

INFLUENCE OF FINANCIAL KNOWLEDGE AND CUSTOMER ATTITUDE ON CREDIT CARDS USERS

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Abstract: A credit card is a payment card issued to the cardholder to pay a merchant towards the costs of goods and services. By properly repaying the dues, one can earn rewards. These rewards differ from bank to bank, when the loan is repaid in full each month. Credit cards are helpful tools when you want to buy something, but don't have enough money in your current account by that moment. The research tries to understand the influence of financial knowledge and customer attitude on credit cards users in Chennai. The primary data was collected from Chennai customers through snow ball sampling technique. Sample size of the pilot study research was 50 credit card users. The analysis identified that there is influence of financial knowledge and customer attitude on Credit card users' behaviour. It is also discovered that there is influence of credit card users' behaviour on loyalty. Hence, it is concluded that the banks should improving financial knowledge of the credit card users will definitely lead to some level of prevention in managing personal and family finances.

Keywords: Financial Knowledge, Customer Attitude, Credit Card Users' Behaviour and Customer Loyalty.

1. INTRODUCTION

Customers' lifestyle offers many opportunities to use credit cards both as a convenience and as a short term loan for things such as emergency car repair, a weekend trip, and internet purchases. Expansion of the credit card market to customers has led to credit cards becoming a way of life for today's customers. Credit cards offer customers numerous advantages such as convenience, and the establishment of credit. However, misuse of cards can have many negative consequences, ranging from higher cost of debt to difficulty persisting. Some consequences are more long term, as customers may be penalized in later borrowing decisions based on their credit score. As a result, it is important to understand what factors influence credit card use among customers. Behaviors might be improved if customers are made aware of the numerous costs of credit card misuse prior to or at the point of attainment.

The history of credit cards actually started way back in the 18th century in Europe. Credit cards have been around in the United States since the 1920's when individual firms such as hotels, oil companies and department stores began issuing them to customers. The first advertisement for credit was placed in 1730, by a furniture merchant who named Christopher Thompson, offered furniture that could be paid off weekly. This introduced the idea that people who could not afford to buy really expensive items could make regular payments or installments until the full cost of the items were paid. One of the serious problems is consumers owing excessive credit card debts with the hidden fees and costs, which arises when one carries a balance on the credit card while paying the absolute minimum each month. This factor may also lead to the reduction of future income as users need to pay back the loan with interest charged. Items purchased using credit card is more expensive with the fee or interest charged.

According to Fishbein and Ajzen (1977), attitude is supporting or opposes to affect the amount of certain objects. As Roberts and Jones (2001) stated, attitude is a subjective object, because of its multi-faceted. Therefore, it is considered that the attitude to consumer toward money can be affecting the debts of credit card. The introduction to several dimensions of money was established with the purpose of allowing individuals to have better understanding on attitude to money. The research tries to understand the influence of financial knowledge and customer attitude on credit cards users.

2. REVIEW OF LITERATURE

Chien and Devaney (2001) stated that consumers' attitudes have significant relationship to both installment debt and credit card debt, even after accounting for the impact of demographic and socio-economic variables. There are several studies showing that a person is more likely to have more than one credit card and have a significant amount of debt with a positive attitude towards credit card use (Chen and Devaney, 2001 and Turner, 1999). However, there are also studies showing that attitudes have no significant relationship on credit card usage and behaviour.

Based on the study of Ajzen (1996), it has reported that attitude might not necessarily predict behavior. Attitude and behavior are not always compatible has shown through many studies in social psychology. Slocum and Mathews (1972) found that upper income consumers hold more favorable attitudes toward credit cards.

Awh and Waters (1974) found that younger consumers had more favorable attitudes toward credit card use. Lown and Ju (1992) have concluded that demographic and economic variables do influence both attitudes toward credit and credit use.

According to Godwin (1997) not only the ability of consumers to borrow could influence the households' amount of debt but also their willingness to borrow. Godwin (1998) reported that there is a positive relationship between consumers' general attitudes toward using credit and the increase in consumer debt from 1983 to 1989.

Hilgert, et al. (2003) noted significant correlations between credit management scores and scores on a composite measure of financial knowledge. Braunstein and Welch (2002) cautioned that whereas research suggests that greater financial knowledge may result in more positive behaviors, simply providing education does not ensure improvements. It is not enough for programs to improve financial knowledge if the influence of increased financial knowledge on consumer behavior is not fully understood.

Chen and Volpe (1998) administered a 36 question survey dealing with various aspects of personal financial knowledge to college students. The average score of correct responses was close to 53%, not a passing score on a typical grading scale. They noted significant degree-type and class rank effects. Business majors tended to score better than non-business majors. Students with more years of college had higher financial knowledge scores than students with fewer years of college. Other researchers have also found that college freshmen have low scores on tests of financial knowledge. Liebermann and Flint-Goor (1996) suggested that prior knowledge of an issue is one of the most important factors influencing information processing. Evidence regarding the relationship between financial knowledge and financial behavior has been mixed.

3. RESEARCH METHODOLOGY

Research Design

Descriptive research has been followed in organizing this research work. The descriptive research attempts to describe the behavior of the respondents in relation to a particular practice or culture of importance. The descriptive study is typically concerned with determining the frequency with which something occurs or how two variables vary. Based on the advantages of descriptive research, the researcher has adopted the survey method to measuring influence of financial knowledge and customer attitude on credit cards users.

Objectives of the study

- To study influence of financial knowledge and customer attitude on Credit card users' behaviour.
- To discover the influence of credit card users' behaviour on loyalty.

Hypotheses of the Study

- There is no influence of financial knowledge and customer attitude on Credit card users' behaviour.
- There is no influence of credit card users' behaviour on loyalty.

Framework of the Study

From the framework independent variables were financial knowledge and customer attitude. Credit card users' behaviour was considered as a dependent variable. Finally, customer loyalty was considered as an outcome variable.

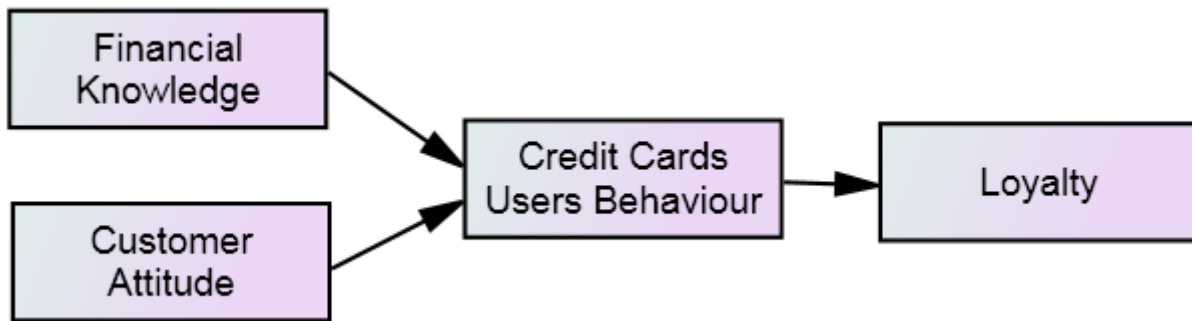


Figure 1: Conceptual framework of the Study

Questionnaire Construction

Table 1: shows questionnaire construction

Name of the scales	Authors
Financial Knowledge	Self Design
Customer Attitude	Celia Ray Hayhoe, et al. (1999)
Credit card users' behaviour	
Loyalty	Self Design

Area of sample and justification

Chennai city have been chosen for this study as area of sampling. Hence there is a need to protect and develop the employees as well as the organization as a whole.

Pilot Study

The sample size of the pilot study was 50 in all. The study was conducted in Chennai, Tamil Nadu. Questionnaire with 5 point scale was used.

Reliability

For all the items in the questionnaire design the alpha was 0.80 to 92. This indicates high reliability of the items in the questionnaire. With these results the consistency, dependability and adoptability are confirmed.

Sampling technique

Non probability sampling method like snowball sampling technique has been followed to collect the data for the study. This offers a high degree of accuracy and in a short period, a valid and comparable result can be obtained.

Tool for data Analysis

Path analysis was used for data analysis. Independent variables were financial knowledge and customer attitude. Credit card users' behaviour was considered as a dependent variable. Finally, customer loyalty was considered as an outcome variable.

4. ANALYSIS AND INTERPRETATION

The table found that the chi-square score was 0.682. The p value was bigger than five percent level. The calculated CFI and NFI values were bigger than 0.90 and also recommended by Kantiah Alias Deepak and Velaudham (2019); Velaudham and Baskar (2015). The GFI and AGFI values were bigger than 0.90 and also recommended by Saminathan, et al. (2019). It was found that RMS and RMSEA values were less than 0.08. The above model fit displays indicate that it was absolutely fit recommended by Velaudham and Baskar (2016).

Table 1: shows Model Fit Indication

Indicators	Observed Values	Recommended Values (Premapriya, et al. 2016)
Chi-Square	0.682	---
p	0.594	Greater than 0.050
GFI	0.999	Greater than 0.90
AGFI	1.000	Greater than 0.90
CFI	1.000	Greater than 0.90
NFI	1.000	Greater than 0.90
RMS	0.001	Less than 0.080
RMSEA	0.001	Less than 0.080

Source: Primary data

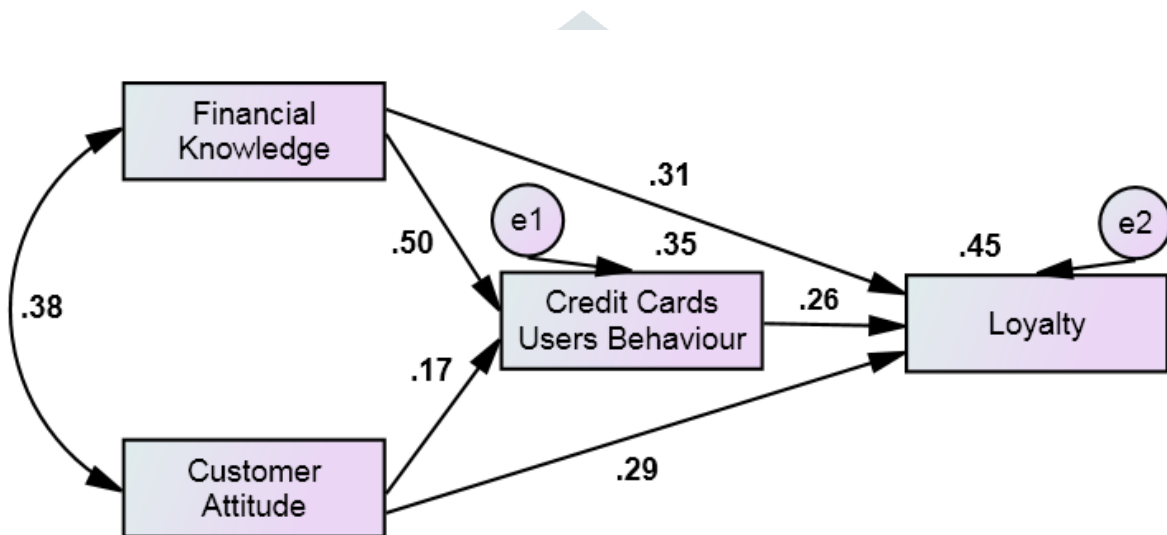


Figure 2: Path analysis of influence of financial knowledge and customer attitude on credit cards users

Table 2: Regression Weights

DV		IV	Estimate	S.E.	C.R.	Beta	p
Credit Cards Users' Behaviour	<---	Financial Knowledge	0.374	0.027	13.968	0.504	0.001
Credit Cards Users' Behaviour	<---	Customer Attitude	0.161	0.035	4.609	0.166	0.001
Loyalty	<---	Credit Cards Users' Behaviour	0.461	0.068	6.757	0.255	0.001
Loyalty	<---	Customer Attitude	0.503	0.059	8.601	0.289	0.001
Loyalty	<---	Financial Knowledge	0.415	0.051	8.124	0.309	0.001

Source: Primary data

H₀: There is no influence of financial knowledge on credit cards users' behaviour.

Influence of financial knowledge on credit cards users' behaviour calculated value of CR is 13.968. The Beta value was 0.504. The beta value indicates that 50.4 percent of influence is through financial knowledge towards credit cards users' behaviour. The p value was 0.001. The p value was less than 5% and the hypothesis was rejected. Hence, it can be concluded that the financial knowledge influences credit cards users' behaviour in Chennai.

H₀: There is no influence of customer attitude on credit cards users' behaviour.

Influence of customer attitude on credit cards users' behaviour calculated value of CR is 4.609. The Beta value was 0.166. The beta value indicates that 16.6 percent of influence is through customer attitude

towards credit cards users' behaviour. The p value was 0.001. The p value was less than 5% and the hypothesis was rejected. Hence, it can be concluded that the customer attitude influences credit cards users' behaviour in Chennai.

H₀: There is no influence of customer attitude on credit cards users' loyalty.

Influence of customer attitude on credit cards users' loyalty calculated value of CR is 8.601. The Beta value was 0.289. The beta value indicates that 28.9 percent of influence is through customer attitude towards credit cards users' loyalty. The p value was 0.001. The p value was less than 5% and the hypothesis was rejected. Hence, it can be concluded that the customer attitude influences credit cards users' loyalty in Chennai.

H₀: There is no influence of financial knowledge on credit cards users' loyalty.

Influence of financial knowledge on credit cards users' loyalty calculated value of CR is 8.124. The Beta value was 0.309. The beta value indicates that 30.9 percent of influence is through financial knowledge towards credit cards users' loyalty. The p value was 0.001. The p value was less than 5% and the hypothesis was rejected. Hence, it can be concluded that the financial knowledge influences credit cards users' loyalty in Chennai.

H₀: There is no influence of credit cards users' behaviour on credit cards users' loyalty.

Influence of credit cards users' behaviour on credit cards users' loyalty calculated value of CR is 6.757. The Beta value was 0.255. The beta value indicates that 25.5 percent of influence is through credit cards users' behaviour towards credit cards users' loyalty. The p value was 0.001. The p value was less than 5% and the hypothesis was rejected. Hence, it can be concluded that the credit cards users' behaviour influences credit cards users' loyalty in Chennai.

5. FINDINGS, RECOMMENDATIONS AND CONCLUSION

Findings

- The analysis identified that there is influence of financial knowledge and customer attitude on Credit card users' behaviour.
- It is discovered that there is influence of credit card users' behaviour on loyalty.

Recommendations

- Banks should also be more socially responsible by setting up "credit card counters" to deal with customers who have issues relating to credit cards, which, in turn, will improve the perception of customers concerning the services offered by banks.
- Customers should develop financial knowledge they can engage a positive and better credit card practices when their own an extra credit card in the future.
- Banks should develop consumer awareness concerning credit card usage, thus guiding them to have better attitudes concerning credit cards.
- Improving financial knowledge of the credit card users will definitely lead to some level of prevention in managing personal and family finances.

Conclusion

A credit card is a payment card is issued to the cardholder to pay a merchant towards the costs of goods and services. By properly repaying the dues, one can earn rewards. These rewards differ from bank to bank, when the loan is repaid in full each month. Credit cards are helpful tools when you want to buy something, but don't have enough money in your current account by that moment. The research tries to understand the influence of financial knowledge and customer attitude on credit cards users in Chennai. The primary data was collected from Chennai customers through snow ball sampling technique. Sample size of the pilot study research was 50 credit card users. The analysis identified that there is influence of financial knowledge and customer attitude on Credit card users' behaviour. It is also discovered that there is influence of credit card users' behaviour on loyalty. Hence, it is concluded that the banks should improving financial knowledge of the credit card users will definitely lead to some level of prevention in managing personal and family finances.

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