

Factors determining the Motives for Using a Credit Card: An Empirical Study

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Abstract

In today's financial transactions, credit cards are a necessary component. Due to their convenience and flexibility, credit cards have been increasingly popular in India in recent years. With the help of a credit card, people can acquire money from a bank to spend on purchases or bill payments. However, depending on a variety of conditions, people's reasons for using credit cards can differ greatly. The person's financial circumstances are one of the key elements that define their reasons for utilizing a credit card. Individuals who have a reliable source of income and a clean credit history can use credit cards to accrue rewards points, cashback, and other incentives. On the other side, those with inconsistent income may resort to using credit cards to pay for unplanned purchases or fill up financial gaps. Spending patterns are another aspect that affects a person's reasons for using a credit card. Others may use credit cards for regular expenses to accrue incentives or establish credit history, while some people use them to make significant purchases that they cannot afford to pay for in full upfront. For consumers and financial institutions to use credit cards responsibly, it is essential that they have a thorough understanding of the variables that affect why people use them. This study makes a comparison of the single and multiple card holders' motives for using the credit card with 168 credit card holders (84 from each category).

Keywords: Credit Cards, Financial Transactions, Single Card Holders, Bill Payments, Multiple Card Holders

Introduction

Credit cards have gained popularity in India because of the numerous advantages they offer, including as cashback, reward points, and discounts, which encourage consumers to use them for their regular expenses. The acceptance and use of mobile payment systems was shown to be influenced by several other elements in addition to perceived utility and usability, including safety, speed, and merchant support. The reasons why people use credit cards in India are also affected by these elements. For most consumers, security is a key consideration when using a credit card. People want to guarantee that their private and financial data is safe because identity theft and credit card fraud are typical concerns. Several security measures have been implemented by Indian banks and financial organizations in response to these worries. The acceptance and use of mobile payment services and credit cards are also influenced by speed. Consumers prefer quick, seamless transactions that don't cause any interruptions or delays. Credit card transactions have gotten faster and more seamless because of India's expanding digital payment infrastructure, which has made them more user-friendly. Most retailers in India now accept credit cards as a form of payment, making credit cards a commonplace. Credit cards have additionally gained importance due to the expansion of online shopping and e-commerce in India, which allows users to conduct transactions on a variety of online platforms (Liebana et al. 2017).

The meta-analysis of the uptake of mobile payments and the part played by risk and trust. It was revealed that while trust was a key enabler of mobile payment adoption, perceived risk was a substantial obstacle. Like this, when it comes to using credit cards, perceptions of risk play a big

role in determining why people do so. Individuals frequently use credit cards for purchases that they believe to be safe and secure, while avoiding those that they believe to have a higher risk of fraud or identity theft. In India, the reasons for using credit cards are therefore heavily influenced by trust and perceived risk (Patil et al. 2018).

To determine the variables influencing consumers' mobile payment behavior, a meta-analysis of prior research papers was conducted. It was revealed that the most important elements impacting customers' acceptance and usage of mobile payments were trust, perceived utility, and perceived ease of use. Like the adoption and use of credit cards, trust is a key component. People in India frequently rely on credit cards provided by reputable banks and financial institutions because they have faith in them to protect their personal and financial data (Liu et al. 2019)

Literature Review:

In India, the use of credit cards has increased significantly in recent years. The factors affecting credit card adoption in India, according to Varaprasad et al. (2013). Family size, age, education, occupation, and income all played a major role in predicting the use of credit cards. The adoption of credit cards was found to be strongly positively correlated with income, suggesting that those with higher income levels are more inclined to do so. Also, it was revealed that credit card adoption was positively correlated with education and occupation, and that younger generations were more likely to use credit cards. It suggests that demographic characteristics are important in determining the reasons people use credit cards in India.

Customer satisfaction, in addition to socioeconomic variables, is also important for the uptake and usage of credit cards in India. To investigate how customers in the Krishnagiri district use and feel about using credit cards, Deviranjitha and Thamilarasan (2014). Customers' satisfaction with the credit card's ease and security features was made clear. Also, it was shown that customers preferred using credit cards to make purchases online, purchase tickets for vacation, and pay for meals out. It suggests that the adoption and use of credit cards in India are significantly influenced by consumer satisfaction.

Tandon and Kiran (2019) also investigated the variables influencing customer satisfaction as the result of online purchasing in India. Customer satisfaction was significantly predicted by the effectiveness of the website, the product's quality, the price, and the timing of delivery. It also showed that worries about security and trust had a big impact on customer happiness when it came to online buying. It stated that several variables, such as trust, security, quality, and pricing, have an impact on consumer satisfaction and that these variables are crucial in determining why people choose to use credit cards in India.

Credit card use may be affected by the factors outlined by Ghosh and Hom Chaudhury (2022) as influencing the adoption of digital finance in India. These variables include digital literacy, age, education, and income. The younger, better educated, and wealthier people are typically more receptive to using online banking services. Also, individuals who are more technologically

literate—that is, who have expertise utilising digital platforms and tools—are more likely to embrace digital finance. This implies that the same variables may also be responsible for encouraging credit card use in India.

Consumer perception, according to Ranjith et al. (2021), is a significant influence in the acceptance of electronic payment methods in India. They specifically identified three aspects—ease of use, reliability, and trustworthiness—as the key determinants of consumer perception. Digital payment methods are much more likely to be used by consumers if they believe them to be simple, safe, and reliable. Although consumers may consider credit cards as a safe and practical form of payment, it may also be pertinent to the use of credit cards.

The penetration of mobile banking systems in India was studied by Chaurasia et al. in 2019. They revealed that both intrinsic and external motivation, such as the desire for advancement and status, have a significant impact on the intention to use mobile payment. Examples of extrinsic motivation include the perceived usefulness and usability of mobile payment systems. The uptake of mobile payments was also found to be positively impacted by apparent regulations, such as the cashless economy programme. They would imply that comparable inner and extrinsic motivational factors could affect credit card use in India.

Nambiar and Bolar (2022) elements influencing Indian consumers' choice for cardless technology over conventional credit cards. Perceived security, trust, and usability perceptions were all incorporated in the authors' modified Technology Acceptance Model (TAM). Customers' preferences for cardless technology were found to be significantly influenced by perceived trust and ease of usage. Consumers were also shown to favor cardless technology more than traditional methods because of how quickly and conveniently the transactions could be completed. Especially during the COVID-19 pandemic, fast fashion businesses have noticed an increase in impulsive purchasing. Gawior et al. (2022) assessed how Indian consumers at fast fashion outlets used their credit cards, their hedonistic reasons, and their impulsive purchasing habits. Compared to clients who paid with cash, it was revealed that customers who used credit cards tended to engage in impulse buying more frequently. Due to the increasing use of smartphones in India, mobile payment solutions have been gaining in popularity.

According to Gupta and Arora (2020) analysis of the Unified Theory of Acceptance Model, customer intention to embrace mobile payment systems. Expectations for performance, effort, and social influence all had a big impact on consumers' intentions to use mobile payment systems. Consumer perception research revealed that mobile payment systems were regarded as useful for saving time, being convenient, and being simple to use. To boost customer confidence and acceptance, it was advised that mobile payment service providers concentrate on enhancing the functionality and security of mobile payment systems.

Objective

- To analyze the factors determining the motives for using a credit card: an empirical study

Methodology

This study makes a comparison of the single and multiple card holders’ motives for using the credit card with 168 credit card holders (84 from each category). The respondents were selected based on judgmental sampling. Data were collected on “five-point Likert Scale”. Statistical technique – means was used to find the magnitude of their responses.

Analysis and Interpretation:

Table 1 Factor determining the Motives for Using a Credit Card

| SL. No. | Motivation | Mean Value | |
|---------|---------------------------|----------------------------------|------------------------------------|
| | | Single Credit Card Holder (N=84) | Multiple Credit Card Holder (N=84) |
| 1 | Offers and Cashbacks | 4.02 | 4.21 |
| 2 | Convenience | 4.20 | 4.04 |
| 3 | 24*7 Services | 3.91 | 4.30 |
| 4 | Applicability Everywhere | 3.45 | 4.44 |
| 5 | Wide Range of Service | 3.55 | 4.35 |
| 6 | Status Symbol | 3.72 | 4.22 |
| 7 | Financial Security | 3.82 | 3.60 |
| 8 | Better Financial Planning | 3.90 | 3.25 |

Table and Figure 1 show the factor determining the motives for using a credit card. The study was conducted for two categories – single card users and multiple card users. It was found that the most important motivations for single card users are convenience (4.20), offers and cashbacks (4.02), 24*7 Services (3.91) and Better Financial Planning (3.90). However, the most important reasons for multiple card users are Applicability Everywhere (4.44), Wide Range of Service (4.35), Status Symbol (4.22) and Offers and Cashbacks (4.21).

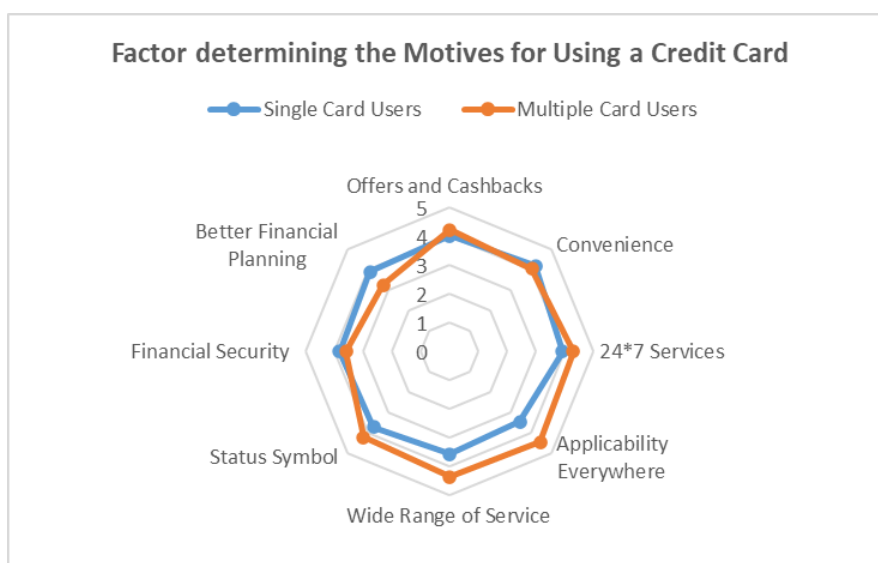


Figure 1 Factor determining the Motives for Using a Credit Card

Conclusion:

In conclusion, the usage of credit cards has grown increasingly widespread in India over time, and it is critical for businesses and governments to understand the variables influencing the motivations for doing so. Credit card uptake and use in India are influenced by several factors. These variables include both demographic traits like age, income, education, and profession as well as psychological traits like trust, perceived risks, and views towards credit cards. The reasons why people use credit cards in India are also influenced by contextual variables like ease, rewards and loyalty programmes, and the access to credit cards. Businesses need to comprehend the driving forces behind consumers' decision-making as the use of online payment systems, especially cardless transactions, increases. The reasons for using credit cards may also be impacted by modifications to laws and government regulations. Due to the growing use of credit cards in India and the evolving financial landscape, businesses must be aware of the variables influencing customers' choices for various payment methods. By utilizing these insights, companies may create customer-focused marketing campaigns, rewards and loyalty programmes, and simple payment options. With this information, policymakers can create rules and initiatives that boost financial inclusion and the expansion of India's digital economy.

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