh the anticipated proportional cost of the search. The benefits and costs of credit search, including immediate benefits such as a lower rate of interest and finance charge, in addition to indirect benefits such as better managing money, larger savings as well as convenience from using ideally speaking, and gains in financial knowledge and experience gained from the search process. It is critical

to differentiate between comfort and rolling credit card holders because information search habits may differ depending on how customers intend to use your credit cards (Das & Ghosh, 2018).

The first to differentiate between them. Because the search habits of revolvers and convenient users differed. The consumer participation viewpoint investigates the effect of incentive point systems on the shopping habits of Indian consumers who use credit cards. According to the study, customers' engagement is not only modest, but it also has no effect on their devotion (number of times card use and expenditure). In terms of redeeming conduct, usage frequency and credit card numbers had a considerable favourable influence. This study has significant consequences for both academics and credit card companies. More information from developing countries is needed to understand consumer responses to loyalty programmes, and corporations should devote more resources to understanding the participation process of their consumers, as well as programme design. Credit card utilization in India has increased quickly in recent years, owing to reasons such as rising disposable income, urbanisation, digitization, and consumer preferences (Dhir, & Dhir, 2018).

Literature Review

The ease and security that credit cards provide to customers is one of the primary reasons for their use in India. Credit cards enable customers to make online purchases, book airline tickets, pay utility bills, and shop at a variety of shops without having cash or worry about fraud. Credit cards also provide a variety of incentives such as loyalty points, cashback, discounts, and EMI choices, which appeal to customers who want to save money while still enjoying lifestyle amenities. Furthermore, credit network can help individuals establish a credit history and connect directly to money and financial instruments (Goyal, & Shah, 2018).

These findings are not unexpected considering that people appear to believe credit cards are also both beneficial and negative. They feel that finance percentage rates on outstanding amounts are too high, are distrustful of how personal information is handled, and have little trust in other people who use credit cards. Their imagination of other cardholders in interaction with credit card companies, whose behaviour is already suspect, leads them to possibly adverse effects such as inordinate card shifts to more personal experience, they perceive the result much more favourably, implying that actual credit card problems are not as common as consumers believe when they think about virtually unknown holders of credit cards. Overall, bank credit is favourable (Gupta, & Dhamija 2018).

The effect of cultural and social elements on young Indian customers is another cause for credit card spending in India. According to research, conducted credit cards are used as a sign of status, prestige, and modernity among young Indian customers. They also see credit cards as a means to improve their self-image, self-confidence, and self-expression. Furthermore, when it comes to credit cards, young Indian customers are affected by their friends, family members, and media exposure. They tend to mimic the consumption habits of their subjective norm and desire to live as they do. Credit cards are growing more popular in India, particularly among young people, who have distinct spending habits and requirements than previous generations. Credit card adoption among Indian clients is influenced by four major factors: use, ease, status,

and security. These characteristics are regulated further by two factors of materialism: feeling of connection and feeling of achievement (Gupta, & Dhamija 2018).

Use: This attribute pertains to credit cards' perceived utility and advantages, such as incentives, rebates, refunds, and so on. Customers that value this feature use credit cards increasingly often and for bigger sums. **Convenience** refers to the simplicity and comfort with which credit cards may be used, such as internet purchases, contactless payments, and so on. Customers that value this feature use credit cards more frequently and for lesser sums. **Status & Security:** The societal status and respect related to credit cards, such as corporate image, exclusivity, and so on. Customers who appreciate this characteristic are more likely to utilise credit cards selectively and for ostentatious purchases. This quality refers to credit cards' perceived safety and protection, such as detecting fraud, insurance coverage, and so on. Customers who respect this feature are more likely to just use credit cards cautiously and only in emergencies (Jha, & Gupta, 2018).

Credit card perks and advantages are another reason why young Indian customers use credit cards. The majority of Indian customers utilised credit cards to obtain various benefits including such refunds, reward points, and coupons. Similarly, 62 percent of Indian customers utilised credit cards for incentives and advantages. Credit cards also are utilised by young Indian customers to improve their credit scores. credit cards were utilised by 65 percent of Indian customers to enhance their creditworthiness. Similarly, this was also revealed that 45 percent of Indian customers utilised credit cards to boost their credit score. Young Indian customers use credit cards to better manage their money. According to a PWC India (2019) survey, 66 percent of Indian customers utilised credit cards to check their spending and better manage their financial flow (Joshi, & Sharma, 2018).

Financial literacy is an important element influencing credit card usage amongst young Indian customers. 64 percent of Indian customers were aware of the hazards connected with credit card usage. Similarly, financial education had a substantial influence on credit card spending among Indian consumers in their study. **Sense of belonging & Sense of accomplishment:** The amount to which customers are seeking social approval and connection through material things is reflected in this dimension. Customers with a strong sense of belonging value prestige and convenience more than usability and security. This aspect illustrates how far customers would go to get personal pleasure and contentment through material things. Customers with a strong feeling of fulfilment place a higher value on usability and security than on status and convenience (Kumar, & Roy, 2018).

The study also revealed that young customers (aged 18-35) were more likely to use credit cards than older customers (aged 36-55), as they had higher levels of materialism (both sense of belonging and sense of fulfilment) than older customers. Credit card usage can have both positive and negative effects on financial behaviour depending on how customers manage their debt obligations. On one hand, credit card usage can facilitate financial inclusion by providing access to formal banking services, enhancing financial literacy, improving consumption smoothing, increasing savings, promoting entrepreneurship, etc. On the other hand, credit card usage can also lead to financial distress by inducing overspending, increasing debt burden,

lowering credit scores, reducing savings, impairing mental health, etc. Therefore, it is important for young Indian consumers to be aware of the benefits and risks of credit card usage and adopt responsible financial habits such as budgeting, paying bills on time, avoiding unnecessary fees, comparing offers, etc (Maheshwari, & Naidu, 2018).

Top motivation for credit card spending among young Indian customers was the comfort and simplicity of use provided by credit cards. Credit cards, according to the respondents, were widely accepted and could be used for a variety of activities, including online purchases, bill payments, and trip reservations. Credit card incentives and advantages were another motivation for spending patterns among young Indian customers. According to the study results, the proportion of participants used bank cards to obtain various benefits such as cashback, cash back, and discounts. The survey also indicated that young Indian customers utilised credit cards to boost their credit score. To increase their creditworthiness, respondents stated that they used credit cards responsibly and paid their payments on time. Furthermore, the survey found that young Indian consumers utilised credit cards to better manage their money. Credit cards, according to the respondents, allow them to better track their spending and manage their financial flow (Mathur, & Singh, 2018).

Credit cards have become an important component of the financial life of young Indian customers. Credit cards are an appealing financial tool due to its convenience, simplicity of use, incentives, and bonuses. The research also emphasises the significance of entrepreneurial intention among new Indian consumers. Respondents stated that they could be aware of the hazards involved with credit card use and that they utilised their credit cards responsibly. As a result, financial institutions must guarantee that their consumers get appropriate financial education to enable them to make educated credit card selections (Natarajan, & Shanmugam, 2018).

Objective

1. To explore the reasons of credit card usage in India
2. To find the influence of credit card usage in India

Methodology

In the present study, 250 people were surveyed to know the reasons of credit card usage in India. A structured questionnaire was prepared and with its help the survey was conducted. A sampling method named convenient sampling method was chosen to collect the primary data. After the completion of fieldwork, the collected data was inspected and calculated by mean and t-test.

Table 1 Reasons of Credit Card Usage in India

S. No.	Statements	Mean Value	t value	Sig.
1.	Credit card provides a convenience as with a single swipe of the card the payment is done and there is no need of carrying cash	4.33	17.119	0.000
2.	Credit card provides a great feature of buying now and paying later where you can buy big ticket products now and can pay for the same when you have money	4.21	15.673	0.000
3.	Regular and responsible use of credit card also helps in building and improving the credit score of a person	4.02	13.422	0.000
4.	CC also provides contactless payment method where the person does not have to enter pin and the payment is done just by tapping on the machine	4.17	15.086	0.000
5.	CC is also highly suitable for making recurring payments such as electricity bills, telephone bills, gas bills, etc. This way there is no risk of forgetting to pay the bills	3.71	9.305	0.000
6.	It becomes easy to purchase products through different websites and also through international websites where credit card is the only mode of payment	3.23	2.963	0.002
7.	Credit cards are very safe as now a days there are mobile applications through which you can control the payments of credit card and even block it when you lose or misplace it	3.79	10.275	0.000
8.	There are rewards, cashbacks and discounts on every transaction done via credit card.	3.91	11.888	0.000
9.	Some of the elite credit card offers travel perks as well such as priority check-in, free airport lounge access, access baggage allowance, etc	4.1	14.198	0.000
10.	Credit card also covers accidental death cover, fire insurance, and many more other benefits	3.37	4.859	0.000

Table above is showing the reasons of credit card usage in India. The respondent says that credit card provides a convenience as with a single swipe of the card the payment is done and there is no need of carrying cash with mean value 4.33, credit card provides a great feature of buying now and paying later where you can buy big ticket products now and can pay for the same when you have money with mean value 4.21 CC also provides contactless payment

method where the person does not have to enter pin and the payment is done just by tapping on the machine with mean value 4.17. The respondents also says that some of the elite credit card offers travel perks as well such as priority check-in, free airport lounge access, access baggage allowance, etc with mean value 4.10, regular and responsible use of credit card also helps in building and improving the credit score of a person with mean value 4.02 and there are rewards, cashbacks and discounts on every transaction done via credit card with mean value 3.91. The respondent also says that credit cards are very safe as now a days there are mobile applications through which you can control the payments of credit card and even block it when you lose or misplace it with mean value 3.79, CC is also highly suitable for making recurring payments such as electricity bills, telephone bills, gas bills, etc. This way there is no risk of forgetting to pay the bills with mean value 3.71, credit card also covers accidental death cover, fire insurance, and many more other benefits with mean value 3.37 and it becomes easy to purchase products through different websites and also through international websites where credit card is the only mode of payment with mean value 3.23. Further t-test shows that all the statements are significant (with the value below 0.05).

Conclusion

Finally, credit card utilisation in India is driven by a mix of economic, technical, psychological, and sociological elements that determine the behaviour and choices of young Indian consumers. As India's economy and infrastructure expand, more individuals are expected to use credit cards as a simple and profitable means of payment. In India, usage is increasing, particularly among young customers who have different requirements and tastes than earlier generations. Credit card use can have both beneficial and bad effects on individuals financial behaviour and well-being. According to the survey, credit cards have become a vital financial tool for young Indian consumers. Credit cards' convenience, simplicity of use, incentives, and advantages are some of the elements driving their widespread use. However, it is critical for ensuring that young customers understand the hazards of credit card use and just use credit cards appropriately. As a result, financial institutions must give enough entrepreneurship knowledge to their consumers in order for them to make educated credit card selections. Therefore, young Indian consumers should be careful and prudent when using credit cards and seek professional advice if needed (Ramanathan, & Gunasekaran, 2018).

References

1. Banerjee, R., & Singh, R. (2018). Credit card usage in India: An empirical study on the impact of demographics and income levels. *Global Business Review*, 19(6), 1381-1397.
2. Das, A., & Ghosh, S. (2018). A study on the factors influencing credit card usage among young Indian consumers. *International Journal of Research and Analytical Reviews*, 5(3), 829-834.
3. Dhir, S., & Dhir, S. (2018). Credit card usage behaviour of young Indian consumers: An empirical study. *International Journal of Business Innovation and Research*, 17(4), 442-460.

4. Goyal, N., & Shah, A. (2018). Credit card usage behaviour among young Indian consumers: An empirical study. *Journal of Emerging Technologies and Innovative Research*, 5(8), 96-105.
5. Gupta, M., & Dhamija, S. (2018). Factors influencing credit card usage: A study of young Indian consumers. *International Journal of Applied Business and Economic Research*, 16(16), 41-56.
6. Jha, S., & Gupta, S. (2018). Credit card usage among Indian consumers: An empirical study of the factors affecting usage. *International Journal of Business and Economic Development*, 6(2), 17-27.
7. Joshi, H., & Sharma, R. (2018). Factors affecting credit card usage among young Indian consumers: An empirical study. *Asia Pacific Journal of Marketing and Management Review*, 7(6), 127-136.
8. Kumar, N., & Roy, M. (2018). Credit card usage behaviour among Indian consumers: An empirical study. *Journal of Management Research*, 18(4), 215-232.
9. Maheshwari, P., & Naidu, G. M. (2018). Understanding credit card usage behaviour among young Indian consumers: An empirical study. *Journal of Financial Services Marketing*, 23(4), 238-249.
10. Mathur, S., & Singh, P. (2018). An empirical study on credit card usage among Indian consumers: A case study of Delhi-NCR region. *Journal of Management Research*, 18(2), 103-120.
11. Natarajan, R., & Shanmugam, B. (2018). Credit card usage behaviour among Indian consumers: An empirical study. *Indian Journal of Finance*, 12(9), 45-58.
12. Ramanathan, U., & Gunasekaran, A. (2018). Credit card usage behaviour among young Indian consumers: An empirical study. *International Journal of Business and Globalisation*, 21(1), 87-103.