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Impact Of Credit Cards In Consumer's Life With Reference To Surat City, Gujarat

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Abstract: Credit cards can have both positive and negative impacts on consumer life. On the positive side, credit cards can provide convenience and flexibility in making purchases, and can also help to build credit history, which can be beneficial in the long term. Additionally, many credit cards offer rewards and other benefits to users. On the negative side, credit cards can lead to high levels of debt if they are not used responsibly. High interest rates and fees can make it difficult to pay off the balance, and this can lead to financial problems. Additionally, credit cards can encourage impulse buying and overspending, which can also lead to debt. It's important for consumers to be aware of the potential risks and benefits of using credit cards, and to use them responsibly by keeping track of their spending, paying their bills on time, and keeping their balances low.

Index Terms – Credit Card, Impact, Consumer's life.

1. Introduction

During a cash crunch, having a credit card is a great way to manage your finances. You can use it to make purchases, access funds, and repay the money later. The best part is that credit cards are widely accepted and, if used wisely, provide a great deal of financial freedom.

Meaning of Credit Card:

A credit card is a payment card that allows the cardholder to borrow funds from a financial institution to make purchases or pay bills. The cardholder can use the card to pay for goods and services at merchants that accept credit cards, and the financial institution will pay the merchant on behalf of the cardholder.

When a credit card is used, the cardholder is essentially taking out a short-term loan from the financial institution. The cardholder is required to repay the amount borrowed, usually with interest, within a specified period of time, typically one month. If the cardholder does not repay the balance in full by the due date, interest is charged on the outstanding balance, and the cardholder will incur additional fees and charges.

Credit cards come with a credit limit, which is the maximum amount the cardholder is allowed to borrow. The credit limit is determined by the financial institution and is based on factors such as the cardholder's credit score, income, and other financial information.

Credit cards offer several benefits to consumers, including convenience, rewards, and the ability to build credit. They also come with risks, such as overspending, high interest rates, and fees. It's important for consumers to use credit cards responsibly and to only borrow what they can afford to repay.

Advantages of having the credit card

Credit cards can be a useful tool for managing your finances and making purchases. Here are some of the advantages of credit cards in detail:

1. Convenience:

Credit cards allow you to make purchases quickly and easily, without the need for cash or checks. You can use your credit card to make purchases in person, online, or over the phone.

2. Rewards:

Many credit cards offer rewards programs that allow you to earn points, miles, or cash back for your purchases. Depending on the card and the program, you may be able to earn rewards on all of your purchases or on specific categories, such as travel or dining.

3. Security:

Credit cards offer built-in fraud protection, which can give you peace of mind when making purchases. If your card is lost or stolen, you can report it to the issuer and you will not be responsible for unauthorized charges.

4. Building credit:

Using a credit card responsibly can help you build your credit history and improve your credit score. This can be especially important if you plan to apply for a loan or mortgage in the future.

5. Emergency funds:

If you have an unexpected expense or emergency, a credit card can provide you with a source of funds. However, it's important to use credit responsibly and only charge what you can afford to pay off.

6. Purchase protection:

Many credit cards offer purchase protection, which can help you if you have a problem with a purchase. For example, if you buy something that is damaged or doesn't work, your credit card issuer may be able to help you get a refund or replacement.

7. Travel benefits:

Some credit cards offer travel benefits, such as free checked bags, airport lounge access, or travel insurance. If you travel frequently, these benefits can save you money and make your trips more comfortable.

Overall, credit cards can be a valuable financial tool if used responsibly. However, it's important to understand the terms and conditions of your card and to avoid overspending or carrying a balance from month to month.

Disadvantages of Credit Cards

Credit cards offer many advantages, such as convenience, rewards, and fraud protection, but they also come with several significant disadvantages. Here are some of the most significant disadvantages of credit cards:

1. High-interest rates:

One of the most significant disadvantages of credit cards is the high-interest rates that they charge. If you don't pay your balance in full each month, you will accrue interest charges on the unpaid balance, which can quickly add up and lead to significant debt.

2. Fees:

Credit cards come with a variety of fees, including annual fees, balance transfer fees, cash advance fees, late payment fees, and over-limit fees. These fees can be costly and add up quickly.

3. Debt:

Credit cards make it easy to accumulate debt, and if you don't pay off your balance in full each month, you can quickly find yourself in a cycle of debt that's hard to escape.

4. Temptation to overspend:

With a credit card, it's easy to overspend because you don't feel the immediate impact of the purchase. This may result in debt and excessive expenditure.

5. Impact on credit score:

If you have too much debt or miss payments on your credit card, it can negatively impact your credit score. A low credit score can make it harder to get approved for loans and credit in the future.

6. Security risks:

Credit cards are susceptible to fraud and identity theft, and if your credit card information is stolen, it can be challenging to get it back.

7. False sense of financial security:

Credit cards can give you a false sense of financial security, making you feel like you have more money than you do. Overspending and financial instability may result from this.

In conclusion, while credit cards offer many advantages, it's important to be aware of the potential disadvantages and use your credit card responsibly to avoid falling into debt or harming your credit score.

2. Review of Literature

Brown et al., (2017) We ask people about how they use their credit cards. Contrary to popular belief, the majority of people who use credit cards responsibly. They typically use credit cards for convenience in transactions and low interest rates. Only a small percentage of people in our sample use credit cards to get expensive credit, with only 7% never paying off their balances in full. Respondents who are older, less financially literate, and less trustworthy are more likely to have credit card debt. Even people who have credit card debt are likely to make well-informed financial decisions because they are aware of the costs associated with it.

Banerji and Rashi, (2020) Through a variety of policy measures, including Aadhar-enabled payments, UPI-based payments, financial inclusion, demonetization, and enhanced digital infrastructure, among others, the RBI and the Indian government have collaborated. to move the Indian economy closer to cashless payment systems. One of the most widely used cashless payment options is credit card use. Credit cards are cutting-edge financial tools that give customers access to unique reward programs, lounges, and memberships, cashless payment options, short-term borrowing, and more. Through structured equation modeling, the purpose of this study is to empirically test the credit card selection scale and credit card usage preferences of Indian consumers. By modifying **Gan and Maysami's 2006** credit card selection criteria scale, this study hopes to add to the body of knowledge. According to the findings, scale needs to be adjusted for Indian consumers. Choosing a credit card was influenced by a variety of demographic variables, including age and income, as well as by economics, flexibility, promotion, reputation, and convenience.

Sumit Agarwal, (2015) Even though automatic screening technology and a credit score system have made it easier for card issuers to assess borrowers' creditworthiness, studies still show that switching costs exist. In terms of rejection costs, this is especially expensive for customers with high balances because they are more likely to be turned down when applying for new credit. However, it has been discovered that high-balance customers actively seek out favorable interest rates. At the same time, research has shown that banks, not credit unions, are taking advantage of financially strapped customers by charging them higher interest rates for switching.

Simon and Saravanan (2012) The credit card's insurance coverage attract a large number of cardholders. It has been discovered that cardholders' insurance payments have been delayed. As a result, this term might be something to think about if you want to keep cardholders from being negative. It has been discovered that the State Bank of India's Additional Card attracted a large number of customers. This is a significant one. Nevertheless, the card fee of Rs.250 or Rs.500 prevents many cardholders from applying for an additional card. The card fee should be reduced to attract more cardholders to the bank.

Elroy Monis and Ramesh Pai (2023) In spite of the fact that, Visas give the opportunity to buy even without having cash, the gamble of inability to make ideal installments of charge cards levy can lead an individual into an obligation trap. The high interest rate on credit card debt must be taken into consideration. If not managed properly, credit cards can result in debt and damage to a person's credit history. Maintaining a budget may be difficult if purchases are not tracked. The terms and conditions may not be available in regional languages, making them even more difficult to understand. The National Payments Corporation of India claims that at least 641 customers at 90 ATMs lost 1.3 crores in fraudulent transactions. As a result, it is critical that NBFCs and banks establish regulations to prevent fraud control and enforcement procedures and implement internal control mechanisms to combat fraud. Banks must urgently examine network security in order to regain and maintain customers' trust in the banking system.

Mohammad (2020) The credit limit, the minimum payment amount, late payments, and credit card advances all show gender differences. Males have been found to engage in riskier behavior on some parameters, while females have also been found to engage in riskier behavior. Age matters because people in higher age groups are more likely to make their payments on time. Also, people between the ages of 41 and 50 and older are less likely to take out a credit card advance. Lastly, salaried individuals are less likely to take out a cash advance, pay only the minimum, and pay on time.

Alamelu (2020) When compared to public sector banks, private sector banks and foreign banks had significantly higher credit card transactions than public sector banks. POS transactions were significantly higher than ATM transactions. In contrast, all bank groups, with the exception of the public sector bank group, favored POS transactions over ATM transactions when it came to using credit cards.

3. Hypothesis

A potential hypothesis for a research study on the impact of credit cards on consumer's life could be:

H0 - "Credit card use will have an insignificant impact on consumer's financial well-being."

H1 - "Credit card use will have a significant impact on consumer's financial well-being."

4. Research Objectives

- a. To measure the satisfaction level of respondents about the credit card services provided by bank.
- b. To study the credit card usage preferences.
- c. To study the usage pattern of credit card holders.
- d. To know the impact of credit card on customers life style.

5. Data collection

- After the research objectives have been set, the work of data collection begins. Both primary and secondary data were gathered.

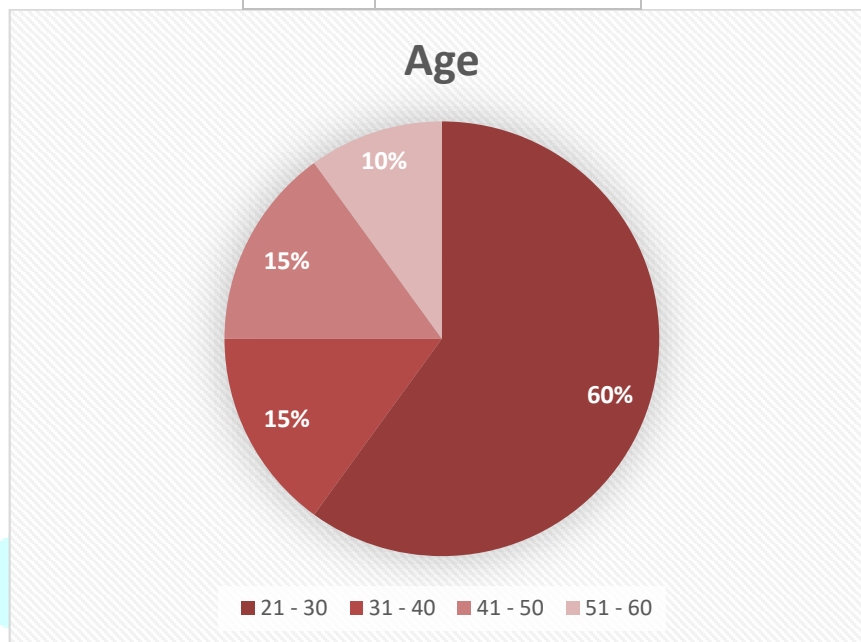
6. Research Methods

- The following categories make up the research study's sampling design: employed people, professionals, and others. There are 60 responders in the sample size.
- Convenience sampling is employed in non-probability techniques. Convenience sampling refers to the practice of choosing demographic components for inclusion in the sample based on their accessibility. Because the respondents the researcher meets by chance are included in the sample, this technique is also known as accidental sampling.

7. Questionnaire and Data analysis and Data interpretation

7.1 Age of the Respondent

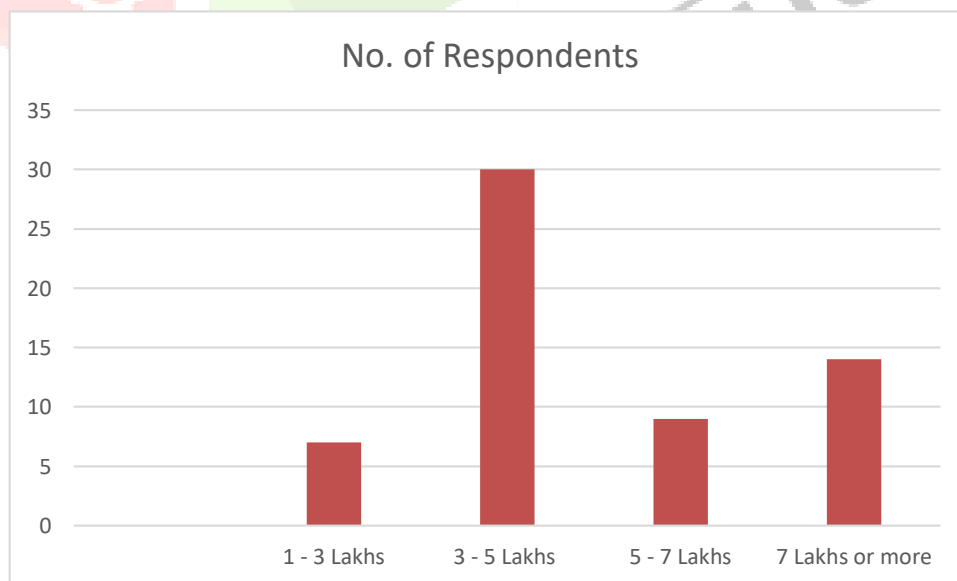
Age	No. of Respondents
20-30	36
30-40	9
40-50	9
50-60	6



Interpretation: Figure indicates that, out of 60 respondents, 36 people with ages ranging from 21 - 30 use credit cards. People in this age group like to take risks and seek credit cards for need and enjoyment.

7.2 Annual Income of the Respondent:

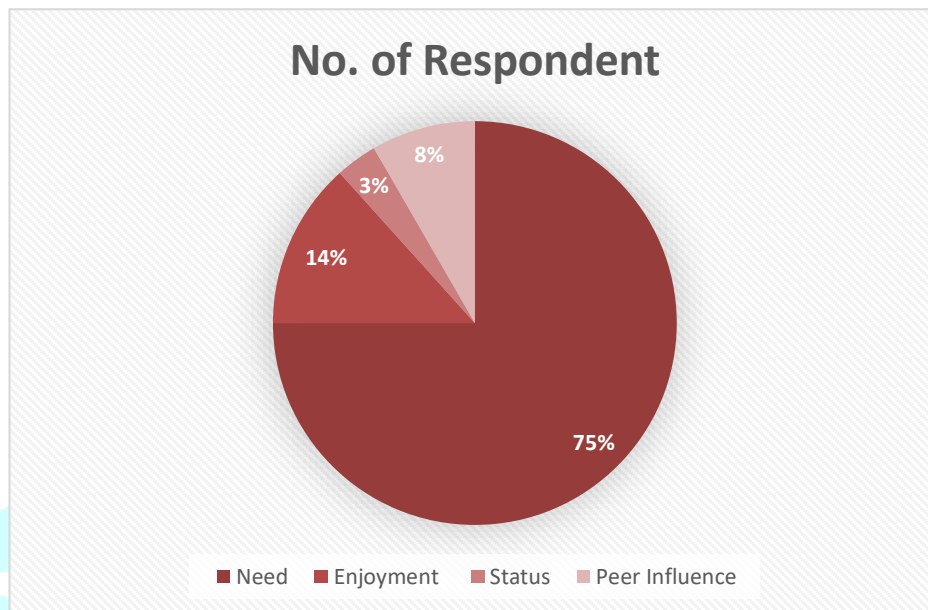
Income Per annum in lakhs	No. of Respondents
1 - 3 Lakhs	7
3 - 5 Lakhs	30
5 - 7 Lakhs	9
7 Lakhs or more	14



Interpretation: Graph shows that out of 60 respondents 30 respondents i.e., 50% people having their income between 3 – 5 lakhs. Which shows that credit card has utilization for the employees who has greater income.

7.3 Bank of Credit Card:

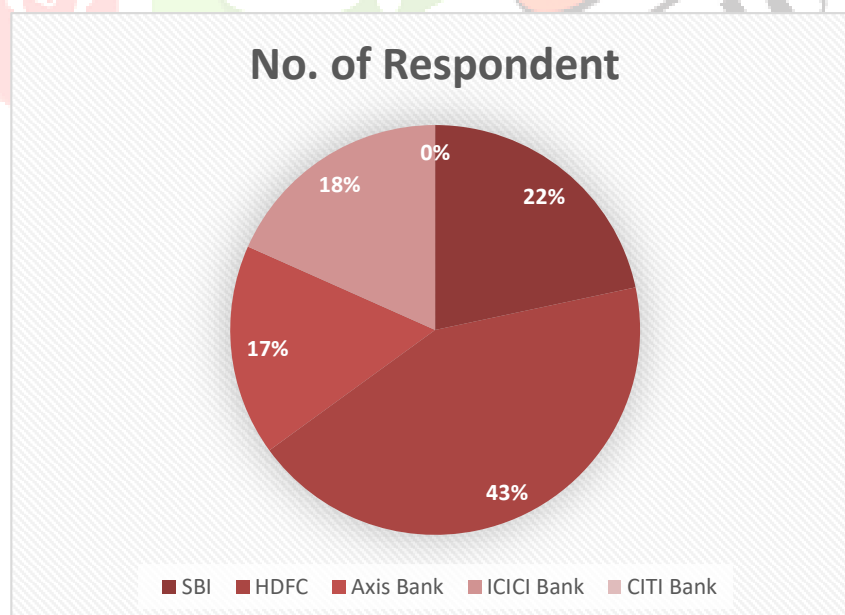
Bank of Credit Card	No. of Respondent
SBI	13
HDFC	26
Axis Bank	10
ICICI Bank	11
CITI Bank	0



Interpretation: Graph shows that out of 60 respondents, 43 % respondents are using HDFC bank credit card, 22 % respondents are using SBI Credit Card, It means people prefer HDFC and SBI Credit Cards. And equal importance to Axis and ICICI Bank. Out of all respondents no one was using CITI Bank Credit Card.

7.4 Purpose of Using Credit Card

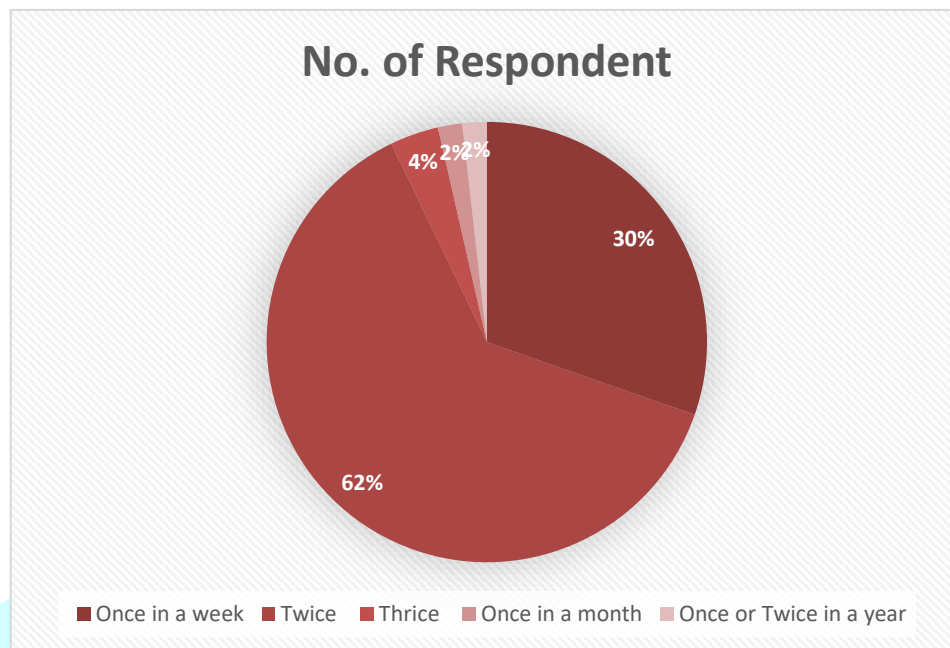
Purpose	No. of Respondent
Need	45
Enjoyment	8
Status	2
Peer Influence	5



Interpretation: Chart shows that out of 60 respondents. There are 75% respondents who use for need. 14% respondents use it for enjoyment, 3% respondents use it for status and 8% respondents use it due to peer influence.

7.5 Number of Credit Cards

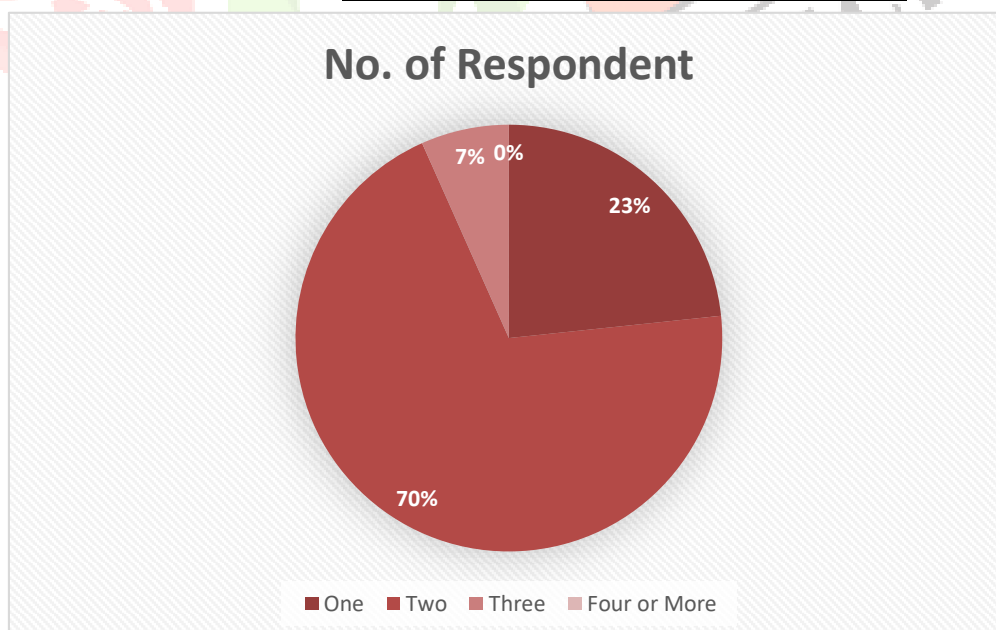
No. of Credit Cards	No. of Respondent
One	14
Two	42
Three	4
Four or More	0



Interpretation: Chart shows that out of 60 respondents, 70% respondents prefer to have single credit card, 23% respondents have 2 credit cards, 7% respondents have 3 credit cards, which shows respondents prefer less number of credit cards due to many reasons like annual fees, trouble handling many cards, or difficult to get many credit cards.

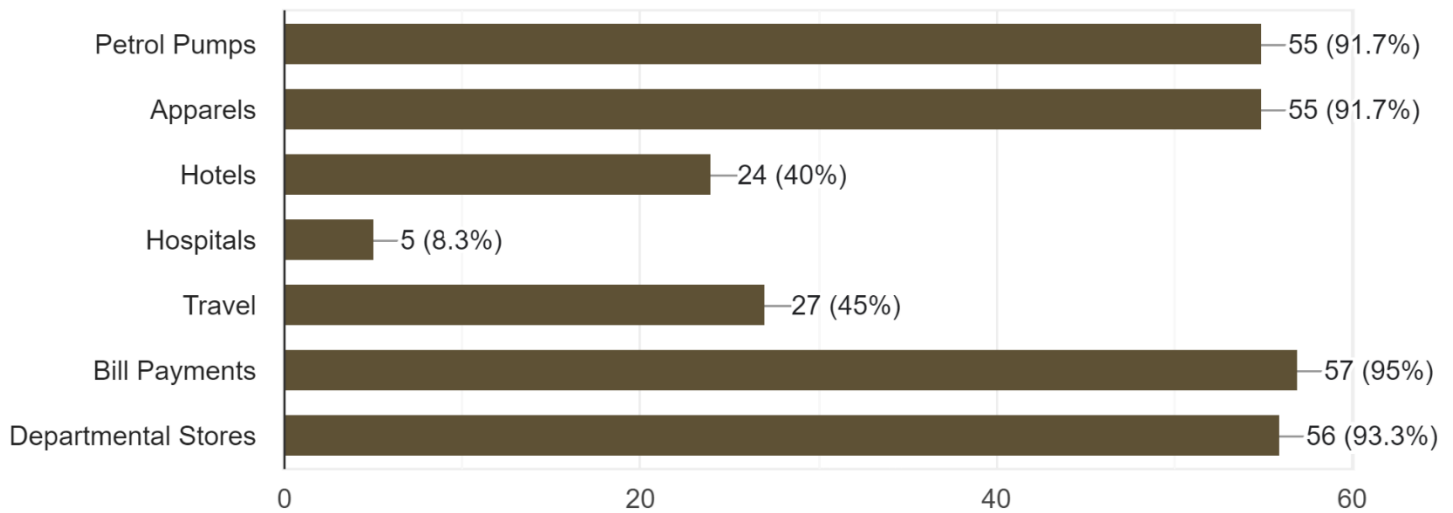
7.6 How Often Do you use credit card?

No. of Uses	No. of Respondent
Once in a week	17
Twice	35
Thrice	2
Once in a month	1
Once or Twice in a year	1



Interpretation: Chart shows that out of 60 respondents, 62% respondents use it twice in a week, 30% respondents use it once in a week, 3% use it thrice in a month and 2% use it once in a month or once or twice in a year.

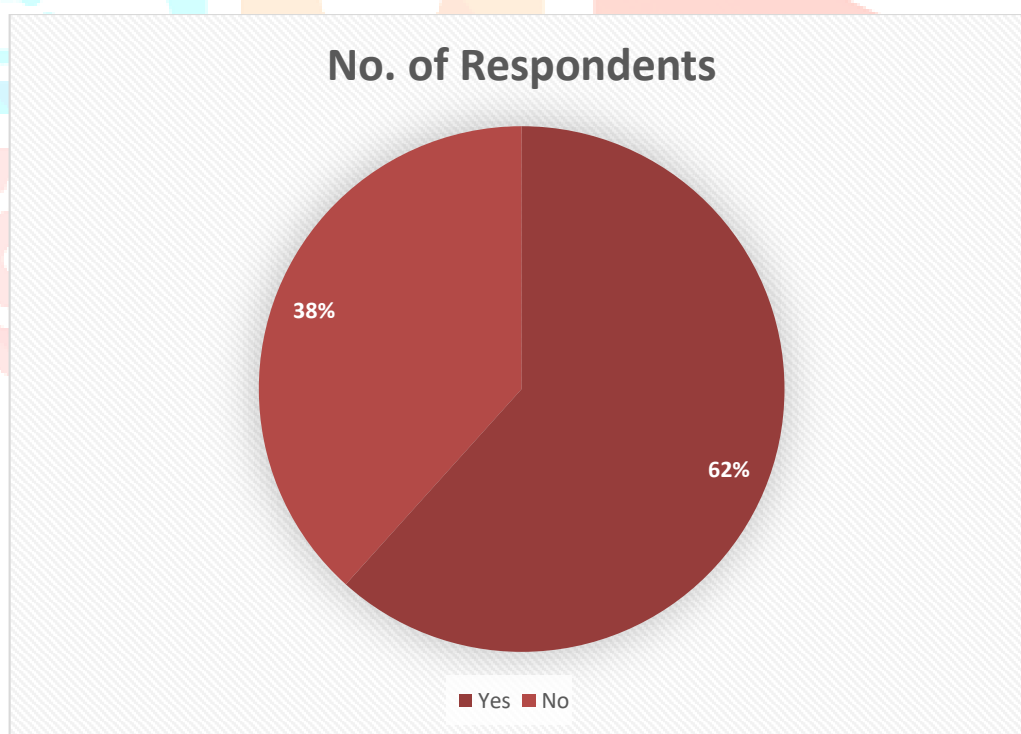
7.7 Where you use your card?



Interpretation: Chart shows that out of 60 respondents, 95% respondents use card for bill payments, 93.3% use card in departmental stores, 91.7% respondents use card in petrol pumps and apparels, 40% - 50% in Hotels and Travel and very little that is 8.3% in hospitals.

7.8 Have you linked your credit card with any money transfer application?

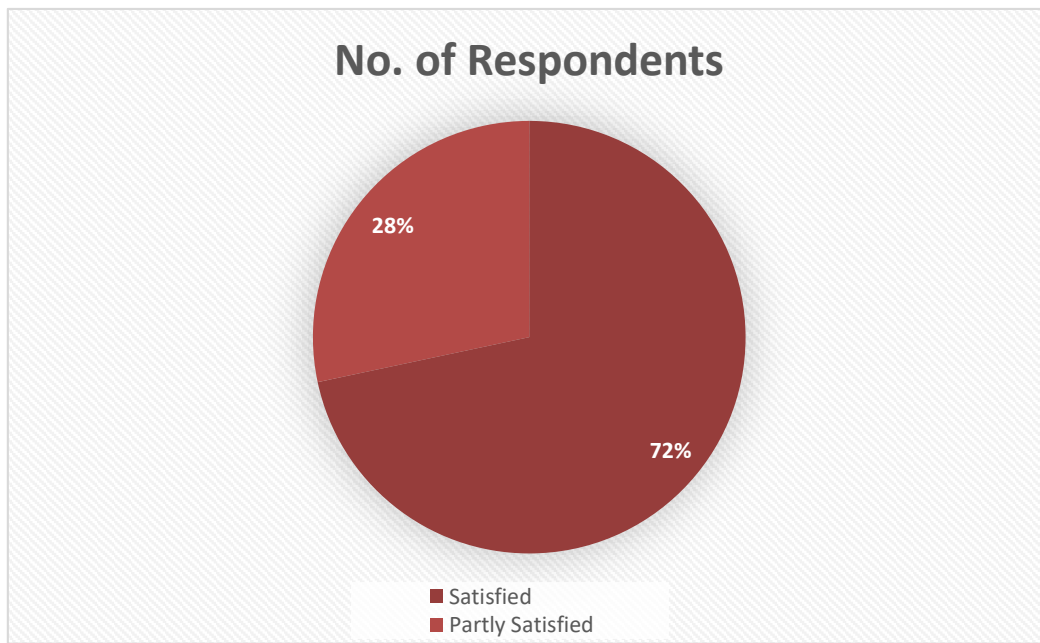
	No. of Respondents
Yes	37
No	23



Interpretation: Chart shows that out of 60 respondents, 62% respondent that is 37 respondents have linked their credit cards with any money transfer application like Paytm, Google Pay, PhonePe, etc. while rest of the respondents that is 23 have not linked their credit card to any application.

7.9 Are you satisfied with the credit card facilities of your bank?

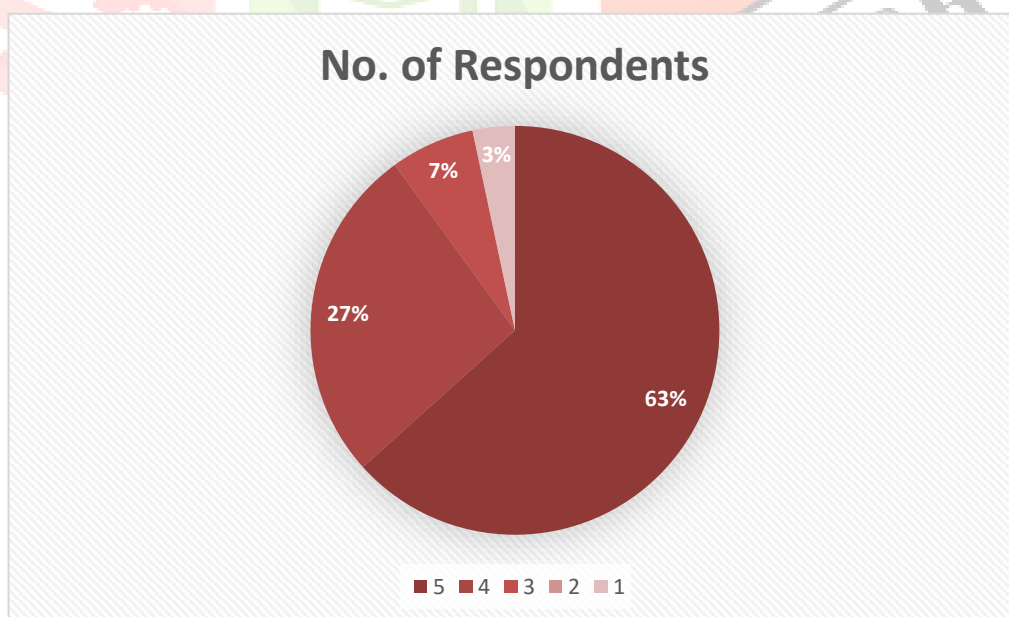
Level	No. of Respondents
Satisfied	43
Partly Satisfied	17



Interpretation: Chart shows that out of 60 respondents, 72% respondent that is 43 respondents are satisfied with the credit card facilities of their bank and remaining respondents 28% that is 17 are partly satisfied it means some of the extent respondents are satisfied with their credit card facilities. And not a single respondent hasn't opted for partly dissatisfied or dissatisfied. It means users of credit card are satisfied with all the features.

7.10 Overall Impact of Credit Card in your life.

Overall Impact	No. of Respondents
1	2
2	0
3	4
4	16
5	38



Interpretation: Chart shows that out of 60 respondents, 63% respondents that is 38 respondents shows positive effect or impact of credit card in their lives, while 27% respondents that is 16 respondents shows little positive effect or impact on their lives and 7% that is 4 respondents shows neither positive nor negative impact of credit card in their lives while 2 respondents that is 1% respondent shows negative impact in their lives.

Finding and Conclusion:

- 1) In this research, average age of the 60 respondents was 33.67 years and they are using credit cards for their need and enjoyment.
- 2) Average income of the respondents was approximate 5 lakhs per annum, so we assume that people having high income tends to use more credit card facilities as compared to people having low income.
- 3) In the study, it was found that people are using HDFC Bank card more as compared to other banks credit card primary reason can be that HDFC Banks provide better services, better rewards than other banks.
- 4) During study, the results indicate that respondents prefer fewer credit cards for a variety of reasons, including; annual costs, difficulty managing many cards, and difficulty obtaining several credit cards.
- 5) In this research, it was found that more than half respondents are satisfied and partly satisfied with the facilities of credit card provided by banks.
- 6) Now overall impact of credit card in consumer's life is positive in more than half respondents and some people having neutral impact like neither positive nor negative.

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