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“Public perception of credit cards and their influence on spending behavior.”

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Abstract:

In today's digitalized world of finance, credit cards are the possession of modern consumer transactions, which offer an unsurpassed level of convenience, perks and financial control. While delayed payments are convenient, they can result in additional impulse purchasing and incremental debt. This thesis investigates the perceptions of credit cards and how they influence consumers to use them by the urban population of Mumbai, which represents a fast emerging and heterogeneous India.

The study is rooted in an initial quantitative survey sent to 200 users, who were mainly aged between 18 and 35, a target public known for its propensity to take up digital payment means. The research recently demonstrated that 76% of the surveyed used at least one credit card, and that online shopping and every day shopping were the most frequent types of use. However, even though so many of us prefer the ease and convenience of using a credit card, the results reveal a significant change in psychology; huge numbers of those surveyed -- almost 60 percent -- admitted that they spent more when they were just waving a piece of plastic around as opposed to doling out cold, hard cash, which goes to show that, much like delayed pain, it is much easier to spend money when you know that you won't have to pay for it until later.

Cashback offers and loyalty points were strong motivators with 40% of respondents influenced to use their cards more often. However, there was a worrisome financial illiteracy gap: More than 50% of respondents said they did not know key words, such as interest rates or what happens if you make only minimum payments. The absence of knowledge in this area can result in financially unhealthy decisions and long-term debt spirals spiral if they go uncorrected.

Notably, to credit card risks were well known but 64 percent of respondents were open to recommending credit cards, in so far as they are used responsibly. This double-edged view of credit card behavior underscores the twin virtues and vices of using credit cards, and the importance of educating consumers (and regulators) about the potential consequences of their actions.

Results from the survey suggest that, while credit cards are seen as financial instruments that provide convenience and advantages, they also may prompt overspending, particularly for consumers who possess little financial knowledge. The study suggests banks should increase transparency, develop more user-friendly digital tools to aid consumers in tracking their expenditures, and promote financial literacy initiatives in the name of responsible credit use. So that, credit cards are turned into a safer, empowering part of personal finance in expanding economy of India.

1. Introduction

Credit cards have changed the way people think about personal finance by providing far more than just a convenient way to access a large line of credit. In India, where credit and debit card use among people living in places like the bustling city of Mumbai that are rapidly urbanizing has surged in line with a broad economic growth and everyday transactions moving online, it was no different. However, this increase in credit card ownership underscores the importance of knowing how the public feels about these financial 2011 Census of Population and Housing Commonwealth of Australia products. Seen how 12 Of course the Government has to be aware of how the public are likely to react to discuss personal and confidential basis. Jon Thow, Adelaide consumers are using them.

This research attempts to uncover the public image of Credit Cards and consumption patterns associated with the use of these cards and has Mumbai city as the primary source of data. This is apt for a city such as Mumbai, India's financial capital which offers a rich context to study the phenomenon due to its diverse socio-economic profile, vibrant consumer culture and early adoption of financial technology. In spite of credit card usage becoming normalized across classes and professions; attitudes toward credit card mesh with complex personal experiences

The increasing transition to pure virtual financial system has increased the importance of this study. As credit cards evolve from luxuries of the wealthy to widespread means of financial exchange spread across the masses, it is important to consider the base psychological and behavioral forces that may drive usage data. We also aim to address questions like; Why do people tend to choose credit cards over cash? Are users aware of the danger of delayed

In addition, the importance of the study is that it provides useful insights for various stakeholders. With insights at the product, policy, and personal level, financial institutions can develop more customized products and educational programs, policy makers can craft better regulations to encourage responsible lending, and consumers can have a better sense of their financial journey. At a time when the pace of evolution in the Indian financial sector is unprecedented and when credit is likely to be made increasingly democratic, these insights are not only timely, but imperative.

The decision to focus on the city was intentional because of Mumbai's immense diversity and its impact on consumer expenditure. Mumbai juxtaposes historic affluence with modern shopping culture, providing a striking perspective concerning the possibilities and challenges associated with credit card usage throughout the country.

This dissertation aims to delve into the discourse on consumer finance by attempting to understand the intricate details surrounding credit cards. Indeed, their use—or misuse—can mean the difference between financial growth and overwhelming debt. Therefore, it is imperative to construct a disciplined approach when using financial instruments. This study intends to explore how responsibly credit cards can be made more readily available and thereby contribute towards establishing better financial habits in India's dynamic economy.

Literature Review

- **The Psychology of Credit Card Usage:** Baumeister et al. (2007) explains that credit cards encourage greater spending because they psychologically diminish the emotional pain associated with spending, facilitating greater expenditures without immediate negative feelings.
- **Social Influence and Status:** Mazar and Zhong (2010) explains that credit card ownership is correlated with social status and therefore encourages consumers, particularly in metropolitan areas, to spend more.
- **Growth of Credit Cards in India:** Jaiswal (2015) discusses the increase in credit card usage in India as a result of better pay, increased urbanization, and the growing adoption of digital payment systems.
- **Challenges of Financial Literacy:** Ravi and Anshika (2020) highlight the worrying trend of high card usage coupled with low financial literacy, which leads to the mismanagement of debt and gross misconceptions of repayment expectations.
- **Credit cards impact behavioral spending.** Soman (2001) illustrates the psychological gap that exists between purchase and payment results in increased expenditure on credit cards as compared to cash.
- **Mental Accounting and Credit Use:** Thaler (1999). Consumers tend to think of credit card spending as expenditures rather than budgeted items, which results in overspending.
- **Risk Perception:** Ajzen's (1991) Theory of Planned Behavior notes that the perception of risk, trust, and prevailing social norms dictate the most when it comes to making decisions about credit card

2. Statement of Problem

Although credit cards are gaining traction with consumers in urban areas, there is still a gap in comprehending their effects on individual financial management. The risks linked to credit cards are usually underestimated by users who are attracted to the convenience and rewards provided by such cards.

A deficient financial education is without doubt the primary problem faced by many cardholders. Lack of education regarding important concepts such as interest, billing cycles, or even default minimum payments, leads to the accumulation of debt. The combination of the psychological urge to spend beyond one's means with a credit card, as well as ignorance, heightens the risk of financial exploitation.

Credit cards are considered as symbols of socio-economic status and financial liberty. With no attempt to manage them, the perception tends to overlook the dangers that come with poor management. The problem is how to maximize these benefits while practicing proper financial discipline, especially with younger consumers more likely to indulge in uncompelled spending.

This study aims to explore the perceptions and spending patterns of the inhabitants of Mumbai's urban population and their relationship with the self-discipline necessary for effective management of financial resources, particularly through credit cards.

3. Objective of the study

In relation to your study we propose the objectives below:

- **Evaluation of Credit Card Public Perception:** Grasp the perception of users regarding credit cards in Mumbai and their benefits, risks and impacts on an individual's finances.
- **Evaluation of Underlying Factors Driving Spending:** Evaluate the role of convenience, reward systems, social circles, and pre-existing financial behaviours on credit card spending and overspending.
- **Evaluation of The Role Of Financial Knowledge and Credit Card Usage:** Assess the degree of responsibility users having discipline with regard to credit card management depending on their awareness of interest rates, billing cycles and repayment periods.
- **Evaluation of rewards and other promotional aids effects:** Focus on the impact of cash backs, loyalty points, and promotional schemes on consumers' purchasing decisions and spending for that month.

- **Evaluation of policy measures aimed at changing consumer behavior toward credit cards:** Determine some steps that will reduce irresponsible use of credit cards neglecting them as easy sources of money.

4. Research Methodology

For the intended region of Mumbai, we developed both quantitative and qualitative measures by utilizing a systematic survey methodology involving credit card usage and expenditure behavior observation.

4.1 Research Approach

An online structured questionnaire was designed to collect data on ownership, credit card use patterns, financial literacy, and related perceptions.

4.2 Who We Surveyed (Sample Size & Demographics)

The sample comprised 200 participants across various professional and income levels residing in Mumbai.

4.3 Age Breakdown

- 36% were 18–25 years old
- 40% were 26–35 years old
- 14% were 36–45 years old
- 10% were 46 years and above

The Gender Distribution was as follows: 54% male, 46% female.

Income Range: Respondents earning less than ₹50,000 per month were 64%.

4.4 Data Collection and Analysis

Information from surveys was collected through Google Forms and subsequent analysis was performed using Microsoft Excel. Critical examination of the compiled information using percentages, trends, and cross-tabulation revealed significant patterns, insights, and credit card use awareness among participants.

Key Findings:

- This study looks at how credit cards are perceived by the public and their impact on spending behavior specifically in the city of Mumbai.
- An online survey was administered to capture relevant information regarding participants' credit card ownership, its usage, financial literacy level, and attitude towards credit cards.
- The results show that as high as 76% of respondents owned at least one credit card, with using credit cards for online shopping and daily purchases being the most prevalent forms of utilization.
- Approximately 60% of respondents reported that they spend more with a credit card than cash, indicating a psychological change associated with credit card payments.
- Incentives like cashback and loyalty points rewards emerged as important influences motivating 40% of users to spend more by using their credit cards.
- More than 50% of respondents were unaware of critical credit terms such as interest rates and associated effects of minimum payments, indicating low levels of financial literacy.
- Even after acknowledging the risk, 64% of respondents would support the use of credit cards as long as they are used in a controlled manner.
- The focus of the research is two sided in nature since it can bring great benefits in terms of convenience and rewards; nonetheless, without financial discipline, credit cards can promote overspending.

5. Discussion

The results of the research indicates the existing duality of credit card perceptions among the consumers in Mumbai. As some respondents appreciate credit cards for convenience, rewards, and managing payments, others acknowledge the seized potential hazards, most noteworthy the propensity for overspending.

A large proportion of respondents, especially younger consumers, acknowledged overspending when using credit cards due to the blurring of psychological eased payment deferral.

The results also show lack of appropriate financial knowledge, including respondents not knowing the interest rates and the real value of minimum payments hoping to be paid. Irrespective of their lack of financial literacy, most respondents still recommended use of credit cards showing that their advantages are viewed to a larger extent than risks.

In summary, the research indicates that while credit cards are embraced financial instruments by many people, their responsible use primarily hinges on increased consumer awareness and enhanced financial education programs.

6. Conclusion

This study describes how credit cards have influenced spending patterns among consumers in metropolitan Mumbai. Credit cards, in particular, are lauded for their convenience, rewards, and ease with which they can be used for payments. Nevertheless, some participants revealed users tend to overspend and are unaware of fundamental economic concepts such as interest rates and minimum payments.

Most respondents, however, indicated that users tend not to view credit cards as dangerous financial instruments if used prudently. Even so, there is a high concern surrounding potential abuse of the card which leads to debt. Financial institutions and policymakers need to do more in terms of outreach and education is evidently needed as the positive outlook towards credit cards suggests.

To sum up, credit cards blanket praise is underscored by a lack of discipline or the knowledge to harness their benefits. As the country shifts towards a cashless, credit dominated society, promoting credit responsible behavior will be required.