1. Introduction

This chapter includes:

- Preface
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- Overview of Retailing in India
- Overview of Credit Card Market in India
- Overview of Consumption Pattern in India
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- Statement of the problem
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Preface

The retailing environment in India is fast changing with large domestic and foreign retailer groups setting shops of different formats (AT Kearney & CII, 2006). The gross retail sales in India amounted to around US$242 billion in 2007. The organised retail market which is about US$12 billion is to attain US$30 billion mark by 2010 (AT Kearney & CII, 2006). Indian retail market has the largest retail outlet density in the world with around twelve million outlets. The organised retail sector in India is expected to grow at a compounded annual growth rate of 35 percent for four years until 2010 (AT Kearney & CII, 2006). The per capita consumption in India is around US$400 compared to that in USA (US$27,643), China (US$609), Malaysia (US$2,042) and
The total operational retail space available in 2008 was 100 million square feet (Economic Times, Mall Mania, 2007). The retailing space per capita is two square feet in India compared to 16 square feet in the US (ICT, KSA Technopak, 2007).

India’s economic growth has accelerated significantly over the past two decades and it has inflated the spending power of its citizens. Real average household disposable income has doubled since 1985. With rising incomes, household consumption has increased and a new Indian middle class has emerged (McKinsey Global Institute, 2007). Income levels will almost triple and it is predicted that India will climb from its position as the 12th largest consumer market today to become the world’s fifth-largest consumer market by 2025. As Indian income rises, the shape of the country’s income pyramid will also change dramatically. Over 291 million people will move from desperate poverty to a more sustainable life, and India’s middle class will swell by over ten times from its current size of 50 million to 583 million people. By 2025 over 23 million Indians will number among the country’s wealthiest citizens. While much of this new wealth and consumption will be created in urban areas, rural households will benefit too. Annual real rural income growth per household will accelerate from 2.8 percent over the past two decades to 3.6 percent over the next two (McKinsey Global Institute, 2007).

The identity of the Indian family is changing with many educated women entering the workforce, generating higher family disposable income and propelling consumer demand. The increase in variety, quality, availability of products and the convenience in the purchase process has resulted in consumers increasingly using supermarkets for personal shopping (Sinha & Dwarika, 2005). The consumer behaviour indicates people
taking more time out for shopping and window shopping. There is an increasing
tendency of brand switching and decreasing brand loyalty as well (Business Today,
2009).

With 25 million credit cards in circulation, a major concern is the default rate in India
which is at an average of 10 to 12 percent in 2007 (Economic Times, Credit Cards,
2007). The annual spending on credit cards, which is US$ 11 billion, is expected to
grow 50 percent annually for the next five years (Economic Times, Plastic Money,
2007).

Buying Behaviour: An Introduction

Consumer behaviour is the study of how individuals, groups, and organisations select,
buy, use and dispose goods, services, ideas or experiences to satisfy their needs and
wants.

A consumer’s buying behaviour is influenced by cultural, social, and personal factors.
Cultural factors exert the broadest and deepest influence (Kotler & Keller, 2006).

a. Culture, subculture and social class are particularly important influences on
consumer buying behaviour. Culture is the fundamental determinant of a person’s
wants and behaviour. The growing child acquires a set of values, perceptions,
preferences and behaviours through his or her family and other key institutions.

Each culture consists of smaller subcultures that provide more specific identification
and socialization for their members. Subcultures include nationalities, religions, racial
groups and geographic regions. When sub cultures grow large and affluent enough,
companies often design specialised marketing programmes to serve them.
Virtually all human societies exhibit social stratification. Stratification sometimes takes the form of a caste system where members of different castes are reared for certain roles and cannot change their caste membership. More frequently, it takes the form of social classes, relatively homogenous and enduring divisions in a society, which are hierarchically ordered and its members share similar values, interests and behaviour.

Social classes have several characteristics. First, those within each class tend to behave more alike than persons from two different social classes. Social classes differ in dress, speech patterns, recreational preferences and many other characteristics. Second, persons are perceived as occupying inferior or superior positions according to social class. Third, social class is indicated by a cluster of variables like, occupation, income, wealth, education and value orientation rather than any single variable. Fourth, individuals can move up or down the social class ladder during their lifetimes. The extent of this mobility varies according to how rigid the social stratification is in a given society. Social classes show distinct product and brand preferences in many areas, including clothing, home furnishings, leisure activities, and automobiles.

b. Social factors:

The social factors are reference groups, family, and social roles and status. A persons reference groups consists of all the groups that have a direct or indirect influence on his/her attitudes or behaviour. Groups having a direct influence on a person are called membership groups. Some membership groups are primary groups, such as family, friends, neighbours, and co-workers, those with whom the person interacts fairly continuously and informally. People also belong to secondary groups such as religions, professional, and trade-union groups, which tend to be more formal and require less continuous interactions (Kotler & Keller, 2006).
People are significantly influenced by their reference groups in at least three ways. Reference groups expose an individual to new behaviours and lifestyles, and influence attitudes and self-concept; they create pressures for conformity that may affect actual product and brand choices. People are also influenced by groups to which they do not belong. Aspirational groups are those a person hopes to join; dissociative groups are those whose values or behaviour an individual rejects (Kotler & Keller, 2006).

Manufacturers of products and brands where group influence is strong must determine how to reach and influence opinion leaders in these reference groups. An opinion leader is the person in informal, product-related communications who offers advice or information about a specific product or product category, such as which is of several brands is best or how a particular product may be used (Kotler & Keller, 2006).

Family is the most important consumer buying organization in society and family members constitute the most influential primary reference group. We can distinguish between two families in the buyer’s life. The family of orientation consists of parents and siblings. From parents a person acquires an orientation toward religion, politics, and economics and a sense of personal ambition, self-worth and love. Even if the buyer no longer interacts very much with his or her parents, their influence on behaviour can be significant. In countries where parents live with grown children, their influence can be substantial. A more direct influence on everyday buying behaviour is the family of procreation- namely ones spouse and children (Kotler & Keller, 2006).

Role and statuses-A person participates in many groups-family, clubs, organisations. The person’s position in each group can be defined in terms of role and status. A role consists of the activities a person is expected to perform. Each role carries a status. A
senior vice president of marketing has more status than a sales manager and a sales manager has more status than an office clerk.

c. Personal factors A buyer’s decisions are also influenced by personal characteristics. These include the buyer’s age and stage in the life cycle; occupation and economic circumstances, personality and self-concept; and lifestyle and values.

By personality, we mean a set of distinguishing human psychological traits that lead to relatively consistent and enduring responses to environment stimuli. Personality is often described in terms of such traits as self-confidence, dominance, autonomy, deference, sociability, defensiveness and adaptability. Personality can be a useful variable in analyzing consumer brand choices. The idea is that brands also have personalities, and consumers are likely to choose brands whose personalities match their own (Kotler & Keller, 2006).

Consumers often choose and use brands that have a brand personality consistent with their own actual self-concept (how one views oneself), although in some cases the match may be based on the consumers ideal self-concept (how one would like to view oneself) or even others self-concept (how one thinks others see one) rather than actual self-image.

People from the same subculture, social class, and occupation may lead quite different lifestyles. A lifestyle is a person’s pattern of living in the world as expressed in activities, interests, and opinions. Lifestyle portrays the whole person interacting with his or her environment. Marketers search for relationships between their products and lifestyle groups (Kotler & Keller, 2006).
d. Psychological processes:

The starting point for understanding consumer behaviour is the stimulus-response model. Marketing and the environmental stimuli enter the consumer’s consciousness. A set of psychological processes combine with certain consumer characteristics to result in decision processes and purchase decisions. Four key psychological processes - motivation, perception, learning and memory - fundamentally influence consumer responses to the various marketing stimuli (Kotler & Keller, 2006).

Motivation- A need becomes a motive when it is aroused to a sufficient level of intensity. A motive is a need that is sufficiently pressing to drive a person to act.

Sigmund Freud assumed that the psychological forces shaping people's behaviour are largely unconscious, and that a person cannot fully understand his or her own motivations. When a person examines a specific brand, he or she will react not only to their said capabilities, but also to other, less conscious cues. Shape, size, weight, material, colour and brand name can all trigger certain associations and emotions. A technique called laddering can be used to trace a person’s motivations from the stated instrumental ones to the more terminal ones. Then the marketer can decide at what level to develop the message and appeal (Kotler & Keller, 2006).

Abraham Maslow sought to explain why people are driven by particular needs at particular times. Why does one person spend considerable time and energy on personal safety and another on pursuing the high opinion of others? Maslow's answer is that human needs are arranged in a hierarchy, from the most pressing to the least pressing. In order of importance, they are physiological needs, safety needs, social needs, esteem needs, and self-actualization needs.
Frederick Herzberg developed two factor theory that distinguishes dissatisfiers (factors that cause dissatisfaction) and satisfiers (factors that cause satisfaction). The absence of dissatisfiers is not enough; satisfiers must be present to motivate a purchase.

Perception- A motivated person is ready to act. How the motivated person actually acts is influenced by his or her view or perception of the situation. Perception is the process by which an individual selects, organizes, and interprets information inputs to create a meaningful picture of the world. Perception depends not only on the physical stimuli, but also on the stimuli’s relation to the surrounding field and on conditions within the individual. In marketing, perceptions are more important than the reality, as it is perception that will affect consumer’s actual behaviour. People can emerge with different perceptions of the same object because of three perceptual processes: selective attention, selective distortion and selective retention (Kotler & Keller, 2006).

Selective attention means that marketers have to work hard to attract consumers notice. Selective distortion is the tendency to interpret information in a way that will fit our preconceptions. Consumers will often distort information to be consistent with prior brand and product beliefs. By selective retention, we are likely to remember good points about a product we like and forget good points about competing products.

Learning- Involves changes in an individual’s behaviour arising from experience. Most human behaviour is learned. Learning theorists believe that learning is produced through the interplay of drives, stimuli, cues, responses, and reinforcement. A drive is a strong internal stimulus impelling action. Cues are minor stimuli that determine when, where, and how a person responds. Learning theory teaches marketers that they
can build demand for a product by associating it with strong drives, using motivating
cues, and providing positive reinforcement (Kotler & Keller, 2006).

Memory- All the information and experiences individuals encounter as they go through
life can end up in their long-term memory. Widely accepted views of long-term
memory structure involve some kind of associative model formulation. Most Brand
associations consist of all brand related thoughts, feelings, perceptions, images,
experiences, beliefs, attitudes and so on that becomes linked to the brand node.
Marketers can be seen as making sure that consumers have the right types of products
and service experiences such that the right brand knowledge structures are created
and maintained in memory.

The typical buying process consists of the following sequence of events: Problem
recognition, information search, evaluation of alternatives, purchase decision, and post
purchase behaviour. The marketer’s job is to understand the behaviour at each stage.
The attitudes of others, unanticipated situational factors, and perceived risk may all
affect the decision to buy, as will consumer’s levels of post purchase satisfaction and
post purchase actions on the part of the company (Kotler & Keller, 2006).
Retailing in India:

India has over 12 million retail outlets of all sizes and styles, but analysing in a modern sense the country lacks a retailing industry, thereby presenting international retailing specialists with immense opportunity. Retail business in India is estimated to grow at 13% annually from $322 billion in 2006-07 to $590 billion in 2011-12.

Retailing in India is thoroughly unorganised (95%) due to lack of a supply chain management perspective. As much as 96 per cent of the 12 million outlets are smaller than 500 square feet in area (ICRIER Report, 2008). In India per capita retailing space is about 2 square feet compared to 16 square feet in the United States. India's per capita retailing space is thus the lowest in the world (ICT, KSA Technopak). Just over 8 per cent of India's population is engaged in retailing compared to 20 per cent in the United States (ICT, KSA Technopak).

Given the size, the geographical, cultural and socio-economic diversity of India, there is no role model for Indian suppliers and retailers to adapt or expand in the Indian context. The challenge facing the organised retail industry in India is: competition from the unorganised sector. Traditional retailing has been established in India for some centuries. It is a low cost structure, mostly owner-operated, has negligible real estate and labour costs and little or no taxes to pay. Consumer familiarity that runs from generation to generation is one big advantage for the traditional retailing sector. In contrast, players in the organised sector have big expenses, and have to keep prices low enough to be able to compete with the traditional sector. High costs for the organised sector arises from: higher labour costs, social security to employees, high quality real estate, much bigger premises, comfort facilities such as air-conditioning, back-up power supply, taxes etc. Organised retailing also has to
cope with the middle class psychology that the bigger and brighter sales outlet is more expensive (ICRIER Report, 2008).

These facts should not be seen as a gloomy apprehension for global retail operators. International retail majors such as Benetton, Dairy Farm and Levis have already entered the market. Lifestyles in India are changing and the concept of value for money is picking up. India's first true shopping mall – complete with food courts, recreation facilities and large car parking space – was inaugurated as lately as in 1999 in Mumbai. This mall is called Crossroads. An FDI Confidence Index survey indicates that the retail industry is one of the most attractive sectors for FDI (Foreign Direct Investment) in India and foreign retail chains would make an impact (AT Kearney & CII, 2006).

Luxury Retail

With consumers for luxury goods more in numbers than the adult population of several countries, the Indian luxury retail market is estimated to leap-frog from around US$ 3.5 billion to US$ 30 billion by 2015. India's luxury market, estimated to be the 12th largest in the world, has been growing at the rate of 25 per cent per annum (AT Kearney & CII, 2006).

Indians splurge US$ 2.9 billion on luxury assets, spent another US$ 953 million on luxury services and top it by buying luxury goods worth US$ 377 million. With a rapidly expanding population of high net worth individuals, India could emerge as the next hub for luxury goods consumption. Consequently, a number of foreign brands including French Connection, Sanrio of Hello Kitty fame, Jimmy Choo, La Pearla and
Calvin Klein among others have already lined up for permission to infuse foreign direct investment through the single-brand retail window (AT Kearney & CII, 2006).

**Kids Retail**

When it comes to Indian children, retailers are busy bonding and branding:

- Monalisa, the Versace of kids, is here in India.
- International brand Zapp tied up with Raymond to foray into kid’s apparel.
- Disney launched exclusive chains which stock character-based stationery.
- Pantaloon’s joint venture with Gini & Jony has set up a retail chain to market kid’s apparel.
- Swiss kidswear brand Milou is collaborating with Tirupur-based Sreeja Hosieries.
- French furniture brand Gautier has hit the Indian retail market with a comprehensive range of furniture for children and infants.
- The UK based retail chain, Marks & Spencer, has launched its kid’s wear categories in India.

The kid’s retail revolution is lead by the apparel business, which accounts for almost 80 per cent of the revenue. The kid’s clothing in India is following international fashion trends as well. The branded segment comprises US$ 701.7 million of the total kid’s apparel market-size of over US$ 3 billion. Industry experts say kid’s retailing will touch annual growth of 30-35 per cent (ICT, KSA Technopak).
Discount Malls

Along with the organized retail market, there has been a concomitant surge in branded discount outlets in India. Top realtors and local retail chains are developing malls in regional boroughs, specifically to sell discounted premium branded goods. At least 50 such malls are to come up in the next few years across the country positioned in the middle-to-the-premium end of the market.

For example, Royal Palms is developing Orchard Road Mall in the western suburbs of Mumbai. Similarly, Akruti Nirman, which is planning to brand its discount malls in Kanjurmag, Ghatkopar, Mumbai and Thane as Cityworld, has decided to develop similar malls in Tier II and Tier III cities. Some of the other prominent discount retailers include Pantaloon Retail (India) Ltd's Brand Factory, Arvind Mills Ltd's Megamart and Provogue (India) Ltd's Promart among others (Economic Times Archives, 2007).

E-tailing

The increase in the PC and internet penetration along with the growing preference of Indian consumers to shop online has given a tremendous boost to e-tailing, the online version of retail shopping. Nearly 10.8 million Indians (2007 estimate), or 43% of the country's total internet population buy online. As in the year 2007, INR. 2300 crores (500 million US$) is the size of the e-shoppers market (Economic Times, Net Shoppers Click Nonstop, 2007). There has been a continuous rise in the number of people accessing the internet and there are over 49 million internet users in India. Significantly, internet penetration (as a percentage of population) has grown to 12 per cent annually (JuxtConsult's India Online 2008).
With today's net-savvy Indians making online purchases like never before, both the number and variety of products sold online have grown exponentially. According to the Indian Marketing Research Bureau (IMRB) and Internet and Mobile Association of India (IAMAI), the e-tail market is estimated to grow by 30 per cent to US$ 273.02 million in 2007-08, from US$ 210.01 million in 2006-07 (E-Commerce in India, IAMAI Report, 2007). As per another estimate the e-shopping market is estimated to increase by a whopping 150% from the previous year and reach INR. 5500 crores (1.19 b US$) by 2007-08 (Economic Times, 2007). The total market size of B2C and C2C E-Commerce industry in India was around $ 1.5 billion in 2006-07 and $2 billion in 2007-08. About 64 percent of B2C and C2C E-Commerce is done at the Metros and the remaining 36 percent in non-metro as in the year 2007-08 (IAMAI, 2007).

Retail Franchising

Along with e-tailing another perceptible trend in the growth of organized retail market has been the concept of retail franchising. According to industry estimates, retail franchising has been growing at the rate of 60 per cent in the last three years (since 2006) and is set to grow two-fold in the next five years (DC Strategy, 2008).

A number of companies have been taking this route driven mainly by the need to meet the increasing consumer expectations of quality, ambience and brand experience. In addition, this route also helps the big retail players to rapidly foray into the tier II and III towns and rural areas as well. Franchised outlets of leading brands in India are estimated to sell 20 per cent more than the company-owned ones (DC Strategy, 2008). With the immense potential seen in this segment, the US$ 4 billion franchising industry is likely to see almost two-fold rise in the number of franchisees by 2010.
Rural Retail

The rising purchasing power, changing consumption patterns, increased access to information and communication technology and improved infrastructure, will enable the rural retail market to cross US$ 45.32 billion by 2010 and US$ 60.43 billion by 2015 (Rural Retail the next phase in retailing-CII & YES BANK report, 2007).

Consequently, Corporate India is already firming up concrete plans to tap the rural retail market, which is growing at double the rate of urban markets, with their innovative schemes and human resource policies. With 87 per cent of rural markets not having access to any sort of organised marketing and distribution, this segment has tremendous potential for growth. Out of the 12.2% of world’s consumers living in India, 720 million or 72% of India’s total households live in rural areas (Economic Times 2009, Rural Markets: India’s safety cushion).

International Retailers

With international brands like Tommy Hilfiger, Esprit and Puma (that have entered the country) growing well over 100 per cent, many others are also planning to foray into the Indian retail market. India's vast middle class with its expanding purchasing power and its almost untapped retail industry are key attractions for global retail giants wanting to enter newer markets.

- The world's largest retailer, Wal-Mart, has tied-up with Sunil Mittal's Bharti Enterprises to enter Indian retail market.
- Microsoft's first shop-in-shop pilot has been launched with the Tata Group subsidiary Infiniti Retail's multi-brand consumer durables retail format, Croma.
• The Walt Disney Company, consumer product retailing arm of global animation giant, will soon add 135 new stores to its existing 15 stores.

• World's leading coffee chain, Starbucks has entered India through a tie-up with the country's leading multiplex operator PVR Limited.

• Apple Inc has entered into an exclusive marketing and distribution deal with Reliance Retail through i-Store by Reliance Digital.

• The UK-based international coffee chain, Costa Coffee, has doubled the number of retail outlets by the end of 2008.

• British retailer Marks & Spencer's has tied with Reliance Retail and plans to open at least 50 new stores in India over the next five years, with an initial investment of US$ 58 million.

• UK's largest home textile retail chain, Rosebys, which was acquired by Gujarat Heavy Chemicals in 2006, is set to foray into the domestic market with a slew of stores.

• German sportswear and Apparel Company, Adidas is going in for a major expansion across India, and plans to have a total of about 450 franchisee outlets in the country.

Some of the international players that have already entered India include McDonald's, Pizza Hut, Dominos, Levis, Lee, Nike, Adidas, TGIF, Benetton, Swarovski, Sony, Sharp, Kodak, Medicine Shoppe among others (Economic Times Archives,2009).

LuLu Hyper market (owned by the Emke Group), a leading retailer group in the Middle-East promoted by a malayalee entrepreneur is opening a mall with 20, 00,000 sq.ft in Kochi Municipal Corporation. The investment is worth 0.32 b $. The Lulu Hyper mall is set to employ 6000 people directly and will generate associated jobs for over 20000
people. The project also includes a five-star hotel project to be run by the Marriot. The mall offers ample parking space for 3000 cars and have an amusement centre as well. In addition there are successful malls like the Oberon, Gold Souk and Bay pride in the city which are crowd packed (Economic Times, Onakkalam, 2010).

**Table: 1 Foreign Retailers in India**

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Format</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auchan</td>
<td>Hypermarket</td>
<td>Evaluating</td>
</tr>
<tr>
<td>J C Penny</td>
<td>Multi-Format</td>
<td>Evaluating</td>
</tr>
<tr>
<td>Tesco</td>
<td>Multi-Format</td>
<td>Evaluating</td>
</tr>
<tr>
<td>AS Watson</td>
<td>Multi-Format</td>
<td>Evaluating</td>
</tr>
<tr>
<td>Woolsworth</td>
<td>Specialised stores</td>
<td>JV with Tata Infinity</td>
</tr>
<tr>
<td>Wal-Mart</td>
<td>Hypermarket</td>
<td>50:50 Bharati</td>
</tr>
<tr>
<td>Carrefour</td>
<td>Multi-Format</td>
<td>Awaiting Approval</td>
</tr>
<tr>
<td>ShopRite</td>
<td>Cash-n-Carry</td>
<td>Whole sale</td>
</tr>
<tr>
<td>Metro</td>
<td>Cash-n-Carry</td>
<td>Whole sale</td>
</tr>
<tr>
<td>Marks &amp; Spencer</td>
<td>Single Brand Store</td>
<td>Franchise</td>
</tr>
<tr>
<td>Landmark</td>
<td>Lifestyle Stores</td>
<td>NRI/OCB Routes</td>
</tr>
<tr>
<td>Mango</td>
<td>Specialised stores</td>
<td>Franchise</td>
</tr>
<tr>
<td>Espirit</td>
<td>Specialised stores</td>
<td>Tie-Up with Indian Rayon</td>
</tr>
<tr>
<td>Zara</td>
<td>Specialised stores</td>
<td>Evaluating</td>
</tr>
<tr>
<td>United colors of Benetton</td>
<td>Specialised stores</td>
<td>Franchise</td>
</tr>
<tr>
<td>Next</td>
<td>Specialised stores</td>
<td>Partnership with Planet Retail</td>
</tr>
</tbody>
</table>

Credit Card Market in India:

A Credit Card is a mode of cash-less transaction that allows the user to pay for goods or services with the actual payment being made in installments, over a period of time. Most of the credit cards in the market belong to either Master Card or Visa. For principal services to the industry they are typically paid 0.025% of the transaction by the issuing bank.

The credit card market in India is about 30 million (volume of transaction is 260 million in 2008-09) with a value turnover of around INR.65356 crores (14.2 billion US$) (2008-09) (Report of the Central Board of director, RBI, June 30, 2009 submitted to Central Government). The market is expected to grow by 30% per annum, with a potential market of 60 million cardholders. The credit card business is a low-margin, high volume business. According to Visa Internationals latest data, an average Indian cardholder uses his card 9.3 times, spending about INR. 14,700 per year. A number of card owners do not use their cards and almost 20-30 % cards are inactive (less than one usage every quarter). As per the VISA research, Indians spend 1% of their expenditure through credit cards as against 20 % of Koreans and a world average of 9% An important fact that should be observed is that it is only in the past few years that the Indian customer is beginning to accept credit. The Indian culture doesn’t promote credit, and it is this outlook change which is the most important development for the credit card industry. ABN Amro, for instance, backed up their launch of the Freedom Card with research that showed that the Indian middle class views the credit card as a potential debt trap (The Economic Times, Loan Defaults highest in credit cards,2007).
1. Customer Segments:

The segmentation of the card industry can be done on the basis of income.

The Indian market reflects considerable diversities in income levels and lifestyles. A World Bank estimate places average annual household incomes (in terms of purchasing power) at US $6452 (2007). But there are large segments of people, whose income levels are significantly higher, growing faster and spurring a consumer revolution. It is difficult to obtain correct estimates of this group, as there is a very small percentage of India’s rich who pay income tax and their income levels correctly reported. Therefore to conduct this segmentation, we shall have to make use of National Council of Applied Economic Research (NCAER reports, 2009) data and not the estimates from the income tax department.

The segments which have been identified are as follows:

Credit card Income wise segmentation:

<table>
<thead>
<tr>
<th>Class/Segment</th>
<th>Annual Income (INR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Rich</td>
<td>2,15,000 and above</td>
</tr>
<tr>
<td>Consuming Class</td>
<td>45,000 to 2,15,000</td>
</tr>
<tr>
<td>Climbers</td>
<td>22,000 to 45,000</td>
</tr>
<tr>
<td>Aspirants</td>
<td>16,000 to 22,000</td>
</tr>
<tr>
<td>Destitute</td>
<td>less than 16,000</td>
</tr>
</tbody>
</table>

Source: NCAER Reports, 2009

The Very Rich (annual income over INR. 215,000) will increase from 1 million to 6.2 million households by 2006-07. The Consuming Class (annual income of INR. 45,000-215,000) will grow from 28.6 million to 90.9 million households by 2006-07. The number of households in the Aspirants (INR.16,000-22,000/year) and Destitute (less than INR. 16,000/year) groups will decrease significantly (NCAER reports, 2009).
2. Segments with high unrealized potential

Mid-size cities in India have low credit card penetration. The residents of such cities are affluent and they are good markets. This low penetration is due to comparatively low acceptance of credit cards. Rich farmers who live in the rural belt but also spend quite some-time in the nearby towns can be tapped. A product can be introduced to serve their specialized needs. The growing number of netizens* represents a segment with high-unrealized potential.

(*A netizen or cybercitizen is a person actively involved in online communities.)

d. Customers Motivations

Preliminary qualitative research has identified certain motivators differentiated on the basis of the income segments. Further quantitative research is to be conducted keeping in mind to arrive upon the ideal positioning.

Segments Motivations

Very Rich – Convenience and acceptability, level of service, credit limit

Consuming Class - Prestige, convenience and acceptability, level of service, charges.

Climbers - Prestige, charges

Charges include all commissions, interest rate, annual fees, which are to be paid to the bank. The motivational factor has been derived from the credit card holder behaviour and income levels. This shows differentiation as we move along the various segments. Fee charges are not at all important for the Very Rich but they assume a fair degree of importance as we move down the segments. In case of Climbers, level of service has very little motivation to offer. This segment primarily has either the non-premium cards or cards issued by the nationalized banks. In both the scenarios, level of service...
is not very high. The other segments have not been considered, since they do not fall into the potential customer category. However, with the introduction of Kisan Cards (The major issuing banks are: Dena Bank, Punjab National Bank, State Bank of India Bengal Circle, State Bank of Indore, Vijaya Bank), these segments are also being brought into purview of credit card users (assumption: 65% of low-income households are associated with agriculture) (NCAER reports, 2009).
Consumption Pattern in India

Eight south Indian districts figure prominently in the list of top ten credit consuming districts in India (Economic Times August 2, 2007- South Indians Emerge Top Credit Consumers) (table 2 & 3). Two south Indian districts from kerala state are among the top ten districts with maximum number of millionaires in India (The Economic Times (2007), City of Millionaires, Published from Chennai/Kochi, August 3, 2007) (table 4). The facts of the reports are presented as tables.

Table 2:

<table>
<thead>
<tr>
<th>District</th>
<th>Total Housing Credit (Crores of INR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangalore</td>
<td>14221</td>
</tr>
<tr>
<td>Chennai</td>
<td>10328</td>
</tr>
<tr>
<td>Hyderabad</td>
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<td>Pune</td>
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<tr>
<td>Kolkata</td>
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<tr>
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<tr>
<td>Chandigarh</td>
<td>2311</td>
</tr>
<tr>
<td>Thane</td>
<td>2019</td>
</tr>
<tr>
<td>Gautam Buddha Nagar</td>
<td>1906</td>
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Data Source: RBI, CSO, NSSO, Census of India 2001 & National Accounts Statistics.
Table 3:

<table>
<thead>
<tr>
<th>District</th>
<th>Total Consumer Durable Credit (Crores of INR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangalore</td>
<td>334</td>
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<tr>
<td>Chennai</td>
<td>292</td>
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<td>Kolkata</td>
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<td>Pune</td>
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<td>Ernakulam</td>
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<td>Coimbatore</td>
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<td>Kottayam</td>
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Data Source: RBI, CSO, NSSO, Census of India 2001 & National Accounts Statistics.

Table 4:

<table>
<thead>
<tr>
<th>District</th>
<th>Number of households with 1 million INR and above</th>
<th>% share of households with 1 million INR</th>
<th>Per Capita saving (INR)</th>
<th>All India Rank: Per Capita Saving</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangalore</td>
<td>102077</td>
<td>3.3</td>
<td>73808</td>
<td>35</td>
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<tr>
<td>Mumbai</td>
<td>71726</td>
<td>2.3</td>
<td>58567</td>
<td>77</td>
</tr>
<tr>
<td>Thane</td>
<td>71225</td>
<td>2.3</td>
<td>35861</td>
<td>327</td>
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<tr>
<td>Pune</td>
<td>61333</td>
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<td>Ahmadabad</td>
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<td>Ernakulam</td>
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<td>Ludhiana</td>
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<td>Delhi S.W.</td>
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<td>1.2</td>
<td>96209</td>
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Data Source: RBI, CSO, NSSO, Census of India 2001 & National Accounts Statistics.

India and China saw the biggest growth in the millionaire population in 2007. The number of millionaires in India rose 22.7 percent to 123,000 people, the fastest growth
in the world, and millionaires in China grew 20.3 percent to 415,000, making it home
to the fifth-largest number of millionaires in the world (Economic Times, 2008, Merrill
Lynch and Capgemini: news conference in Singapore).
CIBIL and Credit Default Mapping:

CIBIL - India's first credit information bureau- is a repository of information, which contains the credit history of commercial and consumer borrowers. CIBIL provides this information to its members in the form of credit information reports. CIBIL's equity was held by State Bank of India, Housing Development Finance Corporation Limited, Dun & Bradstreet Information Services India Private Limited and Trans Union International Inc. The shareholding pattern was in the proportion of 40:40:10:10 respectively.

The shareholding pattern has now been diversified to include the following entities representing varied categories of credit grantors:

Figure 1: Picture 1: Shareholding pattern in CIBIL

Source: CIBIL
CIBIL Trans Union Personal Loan Score

The CIBIL Trans Union Personal Loan Score is the first and only score for the Indian market to predict the likelihood of an applicant or customer becoming more than 91 days delinquent on a personal or consumer loan over the next 12 months. This score is the result of collaboration between Credit Information Bureau (India) Limited (CIBIL) and Trans Union, a trusted global leader in analytic and decision services (CIBIL, 2010).

Consumer Credit Information Report (CIR)

This is CIBIL’s core offering based on the vast information database pertaining to individual borrowers. Consumer Credit Information Report (CIR) is a vital tool used by credit grantors at the time of new customer acquisitions. CIRs provide factual information on credit histories of borrowers enabling institutions to make objective lending decisions. With CIBIL Consumer CIRs credit grantors are equipped to identify risk areas, disburse credit faster and with greater efficiency and grow business profitability (CIBIL, 2010).

Commercial Bureau

CIBIL’s Commercial Credit Bureau benefits the industry and the economy overall, by helping minimize instances of concurrent and serial defaults through providing credit information pertaining to non-individual borrowers such as public limited companies, private limited companies, partnership firms' proprietorships, and others. CIBIL maintains a central database of information as received from its Members. CIBIL then collates and disseminates this information on demand to Members, in the form of Commercial Credit Information Reports (CIR) to assist them in their loan appraisal process (CIBIL, 2010).
Scope and Significance of the Study

The scope of the study is limited to Kochi Municipal Corporation in the State of Kerala, India. The respondents of the study for final data collection were met during April 2008 to April 2010.

Consumerism describes the effects of equating personal happiness, with purchasing material possessions and consumption in excess of ones need. Consumerism is associated with Capitalism and the West. Today it is multi-cultural and non-geographical. Capitalistic economy leads to the fetishisation of goods and services, devaluing the intrinsic worth, focus are on its price (Karl Marx).

Consumerism has become a negative term today. People deny, the fact that they are compelled to consume or they are compulsive buyers. They rationalise the consumption process. The post-modern consumerism as evolved over the years propagates more than required advertisement, massive credit spending, and mass consumption. The mental account is loosing its effectiveness as a self-control device due to factors like temptation, impulsiveness and sometimes addiction to buying (Shefrin & Thaler, 1992). These aspects of consumerist society seen across the world are also a reality in Kerala as well and hence worth pursuing.

The study gains importance primarily for the reason that nothing much has been done by way of academic research in India (and Kerala) with regards to compulsive buying behaviour and credit default. The retail and credit card environment has undergone explicit changes through the last 20 years (post 1991) and at present qualifies the complexity of a developed market environment and these changes are only to further worsen with time. The time is ideal to make a primary attempt to validate hypothetical relationship as evolved from the Western literature. The study at the same time is
important for banks, lending institutions and credit card companies. It throws light into non-financial factors to be looked into so as to increase the customer suitability in the retail sale of a financial product like credit card. The benefit is that this can considerably reduce the risk of mis-selling of credit card and its offered services.

Statement of the Problem:

The study attempts to understand the impact of retailing and the credit card environment on materialism, compulsive buying, credit card usage pattern\textsuperscript{2} and credit default among shoppers in Kochi Municipal Corporation.

The emerging post globalised market in India is emulating the trends in US, the European and other developed markets. A study conducted jointly by Coca Cola India and research firm NFO-MBL (2001) was aimed at exploring young consumer’s mindsets, media preferences, attitudes and their behaviour in the market place. According to the study, much of their pocket money went on grooming, hanging out, indulgence and on high ticket items as well. Food and beverages account for the largest proportion of the teenager’s pocket money, with ice-creams and soft drinks leading the category. Further, personal durable ownership has increased, with teenager’s also influencing purchase of entertainment durables at home. Indian youth desperately need hang out places that satisfy their notion of a cool ambience. The Indian yuppie consumer today reflects a strong preference for imperatives such as evaluating choices from among a large assortment of products, a pleasurable shopping experience that would provide the maximum value (Coca Cola India & the research firm NFO-MBL, 2001).
Demographically data shows that India will have the largest numbers of population in the 20-44 year age group within the next few years-with the willingness and ability to pay. Such a breakdown doesn’t exist even in a market as huge as China (McKinsey Global Institute, 2007)

Sustained GDP growth rate in the last 10 years has already created a base of over 30 million consumers with high purchasing power. Current economic indicators seem favourable to the fashion and lifestyle industry and if a GDP growth rate of 8-9 percent can be maintained, we could see a 60 million affluent consumer base by 2010 (U.S. Department of Commerce, Export IT report India, 2004).

There are ample circumstantial evidences to explore the impact of compulsive buying on the credit default risk of individuals. The cause-effect relationship between compulsive buying and credit default is strengthened by the fact that most of the major purchases taking place are aided by the potential future incomes (Credit driven).

Purpose of the study:

The goals of the study are to understand the extent of materialism and compulsive buying among shoppers in Kochi Municipal Corporation. The study further attempts to understand whether the presence of credit cards has in any way changed the pattern of spending (usage) and also refine the understanding of what influences (causes) credit card usage pattern. The final accomplishment of the study is to find the extent of influence of the above said variables on credit default.
Gaps in the Literature: The Problem and the Relationship between Variables

In consumer buying behaviour research, an emerging area in a fast developing economy like India is compulsive buying. There is a growing influence on consumers both by the retail and the credit market environment. The study attempts to understand the impact of the retailing and credit card environment on materialism, compulsive buying, credit card usage pattern and credit default among shoppers in Kochi Municipal Corporation.

The attitude to spend on consumer goods (non-durables, durables, automobiles and housing) and to possess them is growing with an increase in income levels. This is possible due to the rising professional (or job) opportunities and also complimented by the fact that the number of double income working families is on the rise. People are having increased eagerness to identify him or her as part of a consumerist society. The retail and credit card market is exponentially growing because of high GDP growth rates owing to the ever-increasing economic opportunities in India. The relevant questions that arise here are: Are the Indian consumers materialistic in nature? and Are they Compulsive Buyers? The study is an attempt to ascertain the Indian reality.

The growing credit card market in India is a source of easy finance and instigates the consumers to spend. The study attempts to find the impact of Credit Card Usage; measured in the study as Enhanced Credit Card Spends (ECCS) and Credit Card Financing Behaviour (CCFB).
The effect of the above variables on compulsive buying and on credit default is studied and the following are the research questions:

1. Are Indian consumers high or low on materialism? What is its implication for marketers and banks?
2. Are Indian consumers high or low on compulsive buying? What is its implication for marketers and banks?
3. What is the nature of relation between materialism and compulsive buying? Does materialism lead to enhanced credit card spending and credit card financing behaviour? Can materialism directly lead to credit default?
4. Does compulsive buying lead to enhanced credit card spending and credit card financing behaviour?
5. Does Compulsive Buying Behaviour (CBB) directly lead to credit default? Or can enhanced credit card spending and credit card financing behaviour independently lead to credit default? How enhanced credit card spending and credit card financing behaviour is related? Does high enhanced credit card spending lead to credit card financing behaviour? Among compulsive buyers does Credit card usage pattern [spending behaviour (ECCS) and financing behaviour (CCFB)] enhance the credit default probability? Fashion Orientation leads to compulsive buying directly and is mediated by credit card usage to further enhance CBB (Park Hye-Junk, 2003 & 2005). This mediating behaviour of credit card usage is further pursued by the researcher in the new nomological space and external setting for the reason that the Structural Equation Model fit values in the study were only moderate. This study specifically looks into the mediating role of credit card usage (ECCS and CCFB) on credit default for a compulsive buyer.
Major Objectives:

1. To study the relationship of materialism, compulsive buying, enhanced credit card spending and credit card financing behaviour on credit card default.
2. To study the ability of the above said predictor variables to categorise credit card users into non-defaulters, potential defaulters (early warning stage) and defaulters.

Minor Objectives:

i. To find the relationship between materialism and compulsive buying.
ii. To find the relationship between materialism and enhanced credit card spending.
iii. To find the relationship between materialism and credit card financing behaviour.
iv. To find the relationship between materialism and credit default.
v. To find the relationship between compulsive buying and credit default.
vi. To find the relationship between compulsive buying and enhanced credit card spending.
vii. To find the relationship between compulsive buying and credit card financing behaviour.
viii. To find the relationship between enhanced credit card spending and credit card financing behaviour.
ix. To find the relationship between enhanced credit card spending and credit default.
x. To find the relationship between credit card financing behaviour and credit default.
xi. To find the mediating relationship (if any) of enhanced credit card spending and credit card financing behaviour on credit default among compulsive buyers.

Research Hypotheses

H1- Materialism is positively related to compulsive buying
H2- Materialism is positively related to enhanced credit card spending.
H3- Materialism is positively related to credit card financing behaviour.
H4- Materialism is positively related to credit default
H5- Compulsive buying is positively related to credit default.
H6- Compulsive buying is positively related to enhanced credit card spending.
H7- Compulsive buying is positively related to credit card financing behaviour.
H8- Enhanced credit card spending is positively related to credit card financing behaviour.
H9- Enhanced credit card spending is positively related to credit default.
H10- Credit card financing behaviour is positively related to credit default
H11- Among compulsive buyer’s enhanced credit card spending (11a) and credit card financing behaviour (11b) mediates the relationship on credit default.

Conceptual Framework

According to the Classical Learning Theory, stimuli such as the sensory qualities of the product, the retail environment, the consumer’s train of thoughts and emotional responses evoke the conditioned response of impulse buying (Kotler, 1973; Hirschman, 1992; Rook & Fisher, 1995). Compulsive behaviour is seen as an impulse disorder, or its one’s inability to restrain an impulse. Impulse behaviour is seen as a combination of attributes like a sudden and spontaneous desire to get, a state of psychological disequilibrium, the onset of psychological conflict representing an inner battle of thoughts, a reduction in rational evaluation of product attributes and lack of regard or
denial for consequences in behaviour (Rook & Hoch, 1985). The extent to which consumers tend to buy products on impulse could determine their compulsivity.

Positive outcomes of buying in the form of benefits of the product and satisfaction of consumer needs reinforce the impulse behaviour with a feeling of pleasure and excitement (Gardner & Rook, 1988). Impulse buying can temporarily block negative thoughts and feelings, like the inability to repay credit.

As buyer motivation shifts from the desire to purchase a specific product to desire for the buying process, acute episodes of impulse buying may give way to chronic compulsive buying, escalating out of proportion to become addictive buying. Addictive buying is the transition from abuse to dependency, marked by diminished response (tolerance), withdrawal symptoms, and other indicators commonly associated with chemical addictions (Marlatt G.A, Baer J.S, Donovan D.M & Kivlahan D.R, 1988).

Self-regulation mechanisms are used to explain the rational process of buying. Self-regulatory systems mediate external influences and provide a basis for purposeful action, allowing people to have personal control over their own thoughts, feelings, motivations and actions (Bandura, 1989). Self-regulation is an internal control mechanism that governs what behaviour is performed, and the self-imposed consequences of that behaviour. Self-regulation is extremely important because it allows the gradual substitution of internal controls for external controls of behaviour. Self-reflection enables people to analyse their experiences, think about their own thought processes, and alter their thinking accordingly (Bandura, 1977, 1986, 1989). Lack of self-regulation leads to unregulated buying and distinguishes compulsive from non compulsive buyers (Rook, 1987; Marlatt et al, 1988; O’Guinn & Faber, 1989; McElroy, Satlin, Pope, Keck & Hudson, 1991, 1994; Valence, d’Astous & Fortier, 1988; O’Guinn & Faber, 1992; Weun, Jones & Beatty 1998; Nataraajan & Goff, 1992).

Credit Card Default

Credit card default measures the credit quality or worthiness of an individual which can best be evaluated by analysing the probability of an individual running out of both cash and profits at any given moment, thereby adversely affecting ones liquidity position. The disproportionate spending tendency of compulsive buyers can lead to adverse liquidity position and to credit default.

Compulsive Buying:

Compulsive buying is chronic, repetitive, excessive purchasing as a response to negative life events, inner deficiencies or negative feelings and carries strong compensatory components. The buyers are confronted with a tendency to perform the
act of buying in order to compensate for stress, disappointment, frustration, or lack of self-esteem (O’Guinn & Faber, 1989; Scherhorn, Reisch & Raab, 1990). The causes of compulsive buying are psychological, socio-cultural, and psychiatric in nature (APA, 2000). Compulsive buying lies along a continuum rather than at the extremes, i.e. a person either is or is not a compulsive buyer (d’Astous, 1990). It can be a temporary behaviour and not just an inherent one where individuals temporarily develop compulsive buying tendencies in stressful situations. The second group has a predispositional tendency (Desarbo & Edwards, 1996).

Repeated buying, a chronic symptom of compulsive buying can harm not only the individual, but his/her family and society, and can result in overspending, extreme indebtedness and bankruptcy (McElroy, Satlin, Pope, Keck & Hudson, 1991; O’Guinn & Faber, 1992).

H5-Compulsive buying is positively related to credit default

Materialism:

Materialism is conceived as a complex trait which reflects the centrality of possessions in an individual’s life (Belk, 1985). Materialistic individuals prefer to pursue happiness by acquiring possessions. These individuals tend to judge people’s success by the quantity and quality of their possessions. Materialistic people tend to direct their thoughts and behaviour toward possessions over other pursuits like personal relationships, experiences, or intellectual enrichment (Christopher, Marek, & Carroll, 2004; Richins & Dawson, 1992; Richins & Rudmin, 1994). The trait materialism has three sub dimensions which include (a) role of acquisition in happiness (b) role of possessions in defining success and (c) acquisition centrality. Richins & Dawson (1992)
identified the following traits in materialistic individuals: (a) desire a higher level of income than those low in materialism (b) place greater emphasis on financial security and less on interpersonal relationships, (c) prefer to spend more on themselves and less on others, (d) engage in fewer voluntary simplicity behaviours, and (e) are less satisfied with their life in general.

When the need for security, safety and sustenance are not fully satisfied, people place a strong focus on materialistic values and desires and turn to buying, in an attempt to claim status (Kasser & Sheldon, 2000). It is found that highly materialistic individuals tend to experience greater negative effect and less positive effect than did less materialistic individuals (Christopher & Schlenker, 2004). People highly oriented towards the acquisition of wealth and possessions, usually report low levels of well being (Belk, 1985; Richins & Dawson, 1992; Wright & Larsen, 1993; Mick, 1996; Sirgy, 1998; Carver & Baird, 1998; Kasser & Ryan, 1993, 1996, 2001). To summarise, materialistic individuals in their pursuit for possession of goods end up in more frequent buying and this can adversely affect their financial outcomes.

Materialism is positively related to both compulsive buying (H1) and to credit default (H4)

Enhanced Credit Card Spending Behaviour:

Credit card enhances spending as it permits current purchases to be made on the basis of anticipated future income (Hirschman, 1979). The probability, speed and magnitude of spending is enhanced when credit card stimuli is used, which is attributed to conditioning (Fienberg, 1986). The increased spending could be a result of consumer computation bias: the use of credit cards reduces the relevance of immediate
payments and consumers are unable to keep track of actual expenditure and the status of their wealth. On the other hand maintaining a check book makes prominent the consumers expenditures and the wealth status. Spending power that is offered by a credit card’s credit limit is confused by consumers with increased wealth, especially since this credit line has been granted by experts (Soman, 1996). Enhanced Credit Card Spending Behaviour is inclined by the presence or absence of credit card(s) and its influence on one’s shopping habits like planned or unplanned purchases, spending and repayment style, and thus effects financial outcome which is predominantly tall among compulsive buyers.

H6-Compulsive buying is positively related to enhanced credit card spending.

H9-Enhanced credit card spending leads to credit default

Credit Card Financing Behaviour:

There are several reasons why people use and abuse credit: economic necessity, lack of budgeting skills, the influence of media images and compulsive buying (O’Guinn & Faber, 1988). Many people borrow because they do not have the resources necessary to achieve a certain standard of living. Some choose to go beyond an achievable standard to maintain a higher desired standard of living and use credit to achieve it. Some people do not know how to budget their money, and to live within their means. People arrange wealth into three different mental accounts viz current income, current assets, future income and their propensity to consume differs based on their mental accounts (Shefrin & Thaler, 1988, 1992). Convenience users pay their credit card balances in full every month, the finance users carry a balance from month to month (Janvrin, 1999). If
credit card financing behaviour is beyond of one's controllable limits, that will lead to a loss of track on ones mental accounts and thus enhances the probability of default.

It is reported that, credit cards are widely abused by compulsive buyers, due to their disproportionate buying behaviour and their inability to perceive its financial consequences (O’Guinn & Faber, 1992). There is increasing evidence that credit card debt has contributed to the rise in family financial problems and personal bankruptcies (Brobeck, 1997). Consumers who use credit cards spend more when compared to customers using other means of payment (Tokunaga, 1993; Soman, 2001). Behavioural, psychological, demographic variables can predict consumers, who use consumer credit effectively (Tokunaga, 1993). The differences in credit card spending and credit card financing behaviour of highly materialistic persons from those who are less materialistic need to be investigated (Palmer, Pinto & Parente, 2000). The presence of a credit card enhances the urge to finance ones spending particularly among individuals who are materialistic and compulsive buyers.

H7-Compulsive buying is positively related to credit card financing behaviour.

H10-Credit card financing behaviour leads to credit default.

H2-Materialism is positively related to enhanced credit card spending.

H3-Materialism is positively related to credit card financing behaviour.

H8- Enhanced credit card spending is positively related to credit card financing behaviour.

H11- Among compulsive buyer’s enhanced credit card spending (11a) and credit card financing behaviour (11b) mediates the relationship on credit default.
Compulsive shoppers encounter temptations daily due to various factors such as easier access to malls, variety of products being available and the fact that present shoppers have little social stigma attached to constant shopping (Hirschman, 1992). Shopping is also changing in nature (Cambell, 2004). The focus of modern shoppers is shifting from the purchase of provisions to satisfying the physical needs of oneself, to the use of consumer goods as a distinctive means of acquiring and expressing oneself-identity, regulatory emotions and gaining social status (Dittmar & Beatty, 1998; Elliott, 1994; McCracken, 1990). Changes in the family and environment have enhanced the complexity of consumption and created an atmosphere to be more favourable to demonstrate compulsive behaviour (Mick, Broniarczyk & Haidt, 2004). The belief that consumer goods are a route towards success, identity and happiness are core values of consumer society (Dittmar & Drury, 2000).

Figure 2: Summary of the Conceptual Framework (diagrammatic)

Proposed Structural Equation Model depicting the relationship among the variables as in the final study

![Diagram of the Conceptual Framework](image-url)
Conceptual Definitions

Materialism

Materialism is conceived as a complex trait which reflects the centrality of possessions in an individual’s life (Belk, 1985). This is measured using three distinct sub dimensions of role of acquisition in happiness, role of possessions in defining success and acquisition centrality (Richins & Dawson, 1992).

Compulsive Buying

Compulsive buying is chronic, repetitive, excessive purchasing that becomes a primary response to negative life events, inner deficiencies or negative feelings and carries strong compensatory components. The buyers are confronted with a tendency to perform the act of buying in order to compensate for stress, disappointment, frustration, or lack of self-esteem et al (O’Guinn & Faber, 1992).

Enhanced Credit Card Spends

Credit card enhances spending as it permits current purchases to be made on the basis of anticipated future income (Hirschman, 1979). The probability, speed and magnitude of spending is enhanced when credit card stimuli is used, which is attributed to conditioning (Fienberg, 1986). Enhanced Credit Card Spending Behaviour is inclined by the presence or absence of credit card(s) and its influence on one’s shopping habits like planned or unplanned purchases, spending and repayment style, and thus affects financial outcome which is predominantly tall among compulsive buyers (Sahni, 1995).
Credit Card Financing Behaviour

Credit card financing behaviour measures the extent to which one utilizes his/her credit limit on the card, tally with his/her mental accounts and timeliness of payments (Sahni, 1995 adapted from Edwards, 1992). People decompose wealth into three different mental accounts-current income, current assets, future income- their propensity to consume differs based on their mental accounts (Shefrin & Thaler, 1988, 1992). Convenience users pay their credit card balances in full every month, the finance users carry a balance from month to month (Janvrin, 1999).

Credit Default

Credit quality (potential to default) can best be evaluated by analyzing the probability of an individual running out of both cash and profits at any given moment. To evaluate the possibility of an individual running out of cash, lenders generally look at a cash budget for the individual. They evaluate various scenarios and try to determine how likely the ending cash balance will be negative, implying a need for outside funds that may not be forthcoming if an individual is not money-making (Individuals Immediate scope of higher post/designation or payment terms). The extent of the credit losses that then arise if an individual does run out of cash is a function of the seniority status of each debt, as well as the value of the total assets of an individual in bankruptcy. The concept is in a way similar to Altman’s Z-score developed for companies. It is not sufficient to have good credit scoring system, but one should know how much to rely on them based on new circumstances. The current income, future income, net current assets and net total assets of individuals are important determinants of credit default (Brealey & Myers, 2003).
Operational Definitions

(See design of questionnaire (Instrumentation) in the research methodology chapter and also the related questionnaire in annexure)

Materialism

The three sub dimensions of role of acquisition in happiness, role of possessions in defining success and acquisition centrality are measured using a five point Likert scale from strongly disagree(1) to strongly agree(5). High scores on positive statements pertaining to the sub dimensions indicate high materialism. Low scores indicate low materialism. (Materialism scale developed by Richins & Dawson (1992) and as adapted by James Carl Stone IV (2001).

Compulsive Buying

The compulsive buyers are confronted with a tendency to perform the act of buying in order to compensate for stress, disappointment, frustration, or lack of self-esteem. The scale is a five point scale from never (1) to very often (5). High scores on statements demonstrating the act of excess buying indicate compulsive buying nature. Low scores indicate non compulsive buying nature (Compulsive buying scale as used by James Carl Stone, 2001 adapted from O’Guinn & Faber (1992).

In the R.Faber & T.O’Guinn scale (1992) of compulsive buyer screener a total score of equal to or less than (-) 1.34 is classified as a compulsive buyer. The scale is a five point scale from never (1) to very often (5). This is used as a parallel form measure. The questions are related to act of excess buying, excess spending, shopping anxiety and unorganised card payment style. Scoring equation is:

\((-9.69+(Q1*0.33)+(Q2a*0.34)+(Q2b*0.50)+(Q2c*0.47)+(Q2d*0.33)+(Q2e*0.38)+)+(Q2f*0.31).\)
Enhanced Credit Card Spending Behaviour

Enhanced Credit Card Spending Behaviour is inclined by the presence or absence of credit cards and its influence on ones shopping habits, spending style and planned or unplanned purchases which are measured using a five point Likert scale from strongly disagree (1) to strongly agree (5). High scores on more shopping, spending due to the presence of cards indicate enhanced credit card spending. Low scores indicate non enhanced credit card spending (Enhanced credit card spending scale designed by Sahni, 1995).

Credit Card Financing Behaviour

Credit Card Financing Behaviour is the extent to which one utilizes his/her credit limit on the card, tally with his/her mental accounts and stand for timeliness of payments which are measured using a five point Likert scale from strongly disagree (1) to strongly agree (5). High scores on excessive financing using cards indicate that one is too dependent on credit card financing and loose track on mental accounts. Low scores indicate that one is not dependent on credit card financing behaviour and keep track of mental accounts. (Credit card financing behaviour scale designed by Sahni, 1995) adapted from Edwards (1992).

Credit Default probability

A debt know how quiz of Master Card (2006) was administered to find the credit default probability of the respondents. A nominal scale with ten items, the answer gets accumulated as points indicating probability of credit default. All ten questions have a Yes or No choice. In Question number nine if yes then zero score and if No then a
score of one. In all other questions yes has one score and No has zero score. If all answers are yes then total score is nine and if all answers no then total score is one.

Zero score means - excellent, as the credit default probability is nil.

Score of 1-4 means- Early warning stage.

Score of 5- 10 means- High credit default probability.

In the final data collection a second mode of credit default identification (parallel form measure) was proposed. The researcher planned to meet with at least 50% of actual respondents who have credit defaulted (as identified from the respective banks) on their credit card accounts.

Assumptions
The theoretical know-how from the existing body of literature is assumed to have further scope of improvement given the nature of human behaviour.

Limitations
A long term longitudinal study alone will ensure in detecting change, analyzing large amount of data and ensure accuracy. The test-retest form was conducted in the final data collection to enhance reliability and validity issues. The representative sample of respondents was identified but tracking them over periods of time is done only to a limited extent, due to the difficulty in its implementation. About 40 respondents were tracked over a period of two years till the completion of the final data collection. So only some advantages of longitudinal studies are ensured, as many respondents were not available subsequently for data re-collection. But as there were different stages involved separating the pilot study and the final data collection, incremental process and design modification was ensured. At the same time, a multi -cross sectional design
involving a cohort group, who experience the same event within the same time interval was not feasible as the study was confined to Kochi Municipal Corporation.

As proposed earlier, the actual credit defaulters need to be identified from banks and included as respondents, which is to be used as a parallel form measure, while administering the credit default probability questionnaire. This was not possible due to the reluctance from different bankers to disclose their different buckets of defaulters. Identifying and collecting data from different buckets of respondents is a very sensitive issue as most of the defaulters even if identified with the help of the respective banks, may fall short to co-operate with the study. There can be unwillingness from the defaulters to expose their reality. Even though many bankers had initially agreed, the researchers attempt to get to the default list from various bankers was thwarted many times due to the non co-operation of the bankers when it came to actual data collection.

A final sample size of 550 respondents was selected for the study. But as planned, 275 numbers of credit non-defaulters and 275 credit defaulters who were using credit cards for a period of one year or more could not be completed in the same proportion. This does not in any way compromise on the quality of the data and in real world it has been found from various reports including that of CIBIL and Economic Times daily (2007) that the actual defaulter percentage is somewhere from 2 % to 12%

The demographic variables like age, sex, Income levels is not given due proportional weight-age during sample design (as originally planned) so as to find the effect of these factors because statistically it was found that for each sub-category of demographic variable at least 250 samples were required to do a Structural Equation Analysis (SEM) when the variables as in the given SEM model is five (Schumacker R.E &
Lomax R.G (2004). The demographic variables as such are not very rich variables to create paradigm change in the final analysis and outcome. Hence their exclusion can be justified, even though in some studies they had generated significant results. Their scope can be explored in future researches.

Chapter Scheme:

The research report is presented in five chapters.

Chapter 1-Introduction
Chapter 2- Review of Literature
Chapter 3- Research Methodology- Data Collection, Statistical Analysis
Chapter 4- Results & Discussion
Chapter 5- Summary and implications for future research.

End note: 2. Credit Card Usage Pattern includes Enhanced Credit Card Spending and Credit Card Financing Behaviour.