

**CONSUMERS' ATTITUDE TOWARDS CREDIT CARDS: AN
EMPIRICAL STUDY**

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ABSTRACT

The present paper is part of the doctoral thesis by the researcher. In this paper the researcher attempted at empirical investigation of how credit card consumers respond to, and reveal their attitudes towards credit cards. The objectives of this study are threefold: To understand the usage patterns of credit cards by the consumers; To identify the grievances that the credit card holders face while using the credit cards; and, To study if the card issuers make any efforts to remove these grievances. The stratified random sampling technique was used to determine the size of sample. The sample size was 165. In the absence of secondary data, a questionnaire was administered to the respondents and primary data was collected. Likert Scale was used for this purpose. The attitudinal statements were created, and the instrument was tested for its validity and reliability. Chi Square test was conducted and the results were found to be statistically significant. Consumers appeared to be generally satisfied with the use of their credit cards even though they have different views regarding other users. Certain practices by the credit card issuer companies are negatively viewed by the consumers. On the whole, credit card users appeared to believe that credit cards are useful, and that consumers are better off with credit cards than without them.

INTRODUCTION AND LITERATURE SURVEY

The use of credit cards originated in the United States during the 1920s, when individual companies, such as hotel chains and oil companies, began issuing cards to customers for purchases made at those businesses. The use increased significantly after World War II.

The first universal credit card which could be used at a variety of stores and businesses was introduced by Diner's Club Inc. In 1950, it issued the first credit card to 200 customers who could use it at 27 restaurants in New York. It charged card holders an annual fee and billed them on a monthly or yearly basis. The American Express company established another major universal card in 1958.

The first national bank plan was Bank America Card which was started on a state-wide basis in 1959 by the Bank of America in California. This was licensed in other states starting in 1966 and was renamed Visa in 1976. Other major bank cards followed, including Master Card formerly Master Charge.

Credit Cards In India

Usage of credit cards by bank customers in India started since 1980s, but only in early 1990s, the market has witnessed a quantum jump. The total number of cards issued by banks and outstanding has increased from 2.69 crores in Dec., 2003 to 4.33 crores by the end of Dec., 2004. Likewise, the actual usage has registered increased both in terms of volume and value, i.e. from 14.57 crore transactions amounting to Rs.26, 951 crores during 2002-03 to 18.55 crore transactions aggregating Rs. 35,870 crores during 2003-04. In the year 2004, up to December alone card customers undertook about 21.19 crore transactions amounting to Rs.44, 737.73 crores¹. The credit card companies are referred to as "Networks". The banks that issue these cards are referred to as "Issuers". Participants in credit card networks are primarily comprised of consumers, issuers, merchants, acquirers, and network operators. These participants are involved in a series of interrelated bilateral transactions.

Consumer credit card search behaviour

Several researchers argued that borrowers do not search for low credit card interest rates. Some of these non-shoppers are convenient users. They consider interest rates irrelevant because they pay the balance in full every month. Others perceive a low expected value of savings. If credit cards are used as a financing mechanism instead of a medium of convenience, the interest rate should be an important determinant of consumers' choice of which credit card to hold.

So in the credit card market with wider price dispersion, greater anticipated savings, and lowered search cost, consumers' search activities are expected to payoff in terms of finding a card with a lower APR. According to the economics of information theory, a consumer will search for lower prices as long as the expected marginal benefits from additional search exceeds the expected marginal costs of the search.

Chang and Hanna (1992) discussed the benefits and costs of search for credit, including immediate benefits such as a lower interest rate and finance charge and indirect benefits including better money management, greater savings and convenience from using appropriate credit and gains in financial knowledge and experience gathered from the search process. It is important to distinguish between convenience and revolving credit card users since information search patterns may depend on how consumers plan to use their credit cards. Mathew and Slocum (1969; 1970) were the first to distinguish between them. Lee and Hogarth (1998) argued that search behaviours of revolvers and convenience users were in fact different.

Several researchers (Ausubel, 1991; Cargill & Wendell, 1996; Chang & Hanna, 1992) have argued that borrowers do not search for low credit card interest rates. Some of these non-shoppers are convenience users. For them, interest rates are irrelevant because they pay the balance in full each month. Others perceive a low expected value of savings. However, data shows that between 1992 and 1995 a higher proportion of consumers' revolved balances and the average value of those balances has increased

¹ "Credit Cards Industry- Use and abuse", Business World; July, 2007; pp54-59.

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 4 Issue 3 September 2013

(Chimerine, 1997; Kennickell, Starr-McCluer & Sunden, 1997). If credit cards are used as a financing mechanism instead of a medium of convenience, the interest rate should be an important determinant of consumers' choice of which credit card to hold.

Furthermore, the cost of information about credit cards has declined. In 1988 the U.S. Congress passed the Fair Credit and Charge Card Disclosure Act. This act amended the Truth in Lending Act to expand disclosure requirements for applications and mail solicitations for credit cards, making consumers' comparison shopping easier. More information comes directly to consumers in the form of direct marketing mail solicitations, which reduces consumers' information acquisition costs.

In this credit card market with wider price dispersion, greater anticipated savings, and lowered search cost, consumers' search activities are expected to payoff in terms of finding a card with a lower APR. The purpose of this paper is to explore whether consumers who revolve shop for credit and the relationship between search and the payoff to search as measured by the APR.

Chang and Hanna (1992) noted that in today's complex financial market, the cost of information search may be much greater for a money borrower than a goods buyer because the cost of this service may not be fully or clearly disclosed until application and the language of the creditor is difficult to understand for many consumers. However, in the credit card market, the cost information is fully disclosed at the time of solicitation and the information often comes directly to the consumer rather than the consumer needing to search for it. The terms used in credit cards are less complicated than other credit products such as mortgages and home equity loans.

Ausubel (1991) argued that consumers do not search for low credit card interest rates because they expect to use the cards only for convenience, rather than as a source of credit. They substantially underestimate the probability they will accrue outstanding balances, and thus they pay unnecessarily high rates of interest on these unanticipated balances. Furthermore, Ausubel assumed that consumers do not learn from their experiences, so that they continually expect to carry zero balances even after carrying outstanding balances. However, Ausubel's (1991) hypothesis of consumers' "irrationality" contradicts learning theory, which hypothesizes that consumers learn from their experience.

Pozdena (1991) characterized a consumer's decision to use bank-card debt as a moral hazard because cardholders choose to borrow at high bankcard interest rates when their financial conditions are relatively weak. Over the last several years, amounts revolved on credit cards have grown faster than any other type of consumers' loan, indicating consumers' conscious use of credit cards as a means of financing (Chimerine, 1997). In particular, many consumers view the convenience, ease, and flexibility of credit card borrowing more favorably than the lengthy application and approval process associated with other types of loans. Consumers' limited search for credit cards may be due in part to their use of credit cards as a convenience medium (Canner & Luekett, 1992; Pozdena, 1991). If the majority of cardholders use credit cards for convenience rather than as a source of borrowing funds, the benefits of search will be limited. However, as revolving balances increase, the benefits of search, and the associated search activity, are expected to increase.

From a policy perspective, it seems that disclosures have been effective in helping consumers who revolve shop for credit cards with lower interest rates. However, even though we used APR as our outcome measure, we do not really know if consumers understand what the APR is and how it can be used in shopping for credit. Open end credit products like credit cards are relatively easy to understand because the APR is identically the contract interest rate consumers pay, although cash advance fees, late fees, over-the-limit fees and annual fees are also a part of the total cost of credit. In many other closed end credit products, such as mortgages and installment loans, the APR and the contract interest rate are not the same, and there is evidence of consumer confusion about the meaning of the APR (Lee & Hogarth, 1999).

The APR measure reported in the Survey of Consumer Finances is most probably the interest rate for goods and services charged on the credit card. However, often there is a different interest rate for cash advances, and interest begins to accrue immediately on these advances, unlike goods and service charges for which there is a grace period before interest accrues.

Some of the lower APRs in this study may have been "teaser rates," which usually change after a certain introductory period. Teaser rates have been around since the early 1990's (Canner and Lueckert, 1992) and consumers have learned to switch from one card to another, turning these "introductory" rates into long-term rates that can last over several years. Some financial institutions now offer to extend low rates or provide other "loyalty incentives" to prevent switching (Nadler, 1999; Sanders, 1999b) or offer permanent low rates (7.99%) to their best customers (Sanders, 1999a). While deals like these are available in the market place, it may take substantial search to find them. Similarly, some of the higher rates (e.g. 29%) may reflect sub-prime lending or secured credit card interest rates. However, sensitivity tests with sub-samples of the respondents show that the model is robust with respect to the effects of information search on the resulting APR.

The results of Sougata Kerr & Lucia Dunn (2002) show that: (a) high rejection probabilities do not affect search propensities; and (b) high balance consumers search more even though they have a higher likelihood of rejection. These results imply that search costs are no longer a dominant economic factor in this market. The findings demonstrate one important policy Impact of the Truth-in-Lending Act which has lowered the cost to consumers of gathering information about credit terms. This change in search behaviour is an important factor in the observed decline in credit card interest rates in recent years.

RESEARCH METODOLOGY

This research project constitutes the study of credit card consumers' attitude towards the credit cards. The study was to be conducted among credit card holders, to address to the following questions:

- a) What is the usage behaviour of credit card holders?
- b) Are the consumers satisfied with service provided to them by credit card issuers? If not, what are their Grievances?
- c) Are the efforts being made by the issuers to remove or reduce these grievances?

Statement of the problem:

The research problem can be broadly stated as:

"The credit card consumers are facing serious problems with interest rates and delayed billings leading to overspending on genuine goods and services."

This statement was discussed with credit card holders and an effort was made to determine the level of satisfaction derived out of the service provided to them by credit card companies. On the basis of that discussion, the objectives of this study were formulated.

OBJECTIVES OF STUDY

The objectives of this study are two-fold:

- a) To identify the grievances that the credit card holders face while using the credit cards; and
- b) To study if the card issuers make any efforts to remove these grievances.

LIMITATIONS OF THE STUDY

- a) A major limitation of the study was a very small population size and a non-co-operating and sometimes stark refusal by the credit card companies (issuers) to divulge the list of credit card holders in the cities of Ludhiana and Jalandhar.
- b) Another major limitation was non-availability of resources to undertake the survey because this project was not sponsored and all the costs were to be borne by the researcher himself.
- c) Contacting respondents to collect data for such lengthy questionnaires proved to be another limitation.

HYPOTHESIS DEVELOPMENT

H₀ The credit card holders are satisfied with the services provided by credit card networks.

This was null hypothesis. This statement was discussed with more than 80 credit card holders belonging to different strata and everybody rejected it. So on the basis of personal interviews and discussions with the cardholders, the following statement was adopted as alternate hypothesis –

H₁ The credit card issuers are not honest with their consumers in awarding grace period.

When this statement was discussed with the friendly bank managers who happened to be the service providers, they did not favorably respond to it and considered it to be a very strong statement, casting a negative impact upon their working vis-a-vis the credit card issuers. They suggested stating this problem in a milder manner, so another statement was developed as **H_{1A}**.

H_{1A} The credit card consumers rely more on service providers in terms of alerting them about the grace period.

This statement was discussed with the same group of credit card holders who considered this statement to be incomplete and thus the second aspect of this statement of hypothesis was developed, arising out of the discussions with them.

H_{1B} As the card use has become more common, negative opinion about credit card may have increased.

The researcher attempted at gathering secondary data or data sources within the Indian context, but neither such data, nor any reliable data-source was available. The researcher then decided to adopt primary data collection exercise. Since objective a) and b) were mutually related, it was decided that these shall be addressed through questionnaire designed to collect the primary data.

SAMPLING PLAN

This study remained focused on the credit card consumers located in the cities of Ludhiana and Jalandhar only. The researcher obtained lists of credit card holders. The number of such consumers was 963 in Ludhiana and 748 in Jalandhar. So the universe for this study constituted (963+748) 1711 consumers of credit cards. This was indeed a small universe.

The respondents were categorized on the basis of demographic factor such as occupation. The stratified random sampling technique was used to determine the size of sample. Each stratum was formed on the basis of common characteristics of the items to be put in each stratum. This meant that various strata be formed in such a way as to ensure elements being most homogeneous within each stratum and most heterogeneous between the different strata. Simple random sampling technique was used for selection of items for samples from each stratum.

The method of proportional allocation is usually followed under which the sizes of samples from different strata are kept proportional to the sizes of strata. That is if P_i represents the proportion of population included in stratum i and n represents the total sample size, the no. of elements selected from stratum i is $n * P_i$.

The researcher was left with a list of 1650 credit card holders, which, finally, constituted the universe for this study. The entire universe was divided into four strata; viz., The Businessmen, Senior Govt. Officials and Senior Non-Govt. Executives, Women, and Students.

The total sample size was decided upon every tenth entry into each stratum, thus amounting to 1/10 of 1650 = 165 = n

No. Of businessmen	843	$P_1 = 0.5109$;	$n_1 = 84$
No. Of Senior Govt. and Non-Govt. Officials and Executives	407	$P_2 = 0.2466$;	$n_2 = 40$
No. Of Women	250	$P_3 = 0.1515$;	$n_3 = 26$
No. Of students	150	$P_4 = 0.0909$;	$n_4 = 15$

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 4 Issue 3 September 2013

For the purpose of this study, summated or Likert type scales were used. Summated scales were developed by utilizing the item analysis approach wherein a particular item was evaluated on the basis of how well it discriminated between those persons whose total score is high and those whose score is low. Each response was given a numerical score indicating its favourableness or unfavourableness and the scores were totaled to measure the respondents' attitudes.

Measuring Instrument:

To study the grievances and problems faced by credit card consumers in consuming a variety of services offered by credit card networks, a questionnaire was constructed and administered to the respondents. This questionnaire included twenty-five questions related to core attitudinal factors containing statements related to these attitudes. A Likert-type scale was developed by assigning score values based on five-point scale, ranging from strongly disagree to strongly agree. Each strongly disagree point was awarded the score value of -2, and a value of -1 was assigned to each Agree response. Other responses were assigned the value of zero. The questionnaire was tested for validity and reliability.

DATA ANALYSIS FOR CONSUMERS' SATISFACTION FROM CREDIT CARD USAGE

Data Analysis: The data analysis for this paper was carried out on the basis of data obtained through the questionnaire.

Table 1: Desired information on new credit card accounts within group of respondents.

Desired information	Those with bank type card (Percent)	
	Important	Most Important
Rates/finance charges	67	54
Annual/membership fee	27	10
Late/penalty fee	9	2
Grace period	8	3
Fixed /variable rate	7	5
Minimum payment	9	3
None	5	3
Other responses	22	10
Do not know	10	10
Total	165*	100

* Because many respondent showed more than one response.

Ordering credit terms according to the proportion of respondents who reported that a certain term was either very important or somewhat important shows that annual fee and annual percentage rates took the top two spots.

Table 2: Importance of credit terms among holders of bank type credit cards

Credit term	Very important	Somewhat important	Not too important	Not at all important	Do not know
Amount of the annual fee	76	19	0	3	2
Annual percentage rate of interest	78	13	0	5	4
Length of grace period	42	41	1	11	5

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 4 Issue 3 September 2013

Amount of the credit limit	36	41	0	13	10
Length of time to pay off account if making minimum payment	52	18	1	15	14
Amount of minimum payment	30	37	0	19	14
Rewards like cash back, merchandise, or frequent flyer miles	25	31	1	20	23

Perceptions of information availability
A series of

question inquired from all the respondents with bank type card accounts, about their perceptions of information availability for such accounts. Almost two-thirds (sixty five percent) of holders of bank type card accounts reported believing that useful information on credit terms was either very easy or somewhat easy to obtain for themselves.

Table 3: Exposition of Responses to the Options of Question No. 2 of Questionnaire (In terms of number of respondents)

Option	Very Important	Important	Somewhat Important	Not At All Important	Do Not Know
I consider the amount of annual fee	126	31	0	5	3
I consider annual percentage rate	129	21	0	8	7
I consider length of grace period	69	68	2	18	8
I consider amount of credit limit	59	68	0	21	17
I consider length of time to pay off	86	29	2	25	23
I consider the amount of minimum payment	50	61	0	39	23
I consider rewards like cash back, merchandise & frequent flier miles	41	51	2	33	38

Table 4: Opinions of consumer credit user concerning ease of obtaining information on credit terms and on adequacy of information provided (Percent)

Opinion	For self	For others
<i>Ease of obtaining useful information on credit term</i>		
Very easy.....	21	11
Somewhat easy.....	44	32
Somewhat difficult.....	26	36
Very difficult.....	6	11
Do not know.....	3	9

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 4 Issue 3 September 2013

Total.....	100	100
<i>Creditors provide enough information</i>		
Yes		
Some do/ some do not.....	65	49
No.....	2	4
Do not know.....	31	43
Total	2	4
	100	100

In contrast, only six percent believed that obtaining this information was very difficult. This finding is comparable to the results of the same question asked about perceived difficulties in obtaining information on closed-end credit accounts in earlier service, but it differs substantially from current respondents' views of the experiences of others with credit card accounts less than half of the holders of the bank type cards believed that it was easy for others to acquire useful information on credit terms.

A related follow up question produced a similar outcome. Another question explored further the distinction between views about personal experience with credit cards and that of others. Almost 90 percent respondents responded saying that such cards made managing finances either easier or that there were no difference.

The questions asked were grouped into five separate groups. The first group was related to the type of credit cards held by the consumers and the desired information they wanted to obtain from the credit card companies.

The data so obtained is tabulated as follows:

TABLE 5: EXPOSITION OF RESPONSES OBTAINED IN NUMERICAL FORM QUESTION NO. 6 TO 25

Question Number	1	2	3	4	5
6. The interest rates charged on credit cards are reasonable	2	23	2	46	92
7. Credit card companies show enough concern for protecting consumers' privacy	30	5	2	33	90
8. Credit card billing statements are accurate	86	68	2	6	3
9. Credit card companies make too much credit available to most people	115	35	2	10	3

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 4 Issue 3 September 2013

10. Sending solicitations that offer low rate but only for a short time probably misleads a lot of people	129	21	3	5	7
11. Credit card companies make it hard for People to get out of debt	86	43	3	18	15
12. Credit card companies should not be allowed to issue credit cards to college students	50	41	8	33	33
13. Overspending is the fault of consumers, not of the credit card companies	99	44	5	10	7
14. I am generally satisfied in my dealings with my credit card companies	81	62	5	10	7
15. My credit card companies treat me fairly	86	60	2	10	7
16. It is easy to get a credit card from other company if I am not treated well	107	33	3	15	7
17. I trust that my credit card company will keep my personal spending information confidential	53	60	3	24	25
18. Credit card companies provide an useful service to consumers	69	76	7	8	5
19. Most people are satisfied in their dealing with credit card companies	20	91	5	31	18
20. Consumers would be better off if there were no credit cards	20	38	10	53	44
21. Information on the statement about how long It	112	33	3	10	7

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 4 Issue 3 September 2013

would take to pay off the balance if I make only the minimum payment would be very helpful to me					
22. Mailing and other ads that offer a low rate at first followed by a higher rate is confusing to me	61	43	5	23	33
23. They provide a useful service to consumers	66	89	3	5	2
24. Most people are satisfied in their dealings with them	25	96	10	23	11
25. It would be a good thing for consumers if The credit cards were not around	8	33	8	55	61

The Chi Square Test results showed that, for four degrees of freedom, the data obtained through hypothesis H_0 was not a good fit. Thus this hypothesis was declared null hypothesis.

For alternate hypotheses- H_{1a} and H_{1b} , the data was found to be extremely statistically significant.

RESULTS AND DISCUSSION

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 4 Issue 3 September 2013

The data shows that all of the respondents held bank type credit card and about 41 percent held more than two credit card accounts.

When asked further why credit cards have made managing finances easier the majority of respondent stressed aspects of flexibility, a specially the smoothing of expenditure and repayment that credit cards permit. The smaller proportion that did not find credit cards making managing finances easier, often noted the possibility of over spending and over extending financial resources through credit card use. The generally favourable view concerning the effect of credit cares on their personal financial management contrasts sharply with consumers' perceptions of the experience of other people. 55 percent of respondents indicating that, in their view, credit cards made finances of other people easier or no different. In contrast, 40 percent said that the finances of other were made more difficult by credit cards-four times the proportion with a negative view of the effect of credit cards on their own finances. The most common reasons for this contention were concerns about over spending, heavy debt, and a continuous cycle of debt among the other consumers unknown to them.

The generally favourable view of respondents about information availability and their own circumstances is moral boosting in that it seems to suggest directly and indirectly that many people are relatively satisfied with their ability to obtain and use the information currently disclosed. This generally favourable attitude contrasts with respondents' perspectives on the experiences of others, to whom they appeared to regard as more vulnerable. Unknown others are considered less able to obtain and use information or to manage their finances well when using credit cards. The generally favourable attitude toward personal experience with credit cards is supported by results of a later segment of interview concerning overall satisfaction with credit cards. The question asked, "Over all, how satisfied are you with your general purpose credit card?" The question requested a response on a five point scale ranging from very satisfied to very dissatisfied. 90 percent respondents indicating that they were very or somewhat satisfied and only five percent reported dissatisfaction. The pattern of responses to this question is much like earlier findings especially if the very satisfied and those who are somewhat satisfied are clubbed together.

Sales penetration rate

A higher proportion of those purchasing through credit card usage said that the creditor has offered or recommended the product but the proportion of consumer who has felt pressure to purchase appears to have declined. This finding probably represents the rising prevalence of post-purchase telemarketing and mail solicitation.

Attitudes towards card features, card issuers and other users

To examine why card users might have the general attitudes about credit cards that they do, this study also asked question about specific features of credit cards and about card issuers and users. The questions were given the form of statements with which the respondents could agree or disagree. Each statement was evaluated on a 5 point scale ranging from strongly agree to strongly disagree. Weights were provided to each of the option and weighted averages were calculated on the basis of responses to each of the statements made by the respondents. Responses to these questions reveal an interesting diversion of views that might help explain why overall attitudes are developed. The responses suggest that the current negativity may have arisen in part from an individual's perceptions of other consumers' difficulties rather than from his/her own experiences. The hypothesis that as card use has become more common, negative opinion about card use may have increased, was specifically addressed through these statements.

Consumers seemed to be concerned about specific practice of credit users. All the attitudinal statements have been grouped as a specific practices of card issuers (question nos. 6, 7, 8), credit issuers and consumer in general (question nos. 9, 10, 11, 12 and 13), card issuers and the respondent (question nos. 14, 15, 16, 17), general satisfaction or dissatisfaction (question nos. 18, 19 and 20), information

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 4 Issue 3 September 2013

availability (questions nos. 21, 22), and general satisfaction or dissatisfaction with closed-end creditors and lenders (question no. 23, 24 and 25).

Table 6: Attitudes of holders of bank type credit cards and card issuers. (Figures in %)

Attitude	Strongly Agree	Agree Somewhat	Can't Say	Disagree Somewhat	Strongly Disagree
<i>Specific practices of card issuers</i>					
The interest rates charged on credit cards are reasonable.	1	14	1	28	56
Credit card companies show enough concern for protecting consumers' privacy.	18	31	1	20	30
Credit card billing statements are accurate.	52	41	1	4	2
<i>Card issuers and consumers in general</i>					
Credit card companies make too much credit available to most people.	70	21	1	6	2
Sending solicitations that offer low rates but only for a short time probably mislead people.	78	13	2	3	4
Credit card companies make it hard for people to get out of debt.	52	26	2	11	9
Credit card companies should not be allowed to issue credit cards to college students.	30	25	5	20	20
	60	27	3	6	4
Overspending is the fault of consumers, not the credit card companies.					
<i>Card issuers and me</i>					
I am generally satisfied with in dealings with my credit card companies.	49	38	3	6	4
My credit card companies treat me fairly.	52	37	1	6	4
It is easy to get credit card from any other company if I am not treated well.	65	20	2	9	4
I trust that my credit card companies will keep my personal spending information confidential.	32	36	2	14	15
<i>General satisfaction or</i>					

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 4 Issue 3 September 2013

<i>dissatisfaction</i> Credit card companies provide a useful service to consumers. Most people are satisfied in their dealings with credit card companies. Consumers would be better off if there were no credit cards.	42 12 12	46 55 23	4 3 6	5 19 32	3 11 27
<i>Information availability</i> Information on the statement about how long it would take to pay off the balance if I make only minimum statement would be very helpful to me. Mailings and other ads that offer a low rate at first followed by a high rate are confusing to me.	68 37	20 26	2 3	6 14	4 20
<i>General satisfaction or dissatisfaction with closed-end creditors and credit card company.</i> They provide a useful service to consumers. Most people are satisfied in their dealings with them. It would be a good thing for consumers if they were not around.	40 15 5	54 58 20	2 5 5	3 14 33	1 6 37

Specific practices of credit card issuers

A significant number of holders of bank-type credit card (84 percent) believe that the annual percentage rates charged on outstanding balances are too high. They also express concern over privacy practices. In contrast, relatively lesser number of them expressed concern about Consumers' feelings about experiences with credit card in general are even more negative than their feelings about specific practices. Holders of bank credit cards in this study believe that too much credit is available, that consumers are confused about some practices, and that credit users have difficulty getting out of debt 55 percent of the respondents said that issuers should not be allowed to market cards to college students. Moreover, they appear to believe that consumers bring on themselves many of the problems associated with credit cards. 90 percent of the respondents agreed to some extent that overspending is the fault of consumer, not of card issuer.

The evidence from this study does not suggest that negative views if credit cards arose from adverse personal experiences. In fact consumers' opinions about their own relations with their current card issuers are much more agreeable than their opinions about the relations of consumers in general. 89 percent holders of bank credit cards expressed their satisfaction for dealings with their card companies, that their card companies treat them fairly, and that it is easy to get another card if they are not treated fairly. 68 percent trust that their own card companies would keep their personal information confidential, significantly more than the proportion believing that card companies in general, show enough concern about protecting privacy (49 percent). Card holders' opinions about their own experiences are almost the opposite of their views about consumers' experiences in general, suggesting considerable concern over

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 4 Issue 3 September 2013

behaviour of others and possibly a belief that *they* can handle credit cards but *other* credit card holders cannot.

Irrespective of the concerns about some practices and experiences, consumers appear to be satisfied with the credit card market in general. 88 percent of the bank credit card holders said that credit cards provide a useful service to consumers, and 73 percent expressed their satisfaction in their dealings with card companies. 70 percent disagreed to the statement that consumers would feel better without a credit card. These results showed that credit and creditors are not viewed completely favourably, even by the users of the service, but that most users are favourably inclined.

Many bank credit card holders responding to this study said that it would be helpful to include on their billing statement, information about the length of time it would take to pay off the balance if only the minimum payment were made each month. It can be safely deduced that the consumer did not use the card during the repayment period and that the balance declined on schedule. If the balance were to fluctuate considerably, the deduction would be difficult or impossible, and most likely meaningless. Respondents to this study did not consider the implications and complexities of the calculation or deduction, but were simply acknowledging the desire for a practical measure of the burden they were incurring upon. Many respondents also reported that teaser rates are confusing. They could avoid teaser rates totally by ignoring the mailing that promote them, thus, consequently the finding of this study may reflect concern among consumers that card issuers have complicated promotions sufficiently, that it is difficult to understand and accept advantageous offers when these are made.

A multidimensional set of attitudes emerged from the responses to the questions about opinions. These are not very surprising, given that, overall, consumers seem to think that credit cards are both good and bad. They believe that finance percentage rate on outstanding balances are too high, are suspicious of how personal information is used, and have relatively little confidence in other individuals who use credit cards. Their imagination of the other card holders in contact with credit card issuers, whose behaviour is already suspect, lead them to possibly negative consequences such as excessive card shifts to more personal experience, they view the outcome much more favourably, suggesting that actual problems with credit cards are not nearly as widespread as consumers think them to be when they think about the largely unknown credit card holders. On the whole, in this study, bank credit cardholders appear to believe that credit cards are useful and that consumers are better off with credit cards than without them.

This study also asked whether credit card companies usually give enough information to credit card holders to enable them to use the credit cards wisely. 46 percent of holders of bank credit cards answered affirmatively. This frequency seemed low in the light of the widespread use of credit cards, raising the question of whether the other cardholders' effect might be exerting a negative bias. Some consumers might believe that they personally have enough information but, those other consumers, who can be counted on to make mistakes when dealing with card issuers, do not.

To explore this possibility, two indexes of overall attitudes- one of negativity toward the other cardholders and the other of positiveness about personal experiences- were constructed from responses to statements about card issuers and consumers in general and card issuers and the respondent. For each of the five statements, ranging from question numbers 9 to 13 in the category of card issuers and consumers in general, which were framed to reflect negatively on issuers and consumers, a value of -2 was assigned to each "strongly agree" response and a value of -1 was assigned to each "Agree" response. Other responses were assigned a value of 0. The values were then summed for each respondent, giving an index value within a range of -10 to 0 for that respondent. The respondents were then divided into two groups, "Strongly Negative" (an index value of -7 through -10, characterizing about 42 percent of bank credit cards) and all others. A similar but positive index was constructed from the favourable responses about

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 4 Issue 3 September 2013

personal experiences. The respondents were similarly divided into two groups, “Strongly positive” (about 49 percent of bank credit cards) and all others.

Respondents who were not strongly negative about other consumers were in fact somewhat more likely to believe that card issuers give cardholders enough information to enable them to use their credit cards wisely.

Table 7: Proportion of holders of bank type credit cards believing that specific actions to provide more information would be helpful (The figures in table are the actual no. of respondents responding to each action.)

Action	Bank type card ¹ holder who said more information would be helpful	All bank type card ² holders
Clearly state interest rates and change in interests rate	35	19
Clearly define fees and charge	15	8
Make fine print bigger	12	6
Offer credit counseling	12	6
Provide more information about over extension	14	8
Give information about costs if only the minimum amount is paid	11	6
All other responses	9	4
Total no. of respondents	108	57

¹ A bank-type card is a general-purpose credit card with a revolving feature; includes Bank Americard, Choice, Discover, MasterCard, Master Charge, Optima, and Visa, depending on year.

² Includes cards issued by banks, gasoline companies, retail stores and chains, travel and entertainment card companies (for example, American Express and Diners Club), and miscellaneous issuers (for example, car rental and airline companies).

Holders of bank credit cards, who said either that card issuers, does not provide enough information or that they do not know were also asked a follow-up question, “What kind of information do you think would be helpful?” The wording of the question permits thinking about other consumers as well as more personally. The responses suggest a concern about the clarity of already available information, raising a question as to whether the required information provided now is so extensive and frequent that it is almost overwhelming. Those who said that more information would be helpful simultaneously seemed to be saying that they do not understand the information already provided, as many of the features they said would be helpful- clear statement of interest rates and changes in rates, and a clear definition of fees for cash advances and other services, for example- are already required by disclosures. Respondents indicating, that credit counseling and information about overextension would be useful, could be expressing concern for others as well as for themselves.

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 4 Issue 3 September 2013

To learn about consumers' behaviour with respect to paying balances and the likelihood of their stopping to the use of credit cards after paying only the minimum amount, a question was asked containing five responses (Table-9). 112 respondents out of total 165(68 percent), very strongly agreed to the question no 21 of questionnaire 2. This being a critical question, the 112 respondents were further subjected to five responses. Among them, about 35 percent of bank credit cardholders said they hardly ever pay their balance in full. 11 percent of cardholders reported that they sometimes pay more than the minimum amount due, and only 7 percent said they hardly ever pay more than the minimum.

Those who would benefit most directly from information about the length of time it would take to pay off a revolving account by making only the minimum payment each month would be card users who pay the minimum and do not make additional charges. The findings of this study indicate that 11 percent of bank credit cardholders fall in this category if only those who say they hardly ever pay more than the minimum are considered, the proportion who report that they stop using the card falls to 4 percent of bank credit cardholders.

The holding and use of general purpose credit cards with a revolving feature, as well as balances outstanding, have increased substantially. These bank credit cards are a substitute for the installment-purchase plans offered by retail stores. Consumers like the convenience offered by the credit cards but are also keeping reservations about their use.

FINDINGS AND CONCLUSIONS

The study indicated that useful information regarding credit cards was considered important by respondents. Various credit terms, such as percentage rates and finance charges were considered to be main focus of respondents for the required disclosures. It also indicated these terms as important for opening new credit card accounts. Cost terms such as annual fee and annual percentage rates were among the most important terms judged by the respondents.

The study further indicated that the degree of difficulty in obtaining useful information about credit terms, differ on the basis of their personal experiences vis-à-vis the other card users. Responses regarding the information provided by credit card companies towards wise use of credit cards were favourable. Across checking question elicited similar responses from them.

The study further indicated that credit card holders consider managing their finances easier or no different, because of flexibility, smoothing of expenditures and repayments. But their personal experiences differ sharply on account of their perceptions about the experiences of other card users. The study further indicated that spending, heavy debt and a continuous cycle of debt are the most common reasons for card users' contentions about other consumers of credit cards.

The study further indicated a moral boosting favourable view of respondents about information availability and their own circumstances, as, it directly or indirectly, suggests a relatively higher degree of satisfaction about their ability to obtain and use information currently disclosed by credit card companies. But this favourable attitude appears to be in contrast with their own perceptions and others' experiences, as, others were considered more vulnerable by them. This was supported by the results of personal interviews conducted two months after the questionnaire-2 was administered to the respondents.

The study further indicated that credit card users consider their usage as a good thing, or, good with qualifications. This finding may probably represent an increased effort by credit card issuers such as post-purchase telemarketing and mail-solicitation. It also indicated that sales penetration rate is on the rise.

The study attempted at examining why credit card users have general attitudes which they currently hold about credit cards. Attitudinal statements evaluated using Likert's five point scale revealed interesting divergent set of views. It revealed that the currently held negative attitudes might have developed partially due to individual's perceptions of the difficulties faced by other consumers and not their personal experiences. It also shed light on consumers' perceptions regarding specific practices of credit card

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 4 Issue 3 September 2013

issuers. The evidence generated from the study does not actually suggest the development of negative views towards credit cards from adverse personal experiences. Their opinion about their own relations with current credit card issuers was found to be more agreeable than with other consumers. They significantly agreed to a fair treatment and protecting personal privacy etc., by the credit card companies. Credit card consumers' opinions about own experiences are almost opposite to their views about other consumers' experiences in general, suggesting considerable concern over behaviour of others and possibly a belief that they can handle credit cards but other consumers cannot. Although some practices and experiences differed, yet in general, the credit card users appeared to be satisfied with their credit cards. Other areas of agreement include- credit card companies offer useful service and were satisfied in their dealings with Credit Card Company. The results showed that credit and creditors are not viewed completely favourably even by the users, but the users appeared to be favourably inclined.

The study indicated that the credit card users do not take into consideration the implications and complexities of the payoff balances, calculations or deductions, but acknowledge a practical measure of the liabilities they incur upon. They also were confused by teaser rates which could be avoided by ignoring promotional mail solicitation made by credit card companies, thus reflecting concern among consumers that the card issuers have complicated such promotions sufficiently and it is difficult to understand and accept advantageous offers when made by the companies.

The study further revealed that a multidimensional set of attitudes emerged from opinion regarding the credit card being good or bad. The respondents believe that finance percentage rates on outstanding balances are too high, are suspicious of how personal information is used by the companies, and have relatively little confidence in other individuals who use credit cards. Their perception of other card holders in contact with other card issuers, whose behaviour is already suspect, lead them to possibly negative consequences such as excessive card shifts to more personal experiences. They view the outcome much more favourably, suggesting that the actual problem with credit cards is not merely as more widespread as consumers think when they opine about the unknown credit card holders. Credit card users appear to believe that credit cards are useful and that consumers are better off with credit cards than without them.

The study further revealed that credit card holders are concerned about the clarity of already available information and it being so extensive and frequent that it is almost overwhelming.

The study further indicates that a significant number of consumers do not pay their balance repayments in full and usually do not stop using the credit cards after paying only minimum amount. Thus the holding and use of general purpose credit cards with a revolving features as well as balance outstanding has increased significantly. These credit cards appear to be a substitute for the installment-purchase plans offered by retail stores. Consumers like the convenience offered by credit cards but also keeping reservations about their use.

GRIEVANCES

A major grievance that emerged from the personal interviews was regarding delayed information about the outstanding balances (77.5 percent) rendering them with little or no time for repayments (81.8 percent), thus leading to penal charges or teaser rates (75.8 percent). Most of the respondents who stated stopping the use of credit cards (20 percent- question 20; questionnaire-2) cited this as the reason.

The stipulated period for sending the statement is generally within 20 days of making a purchase. Instead, it takes more than 30 days to reach the credit card holder, resulting into attracting penal charges. This has deterred many credit card holders from effectively using their credit cards.

CONCLUSIONS

Based on the analysis and facts emerging from data analysis and discussion, the following conclusions can be drawn safely:

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 4 Issue 3 September 2013

1. The study, which focused on identifying the attitudes of consumers towards credit cards, found the information availability as the most important. The information regarding the credit card terms such as repayment, finance charges, fees & charges was found to be more important to the consumers (54 percent).
2. The consumers' attitude towards having a credit card was favourably inclined in affirmative.
3. The consumers when compared their personal experiences with their perceptions of other card users, indicated that their own experiences differed from what they expected as the experiences of others (Table-5).
4. The credit card users were more favourably (90 percent) inclined towards the suggestion that a general purpose credit card with a revolving feature help them managing their finances easily.
5. Consumers appeared to be generally satisfied with the use of their credit cards even though they have different views regarding other users.
6. Certain practices by the credit card issuer companies are negatively viewed by the consumers such as too much availability of credit (70 percent), smaller period for repayment (78 percent) and no check on overspending (81 percent) though they agreed that it is the fault of consumers and not of card issuers.
7. Another belief that emerged, was that finance percentage rate on outstanding balances are too high (56 percent), dubious usage of personal information (30 percent), and relatively little confidence in other individuals who use credit cards.
8. On the whole, credit card users appeared to believe that credit cards are useful (88 percent), and that consumers are better off with credit cards (59 percent) than without them.

SCOPE FOR FURTHER RESEARCH

The researcher feels there is much scope for furthering this study in the areas of:

1. Consumers' cost of owning a credit card and the benefits accrued out of it, by him. This analysis of benefits and costs is very important to understand the attitudes of the consumers towards credit cards.
2. The researcher also feels that the study of fixing annual Percentage Rates (APR) and penal rates in case of failure of repayments of outstanding balances in time, by the credit card companies warrant a serious research.

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