CHAPTER - VI

SUMMARY, FINDINGS, SUGGESTIONS AND CONCLUSION

Success on any major scale requires you to accept responsibility... in the final analysis, the one quality that all successful people have... is the ability to take on responsibility.

- Michael Korda
CHAPTER - VI

SUMMARY, FINDINGS, SUGGESTIONS AND CONCLUSION

Consumer spending habits keep on changing, hence the study on consumer spending habits is endless. The more one studies, the more enlightenment is achieved. However, these results cannot be confidently applied to a new situation, as the behaviour is an unpredictable trait of an individual. Consumer habit comprises of all the habits that a consumer displays in searching, analysing, purchasing and using a product or service to fulfil their needs. The understanding of consumer habits in using credit cards helps the banker to identify the weak points and also reflects the positive aspect of any banking business. The study of consumers’ spending habits and their preference helps the banks to improve their marketing strategies and thus helps to improve the customer retention.

The main objective of the study on ‘consumer spending habits’ is to provide the banker with better knowledge and skills that are necessary to carry out the banking business. Therefore detailed consumer analysis could be used for the purpose of understanding cardholders and developing banking strategies.

The credit card business is one of the fastest growing segments in the banking arena today. Indian banking institutions which is also playing a vital role in the development of the economy and is providing credit facilities to the customers by way of credit cards. Many Indian banks including State Bank of India have ventured into this domain of Plastic cards, which is now quite popular in India. However, this has brought a drastic change in the issue of credit since the banks of the new generation have started popularizing the credit card.

Title of the Research

The title of the research is “An Analysis of Spending Habits of Credit Card Holders – A Study with Reference to Credit Card Users of Thiruvallur District of Tamil Nadu”.

Objectives of the Study

The study aims at analysing the spending habits of credit card holders in Thiruvallur district of Tamil Nadu.

- To analyse the usage behaviour of the respondents on different periods and different types of expenses.
- To study the level of consumer preference on credit cards.
- To identify the attributes that satisfy the credit cardholders.
- To identify the problems faced by the credit cardholders.

Methodology

The present study is exploratory in nature and has adopted survey method for its findings. The study depends mainly on the primary data collected through a well designed and well structured questionnaire which has been used for the collection of data from the credit card holders. However, efforts have been taken to collect information from all available published data, especially from the web sources for presenting a fair case of study. Efforts have also been taken to have intensive interaction with the users of credit cards for the purpose of study.

Analysis of Data

Convenience Sampling Method has been adopted to collect the primary data. The respondents for the purpose of the study have been selected systematically. The primary data collected from the users have been analysed using the following statistical tools through SPSS Package version 21.

Factor analysis, Cluster analysis, T-test, Analysis of variance (ANOVA) and Pearson’s Chi-Square test have been used for the analysis.
Questionnaire Design

After pre-test and pilot study, a questionnaire with six sections has been finalized to collect information about the customer’s demographic profiles, information about their usage, credit card preferred over other modes and its impact on the growth of economy, type of card used, usage behaviour, satisfaction, problems and expectations of the customers. The questionnaire comprises both optional type and statements in Five Point Likert’s Scale. The Five point scale, which ranges as follows: 5- Most Important, 4- Important, 3- Neutral, 2- Less Important, 1- Least Important.

Part I: Questions to identify the age, gender, education, occupation, monthly income, marital status, type of account, nature of bank, type of card used, number of card used, and tenure of usage have been framed and asked.

Part II: Informations on the type of usage, reasons for card preference over the other modes and its impact on growth of economy and the variables which influence card usage have been elicited in this part.

Part III: Types of card used and variables which influence their decision have been identified.

Part IV: It has the information such as usage behaviour of different periods and different types of expenses and also variables which influence usage behaviour.

Part V: Questions on consumer’s level of preference while selecting cards and variables of preference influencers have been asked in this part.

Part VI: It has 36 variables on satisfaction, problems faced by the card holders and expectations of card holders.
Findings of the Study

The major findings of this study are summarised chapter-wise and listed as below.

Analysis of Demographic Factors of the Respondents

The study has examined the profile of the respondents and the type of usage of credit cards. (i) personal profile like - age, gender, education, occupation, monthly income, marital status, type of account, nature of bank, type of card, number of cards in use and tenure of usage have been discussed. (ii) type of usage of credit card (iii) identification of key factors for usage influencer (iv) reasons for card preferred over the other modes of payment (v) cards enhance the growth of economy through increased bank income (vi) identification of key factor for card preferred over other modes of payment and growth of economy influencer (vii) association of respondents profile with credit card preference level influencer. In the course of discussions in this chapter, the following have been established:

- The study indicates that young and middle aged group (26-50) of respondents are using credit cards more, as they are employed and it is quite opposite with old aged (50 and above) people who are quite hesitant to use credit card as they start preparing themselves for post retirement and do not prefer to have any debt.

- Male respondents are the majority users with 65.6% of them using the cards for various purchases of products and services like textile, grocery, cinema and shopping. Female respondents with only 34.4% use credit cards. This could be so, as male respondents are mostly employed compared to the female respondents and they are able to design their spending habits.

- Post graduates and graduate respondents mostly possess the credit cards i.e., 49% and 25.2% respectively. Professionals and respondents with other qualifications seem to possess credit card only to the extent of 24% and 1.8% respectively.
A sizeable section of respondents using cards are IT related employees accounting for nearly 35% of the respondents. Many MNC’s and large companies insist on credit cards to their employees as they provide certain privileges and offers. Least level of the respondents are the housewives i.e. 4.9%.

A sizeable section belongs to the High Income Group (above 50,000) which constitute a little more than one third of the respondents i.e. 33.5%. The Higher Middle Income Group (35,000-50,000) is very less with 12.2% using cards.

Married respondents are using the cards more, accounting for 57% as compared to the unmarried respondents with 43%. Limited responsibilities of the unmarried people could be a cause for low usage level of credit cards.

The saving bank account holders are the majority users of credit cards i.e. 82.5%. The recurring deposit and fixed deposit account holders are very low i.e. 4.3% each. Majority of the respondents are having savings bank account as their salaries are credited in their bank account. Bankers have also started issuing credit cards to their customers at the time of opening an account.

The respondents are still attracted towards public sector banks as 69.9% of them have accounts in public sector banks, but foreign banks have not attracted people towards it. Only 2.1% of the respondents in the study have account with foreign banks. Customer’s misconception about risk in handling money by foreign banks is still evident.

Majority of the people use Master cards i.e. 41.8% of the respondents followed by 36% of them holding Visa cards and only 12% of the respondents are having Platinum cards. Since Platinum cards are issued to elite customers, this could be small in number. Respondents having both Visa and Master are nil, whereas respondents holding Master and Gold are to the extent of 10.2%.
- Majority i.e. 87.7% of the respondents have one card, 10.2% of the respondents have two cards and only 2.1% of the respondents stated that they have more than two cards.

- Majority i.e. 70% of the cardholders have used it for more than 2 years. 3.6% of the respondents have used it only for six months. The card holders using cards for more than two years feel they have more flexibility, safety and convenience in using it.

- Purchase: Credit cards are mostly used by the high class people, but now the trend has been changed. Middle class and upper middle class are also using credit cards but not that much as compared to high class people. Credit cards are used mostly by the respondents for making purchase of home needs and textiles as felt by majority of the credit card holders i.e. 98% and it is used for grocery only by 69.1% of the respondents.

- Online Booking: Majority of the respondents use credit cards mostly for booking hotels i.e. nearly 90% and 34.1% of them use for booking airway tickets. As only few businessmen and rich people make frequent travel through airways the number of people who have used credit cards for airline tickets are minimum.

- Bill Payments: Respondents around 85% use credit cards for paying telephone bills and 45% of the respondents use on petrol bunk.

- Emergency Purpose: It is the basic purpose of using credit cards, somehow it saves time and we don’t expect help form others. (i) Hospitals -74.2% of the respondents agreed that credit cards are helpful in meeting the hospitalisation expenses. (ii) Cash Withdrawal – 3.5% of the respondents only find the credit cards are useful for cash withdrawal as most of them find the rate of interest quite high and they are hesitant to use cards for cash withdrawal.
Three distinct factors for the usage influencer variables have been arrived and have been named as Emergency, Bill Payments & Booking and Purchase.

Three dominant groups have been identified: They are most significantly used, least significantly used and moderately used group. 879 respondents seem to use the cards more and only 37 respondents say they moderately use the cards and 134 respondents have the least usage with their cards.

Majority of the respondents have agreed that cards are preferred over the other modes of payment due to:- avoidance of theft, easier payment options, grace period for payments, safety, comfortable usage and cashless conveniences, accounting for more than 91% respondents. 82.6% of the respondents accept the fact that cards tempt to make purchase when they get reward points. 54.5% of the respondents feel possessing cards is a status symbol, 16.1% however deny that possession of cards adds to their status. 12.1% of the respondents feel that information via mobile is getting delayed.

92% of the respondents have agreed that cards enhance the growth of economy through increasing banks’ income, i.e. the cards help in circulation of idle funds, provides service charge, interest income, enables to make larger purchases through credit cards and helps in expanding the market growth. 70.7% of the respondents also agreed that credit card usage does not increase any type of risk with regard to fraud.

Five distinct factors for the credit card preferred over other modes of payment & its impact on the growth of economy influencer variables are cashless market, make income, safety, payments and status.

Most significantly preferred (931 respondents), least significantly preferred (17 respondents) and moderately preferred group (102 respondents) are the three dominant groups of the respondents significantly differentiated by card preferred over the other modes of payment & its impact on the growth of economy.
Pearson’s Chi-Square Test has been used to measure the association between the profile of the respondents and credit card preference by the respondents. There is a significant association between personal profile and credit card preference, such as the gender, occupation, monthly income, marital status of the card holder, type of account, nature of bank and number of card in use.

However, there is no significant association between the personal profile and credit card preference with respect to age, education, type of card used and tenure of usage of the respondents in the study made. Different age group of the respondents use credit cards like as they get equal benefits and educations is not having any impact on the preference of the credit cards, as both high educated and educated people use cards to fulfil their needs. Type of cards and tenure of usage do not make a sense on the preference of credit cards, as every card has its own features and benefits to its holders. The competition in the credit card business is one of the reasons where tenure of usage is not taken into account for the preference of cards. As the banks change the facilities and offers frequently to attract customers. So respondents do not consider them.

**Analysis of Usage Behaviour Pattern and Consumer Preference**

This chapter has dealt with the examination and identification of (a) which type of card usage is more (b) usage behaviour of respondents on different periods of the year and different types of expenses (c) level of consumer preference (d) and effort was made to analyse the satisfaction, problems and expectations of card holders (e) association between the demographic factors and usage behaviour (f) association between demographic factors and level of consumer preference (g) association between demographic factors and satisfaction level of respondents.

In the course of the discussions in this chapter, the following have been established:

- The study has highlighted that Master card usage level is more, than that of visa. Compared to other cards these two cards are used more. Percentage analysis has been used to measure the frequency of the type of cards used by
the respondents. Master cards are used by majority of the respondents; Visa cards are also given priority among the respondents, as there is a wider acceptance for both these cards.

- The respondents’ usage behaviour has showed importance to festival season purchase of dress materials, booking to enjoy travel privileges, purchase of gifts at the time of family occasion, booking of hotel at the time of family picnics and pilgrimage visit, when discount facilities are available. Festival season purchases of gold ornaments together have an overwhelming response with 66% and above respondents.

- Respondents have given neutral opinion for the use of cards during family occasions, purchase of durables (i.e. furniture - purchase during aadi, discount sale and annual clearance sale), purchase of electronics goods at the time of discount sale, hospitalization and discount holiday package (travel privileges).

- Pearson’s Chi-Square Test has been used to measure the association between the demographic factors and usage behaviour.

There is a significant association between demographic factors and usage behaviour such as age, gender, education, occupation, monthly income, marital status, type of account, nature of bank, number of card used and tenure of usage. Hence we can accept alternate hypothesis (H$_1$).

However, there is no significant association between the type of card used and usage behaviour, as different cards have different credit limit. In this case the respondents are using different cards according to their credit worthiness. Hence Null hypothesis (Ho) is accepted.

- Majority of the respondents find the following benefits, while selecting credit cards like, easier cash withdrawal, shorter transaction period, ease of bill payments, anywhere usage, saves time, hotels discount facility and travel privileges, twenty four hour service, wider acceptance, purchase protection and promotion of bank products, all the components accounting for more
than 85% in percentage analysis. Similarly, respondents give importance to longer interest free repayment period, easy & quick processing and low annual fee.

However, few respondents have neutral opinion regarding - Supplementary cards to family members, ancillary functions like effective handling of complaints/grievances, communication in regional language, attractive gift/bonus, higher credit limit and regular statement.

- There is a significant association between the demographic factors and level of consumer preference of the respondents such as age, education, occupation, monthly income, marital status, type of account, nature of bank, type of card used, number of card used and tenure of usage. Hence alternate hypothesis (H₁) is accepted.

However, there is no significant association between demographic factors and level of consumer preference of the respondents with respect to gender. Different genders have different opinions about their usage and the preference level in making use of credit cards for their expenses. Women consider about safety and large network; Men find concession / large network and safety as important factors. For example, male and female are heterogeneous in nature; their thoughts, emotions and their attitude differ. Hence null hypothesis (Ho) is accepted.

- The consumer preferences and usage behaviour influencing variables have been grouped into 5 distinct factors of privileges, computer networking, family occasions, festival purchase and processing and bonus in the order of their importance. 668 respondents feel that credit cards are very important due to the various benefits and advantageous offers. Whereas, 320 respondents feel that they are moderately important and 62 respondents feel that they are least important and do not add to their utility.

- The satisfaction level of the respondents reveals the following:

  (i) No one is highly satisfied.
(ii) Respondents are satisfied with respect to improved technology, convenient operating hours, attractive brochures and systematic & proper records are maintained by the banker.

(iii) The attitude of bank employees - good knowledge, courtesy, cordial service, prompts and regular service, the respondents have no opinion on these issue.

(iv) Respondents are dissatisfied about banker’s understanding on the specific needs of the customers.

(v) Respondents are strongly dissatisfied with regard to individual attention given by banks. As banks have huge number of customers, they find it difficult to give individual attention.

- Respondents face several Problems like

1. Possibility of fraud leading to cyber crime (if it is lost/stolen), improper payments leading to financial problem, emergency cash withdrawal with higher interest, mental agony, increased burden due to service charge, annual fees, membership fees, etc., Encouraging impulsive purchase - the above statements are agreed by most i.e. 91% of the respondents.

Also higher penalty charges, higher interests for late payments and low grace period are agreed by 51% of the respondents.

2. Majority of the respondents also feel that they don’t have any problems with respect to the regular statement and 16.5% of the respondents alone accept that individual attention is given by the banker.

- Expectations of the cardholders:

A. From Government:

Most expected:- Enacting suitable steps to avail the benefits of credit card even to a common man, alleviation of fear and protection to the users. This
will enable the card holder to use cards more for meeting their regular expenditure.

B. From RBI

Most expected:- Reasonable rate of interest, providing protection against cyber crimes, better marketing efforts to attract and satisfy customers.

Moderately expected:- Increase the awareness about usage of credit cards and improve safety measures.

C. From Bank

Most expected:- Regular and periodical statement, better promotion of credit card in semi-urban and rural areas, liberal policy for granting of credit card and flexible payment options.

- Five distinct factors for the satisfaction, problems and their expectations influencer variables have been arrived and have been named as expectations of card holders, technological improvements, safety measures by the government, high interest and penalty & burden (or) agony.

- The cluster analysis has showed that the card holder’s satisfaction, problems & expectations influencer variables consist of 941 respondents feel that they are moderately satisfied due to their high expectations, 57 respondents feel that they are more satisfied with bank employees’ attitude and infrastructure facilities, ready to take risk and their acceptance level also high. 52 respondents feel that least satisfied, they expected more benefits.

- There is a significant association between demographic factors and satisfaction of card holders, such as age, gender, education, occupation, monthly income, type of account, nature of bank, number of card used and tenure of usage. Hence Alternate Hypothesis (H₁) is accepted.

However, there is no significant association between demographic factors and satisfaction of card holders, with respect to marital status and type of
card used; irrespective of their marital status they have similar opinion about the satisfaction on the usage pattern and features of card. There is also not much difference in the opinion of respondents having varied types of cards. So Null Hypothesis (Ho) is accepted.

- Overall view of the respondents’ satisfaction on different cards:-

Majority i.e. 641 respondents use Visa and Master Cards and they are moderately satisfied. In our study the respondents belong to the upper middle class and middle class. Their income is also not that high and they are eligible only for visa and master cards. In semi-urban areas, only these cards have wider acceptance, so these respondents find the usage of visa and master cards is quite useful and also comfortable. The wider acceptance of these cards in all the places makes them a favourite choice for the cardholders. However, only 36 respondents feel most satisfied with these cards and they feel banks can come out with some more unique features in these existing cards itself. 34 respondents totally find least satisfied with these cards, they seem to possess these cards only out of compulsion.

Suggestions

After analysing, I would like to come out with few suggestions regarding the study made. The study has been completely made in a semi-urban area where most of the respondents are upper middle class and middle class. The study has been made in the Thiruvallur district of Tamil Nadu, which is a fast developing district of Tamil Nadu. In such an area the implementation of banks new products and services has been appreciated by the people. Though the people of Thiruvallur district enjoy benefits of using credit cards, it is not a complete one, where the people of that locality are not completely satisfied. To improve the standards and to meet the expectations of the customers, here I am giving few suggestions out of my own study.
Government

- Government should play a prominent role in encouraging the promotion of card payments through various practicable measures like, creating a favourable policy environment for it.

- Government should take initiatives to widen or increase the card usage for utility payments such as bill payments, taxes, insurance premium and fee payments to move from cash to cashless society by eradicating the traditional payment methods. This can save time and also make it eco-friendly.

- The government should impose tax relief policy on the retailers who accept payments via credit cards, which will stimulate the popularity among the retailers which indirectly helps in the increase of usage rate of credit cards. This in turn enhances the profit made by credit card issuing banks, which ultimately benefit to the Government through Corporate Taxation.

Banks

- Banks should create atmosphere of trust in all the transactions made through credit card.

- Banks should take the sole responsibility to create awareness and conduct training and education programmes for wider acceptance of plastic money.

- Banks can identify cards to suit customers’ needs.

- Variety of cards should be introduced by the banker based on their earning capacity of holders.

- Customer’s education is required for increased awareness and to make the best use of the card.

- Banks should attract more customers by making the transactions more transparent and also simplify the proceedings.
Banks may conduct periodical surveys and take customers’ views and opinions on the simplicity and ease of operations.

Banks should set up CREDIT BUREAU within the banks to analyze the credit worthiness and repayment capacity of the cardholders.

Banks must take precautions to avoid high default rates and bad debts from credit cardholders in the form of securities by accepting the prescribed amount as a nominal amount in the form of deposits.

Banks should take steps to reduce interest rates on credit cards as it is highly unaffordable. Interest rates should be charged according to the amount spent by the cardholders, as credit limit differs with usage of different cards.

Banks should set up a powerful identification system and encourage sound risk management practices to avoid misuse of cards and reducing card frauds.

Banks should create awareness regarding the facilities of Banking Ombudsman and Consumer Courts for Customer’s grievances and settlement of their disputes in usage of plastic money.

More emphasis must be placed in solving the cardholder’s complaints which would help in retaining existing cardholders and create confidence in them.

Customer’s grievances should be handled by a team of well trained staff members, as this will build a professional image to cardholders.

Deadline should be allocated in solving each of the complaints to ensure effectiveness of the bank functions.

Banks should conduct awareness camps for merchants to establish POS machines in more business establishments working in Urban, Semi – Urban and Rural areas. Small business establishments are usually run by illiterates, so this awareness can encourage them to use point of sale (POS) machines.
Banks can encourage larger volumes of business through credit cards by fixing floor limits attached with reward packages.

Customers

To make the best use of cards, customers should follow the features, billing cycle, fee structure, interest calculations and other terms and conditions before accepting the cards.

Credit cards should be used wisely by avoiding unnecessary purchase. The cardholders should plan their economic affairs and should be concerned about the future commitments by being disciplined in spending.

The credit card holder should be sincere and honest in repaying the balances on time to avoid the financial barriers and should pay at least the minimum amount due on every month for its smooth functioning.

It is advisable to recommend personal loans in order to reduce high interest rates on credit card bills outstanding as personal loans carry low interest rates.

Women should be induced to use credit cards by creating awareness on the benefits derived from them. New schemes can be introduced to cater to the specific needs of women.

Scope for Further Study

The study has been made on “An analysis of spending habits of credit card holders – a study with reference to credit card users of Thiruvallur district of Tamil Nadu”. The study has focused on the type of usage and reason for preference of cards over the other mode and its impact on growth of economy, type of card used, usage behaviour and level of consumer preference. The study has found that most of the respondents are moderately satisfied in using credit cards.

Further research can be focused on the usage of credit cards among different zonal and district levels and also on the usage behaviour among different classes of
people. A deep study can be made on the usage of credit cards on government and non-government employees. Even a complete study on the self-employed and workers of urban and rural areas could give interesting facts.

There will be a lot of changes in the economy and also among the people, when these studies are made as a comparison. Studies based on the above will also make banks to come out with new products and services which will not only enable them to expand their business but also help in retaining and attracting new customers in this competitive era. This will result in wider usage of credit cards by the people and also help the banking industry to expand its services.

**Conclusion**

Credit card is commonly known as plastic money. It has became a necessity, where it enables currency conversion and tracking of money spent. It is an alternative for cash with safety and convenience. Credit cards enable purchasing power of an individual which in return has an impact on the growth of the economy. It is seen as a status symbol and as a vehicle of consumerism. Credit cards are playing a major role in the busy life style of the people, but they are mostly seen among urban population. Hence steps should be taken to promote credit cards in the rural area as well, which will lead to increase in personal income, business development of banks as well as economic development of a country.

This exploratory study has been made to analyse the spending habits of the credit card holders, with regard to type of usage, types of cards used by them, usage behaviour, consumer preference level, satisfaction, problems and expectations variables. The study has been made in a semi-urban area that is Thiruvallur district of Tamil Nadu, where most of the people belong to upper middle class and middle class. The District is a fast developing and it shows prosperity in the economy. People of this district are well habitual with shopping and travelling, in this district there is wider change in life style and income consumption pattern of people as compared to other cities. As per Robert Siegler words, “It’s been a long project and I’m really hoping to see it come to a successful conclusion”. The researcher successfully concludes with the following suggestion.
Technology, a major facilitator has brought about a tremendous change not only in the way we perform banking functions but also with increased income of the customers, it has increased the purchasing power of the individuals. This growth in spending power is accompanied by various methods of financing including credit cards. In years to come Indian banking sector has to equip itself to capitalise on these improvements and changes. This is possible only with the support of Government and RBI. Government, RBI and Banks should bring out certain steps to meet the expectations of the cardholders, which would enable wider usage of credit cards. Healthy practices adopted by the banks can go a long way in creating good and safe credit card business.