



A STUDY ON CUSTOMERS' ATTITUDE TOWARDS CREDIT CARDS IN ERODE CITY

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Abstract:

This study explores the attitudes of consumers in a European city toward the use of credit cards, examining their perceptions, preferences, and behavioural patterns. Through a combination of surveys and interviews, the research identifies key factors influencing credit card adoption, such as convenience, security concerns, financial literacy, and marketing strategies by financial institutions. The study also delves into the psychological aspects of credit card usage, including spending habits and debt management. Findings suggest that while credit cards offer perceived financial flexibility, concerns around debt accumulation and interest rates play a significant role in shaping consumer behaviour. The study concludes by offering recommendations for both financial institutions and policymakers to promote responsible credit card usage and improve customer satisfaction.

Key Words: Behaviour, Credit Cards, Customer, Utilise

Introduction:

An innovation in customer banking is the introduction of credit cards. The credit cards habit is fast catching up even among the middle classes in the country because of convenience associated with this new instrument. The 21st century has witnessed a big boom in the credit card business. People have preferred to carry credit cards rather than carry cash and currency notes for safety and security. Cash transaction will be considerably reduced in cities and credit transactions will be more in numbers. With the enlistment of more member establishments, Cheque will continue to dominate the foreign traffic. The credit cards and travellers' cheque will be show a global spread during this century. Banks have recently introduced the credit card system. Credit cards are issued to good customers having current or savings accounts, free of charge. The credit card enables a customer to purchase goods or services from certain retail or service establishment's up to a certain limit without making immediate payment. The business establishments get paid by the bank operating the plan. The bank assumes the risk and responsibility of collecting the dues from the customers.

Scope of the Study:

The study covers credit cards holders of different banks in Erode area only, even- though Erode is one of the popular Districts but the credit card business is not popular till now. The study concerned with customers perception towards credit cards and its usage.

Objectives of the Study:

- To know the demographic profile of sample credit cardholders.
- To study the utilization of credit cards.

Research Methodology:

The present study seeks to examine the opinion of 100 credit cardholders regarding their utilization of credit cards. Convenience sampling method was adopted in selecting the respondents from Erode City. A structured questionnaire was administered to collect the necessary data. In the present study percentage analysis and ranking were used to analyze the collected data.

Analysis and Interpretation:

Table 1: Demographic Profile of Credit Cardholders

S.No	Factor	No. of Respondents	Percentage
1	Age		
	Below 30 years	10	10
	31-40 years	24	24
	41-50 years	42	42
2	Above 50 years	24	24
	Sex		
3	Male	70	70
	Female	30	30
3	Educational Qualification		
	Higher Secondary	20	20
	Under Graduate	28	28
	Post Graduate	22	22
	Diploma Holder	12	12
4	Professional Studies	18	18
	Occupation		
	Private Employment	20	20
	Government Employment	12	12
5	Professional	22	22

	Business	46	46
5	Income Level		
	Below Rs.10000	26	26
	Rs.10000-15000	16	16
	Above Rs.15000	58	58
6	Type of Account		
	Current Account	76	76
	Savings Account	24	24

Interpretation:

- Table I show that the age of the respondents. 42 percent of the respondents are in the age group of 41-50 Years. 24 percent of the respondents are in the age group of 31-40 Years & above 50 Years. 10 percent of the respondents are in the age group of Below 30 Years.
- Out of 100 respondents, Majority of them are male (70 percent) and the rest (30 Percent) are female.
- Regarding the Educational status of the sample respondents, 28 percent of the respondents did Under Graduate Course, 22 percent of the respondents have finished Post Graduate Course, 20 percent of the respondents have completed Higher Secondary, 18 percent of the respondents are Professional and the remaining 12 percent have obtained Diploma Holders.
- It also brings to light the details regarding the Occupation of the respondents. 46 percent of the respondents are Businessmen, 22 percent of the respondents are professional, 20 percent of the respondents are Private Employment and 12 percent of the respondents are Government Employment.
- According to income classification, out of 100 respondents 58 percent of the respondents belong to above Rs. 15000 category, 26 percent of the respondents belong to below Rs. 10000 category and 16 percent of the respondents under a slap Rs. 10000-15000.
- The study analyzed the type of account maintained by the Credit Card holders. 76 percent of the respondents have current account and the remaining 24 percent of the respondents maintain savings account.

Table 2: Reason for Using the Credit Card

Reasons		I	II	III	IV	V	Weighted Score	Mean Score	Rank				
Avoidance of Risk	18	36	44	88	12	24	16	32	14	28	208	2.08	II
Convenience	62	124	16	32	26	52	8	16	8	16	240	2.4	I
Prestige	10	20	18	36	34	68	46	92	8	16	149	1.49	IV
Immediate Payment	6	12	14	28	10	20	16	32	18	36	128	1.28	V
Cash With-Drawal Facility	4	8	8	16	18	36	14	28	52	104	196	1.96	III
Total	100		100		100		100		100				

Interpretation:

It is seen from the above table that convenience is the main reason for using Credit Card by the sample customers with the total weighted score of 240 and the mean score is 2.4. So it is ranked as first. Avoidance of risk ranked second with total score of 208 and mean score is 2.08. Cash withdrawal Facility occupied & Prestige third and fourth rank with a total score of 196 and 149 and the mean score of 1.96 and 1.49 respectively. Immediate Payment was ranked fifth place with total score of 128 and mean score of 1.28.

Table 3: Utilization of Credit Card by Sample Respondents

S.No	Factor	Classification	No. of Respondents	Percentage
1	Factors influencing to get the card	Self Interest	22	22
		On the advice of the Bankers.	60	60
		On the advice of the friends & relatives.	18	18
2	Period of using the card	Less than 1 year	32	32
		1-3 years	42	42
		Above 3 years	26	26
3	Frequency of using the card	Frequently	28	28
		Monthly	20	20
		Occasionally	14	14
		During Festival Time	38	38
4	Times of using the card	One time	54	54
		1-2 times	30	30
		2-3 times	16	16
5	Place of utilization	Erode	24	24
		Outstation	76	76
6	Utilization of the card	Consumer Durables	26	26
		Home appliances	14	14

		Jewelleries	42	42
		Dress materials	18	18
7	Mode of Repayment	Debited to SB A/c /CA A/c	66	66
		Direct payment	34	34
8	Period of Repayment	Within 30 days	64	64
		Above 30 days	36	36

Interpretation:

- It is noticed from the above table that the factors which influenced to purchase the credit card. 60 percent of the card holders have purchased the card on the advice of the Bankers, 22 percent of the respondents have opted the card by their own interest and the remaining 18 percent of the respondents have obtained bought the card on the advice of friends and relatives.
- The study has also to analyze the period of using the card. The period represents the real users of the card in respect of their heavy purchase. Out of 100 sample respondents 42 percent of the respondents are real and regular users of card for a period of 1 to 3 years. 32 percent of the respondents are using less than one year and the remaining 26 percent of the respondents are using for a period of more than 3 years.
- The card holders can make use of the card either frequently, monthly or during the festival time. According to their convenience they can use the card. The survey indicates that 38 percent of the respondents have used the card during festival time, because it is the best time for more offerings and discounts, 28 percent and 20 percent of the respondents are frequently and monthly users of the card respectively and 14 of the respondents have used the card on specific and important occasions only.
- The researcher has made further analysis about the timing of using the credit card per month. 54 percent of the respondents have been using the card for one time per month, 30 percent of the respondents have been using the card for 1-2 times per month and the remaining 16 percent of the respondents have also been using the card 2-3 times a month.
- The credit card is valid only in India. The card holders can make use of the both in local and outstation. Out of 100 respondents 76 percent of the respondents are using the credit cards in outstation and the remaining 24 percent of the respondents are using the card in Erode.
- There are varieties of goods available in the home appliances, jewellerys, consumer durables and dress materials. 42 percent of the respondents have purchased Jewellerys, 26 percent of the respondents have used the card for consumer durables and 18 percent & 14 percent of the respondents are purchasing Dress Materials and Home appliances respectively.
- It reveals that the mode of repayment of dues to the bank. 66 percent of the respondents have made arrangement for debiting the dues to savings bank account and current account and the remaining 34 percent of the respondents have made the payment directly.
- The period of repayment of the borrower is also analyzed. The study reveals that 64 percent of the respondents have paid within a period of 30 days. The remaining 36 percent of the respondents have paid penalty and interest charges for improper and delayed payment of more than 30 days.

Suggestions:

- Financial Literacy Programs: Financial institutions should collaborate with educational bodies or government agencies to offer financial literacy programs that educate consumers about credit card usage, interest rates, and debt management. This will empower consumers to make informed decisions and use credit cards responsibly.
- Transparency in Fees and Interest Rates: Credit card providers should ensure that all fees, interest rates, and repayment terms are clearly communicated to customers. Simplified and transparent terms would build trust and encourage more responsible usage.
- Customizable Credit Limits: Offering flexible and customizable credit limits based on customer spending behaviour and financial history could help reduce the risk of overspending and debt accumulation, allowing consumers to better manage their finances.
- Enhanced Security Features: Given the growing concerns over data breaches and fraud, credit card companies should invest in advanced security features like biometric authentication and real-time fraud alerts to increase consumer confidence in credit card usage.
- Rewards and Incentive Programs: Financial institutions can develop personalized rewards or cash back programs that align with customer preferences, promoting credit card usage while offering tangible benefits for responsible spending.
- Flexible Repayment Options: Introducing flexible repayment schemes that allow consumers to spread out large payments over time without accruing excessive interest could encourage responsible usage and increase customer satisfaction.
- Collaboration with Regulators: Financial institutions and policymakers should work together to develop policies that protect consumers from predatory lending practices, ensuring credit card terms are fair and that customers are aware of potential risks associated with overspending or late payments.

Conclusion:

Credit Cards in India are extremely useful for the middle class people who increase their purchasing power through the card. With a wider acceptance of the cards by all the merchant outlets and the issuance of the credit cards by more number of banks and the utilization of the cards has also increased rapidly. Therefore there is a need for the card holders to understand how better to utilize a credit card effectively and responsibly.

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