UNDERSTANDING CREDIT CARD OPTIMISATION STRATEGIES: LESSONS FROM INDIAN CONSUMERS

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ABSTRACT

With the rapid advancement in technology, the small businesses operating at the grassroot level in India are sophistically improving. The technology driven growth trajectory bolstered India's traditional small businesses into brands globally recognised. Assam being the sentinel of north-east India, of late the footprints of women led businesses are increasing which has been actively contributing towards its economic development. Technology integration in their businesses may open up opportunities yet to be tapped. This paper is an attempt to study the positive impacts of technology integration in the women owned businesses of Dibrugarh district, the challenges they are facing and also the measures that can be suggested keeping in mind the loopholes which are coming in the way.

KEYWORDS: Women Empowerment, Technology, Women Entrepreneurship, Digital Literacy

INTRODUCTION

Inventions often arise when someone encounters a problem and either attempts to solve it himself or seeks help from others to find a solution (1). The emergence of credit cards has also been in same ways as most of the inventions are done. In an incident when Frank McNamara, a business man, in 1949, while dining out at New York City restaurant realised that he has left his wallet at home and has no money in his pocket to pay the bills. This incident put him in an embarrassing situation. Ultimately, his wife paid the bill and saved him from embarrassment. Very first time in history, in February 1950, foundations was laid for the world's first multipurpose charge card when McNamara paid the bill using a small cardboard card which is known as Diners Club® Card now. It was made out of paper not plastic (2). In 1958, American Express and Chase Manhattan entered into credit card field but in 1962, Chase Manhattan sold its credit card division to American Express (3). Diners Club® Card and Amex were dining and travel cards respectively. These were not used for giving credit to the consumers.

In 1958, Bank of America came up with a general use credit card for its customers based in California. Later in 1965, Chase Manhattan that sold its credit card division to American Express, repurchased it

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and joined Bank of America. They issued credit card and marketed it in the name of BankAmericard
(4). In India, Kali Mody was the first businessman who introduced the Diners Club Credit Card in
1961. Later in 1980, Central Bank of India became the first bank to issue general credit card to its
clients. The Andhra Bank came up with Visa enabled credit card and later looking at the popularity of
Visa credit cards, the Vijaya Bank introduced the Matsercard enabled credit card (5). After that a series
of credit cards were introduced by public and private sector banks. Nowadays, the use of credit card
has been rampant for purchasing different goods and services at domestic and global level.
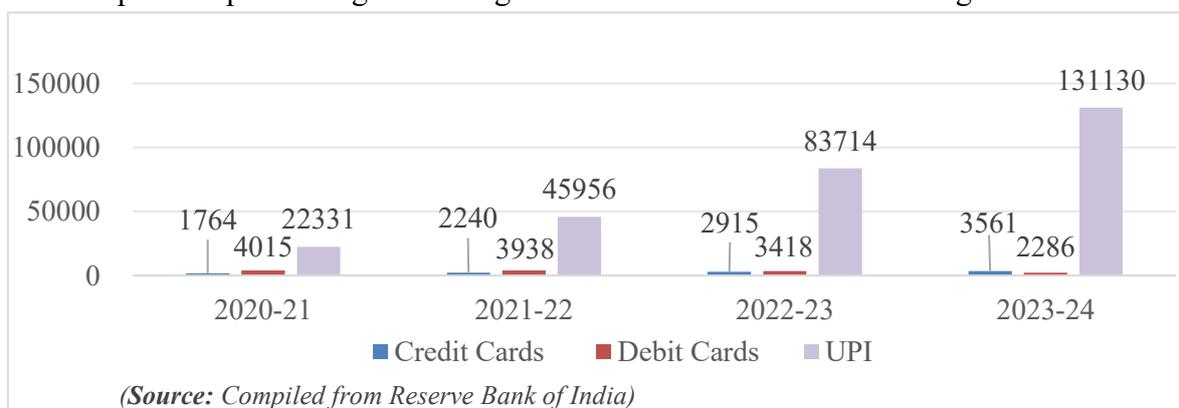

(Source: Compiled from Reserve Bank of India)

Figure 1: Volume of Retail Payments Done Through Credit Cards, Dabit Cards and UPI for the
Year Ending 2021 to 2024 in India

The volume of retail purchases using credit cards in the years 2021-22, 2022-23 and 2023-24 has
increased 27 percent, 65 percent and 102 percent respectively as compared to the year 2020-21. The
value of retail purchases using credit card payments has also increased significantly. There was an
increase of 54 percent, 127 percent and 190 percent in the years 2021-22, 2022-23 and 2023-24
respectively in the value of total retail purchases using credit card as compared to the year 2020-21
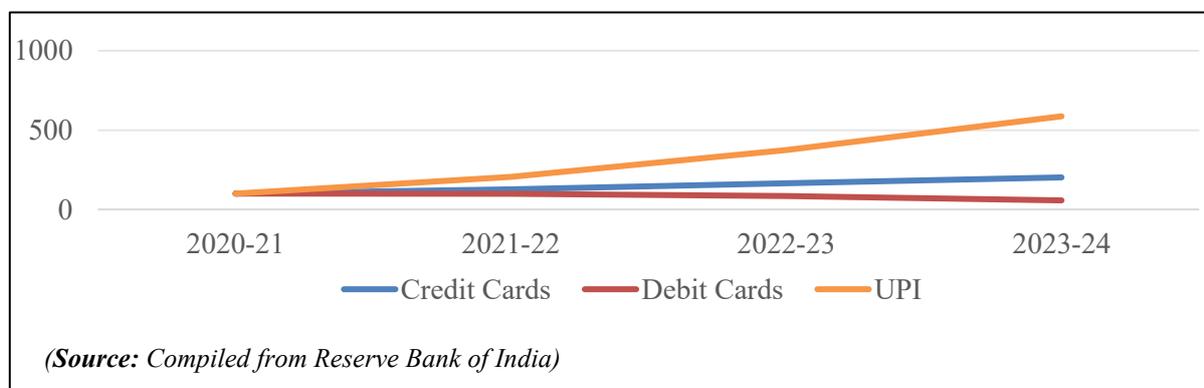(Figure 1).

(Source: Compiled from Reserve Bank of India)

Figure 2: Trends showing volume of retail payments done through credit cards, debit cards and UPI

for the year ending 2021 to 2024 in India.

The use of debit cards for retail purchases has gone down in volumes. However, there is a slight increase in terms of value of retail purchases in the years 2022 and 2023 as compared to the year 2021 but declined in the 2023-24 (Figure 2).
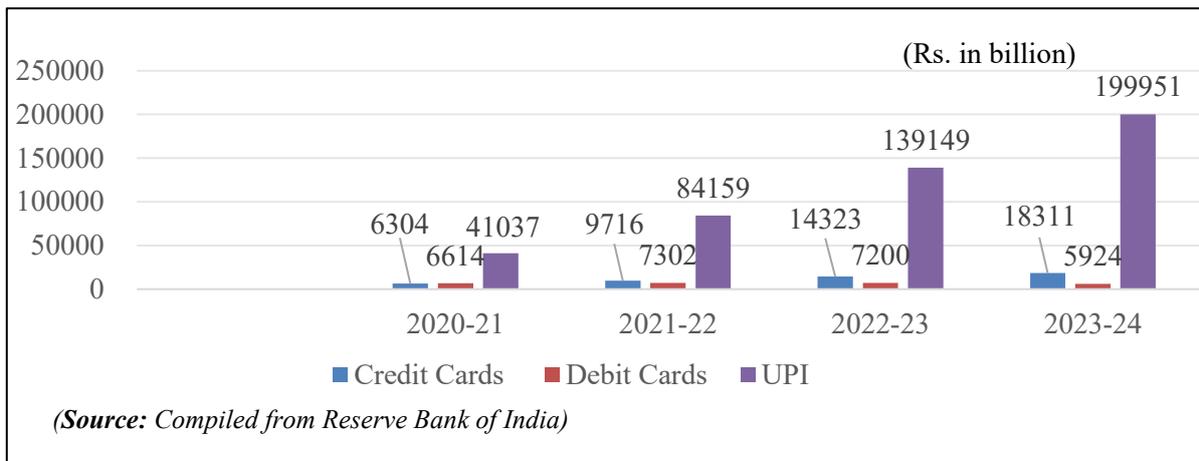

(Source: Compiled from Reserve Bank of India)

Figure 3: Value of Retail Payments done through Credit Cards, Debit Cards and UPI for the Years Ending 2021 to 2024 in India

(Source: Compiled from Reserve Bank of India)
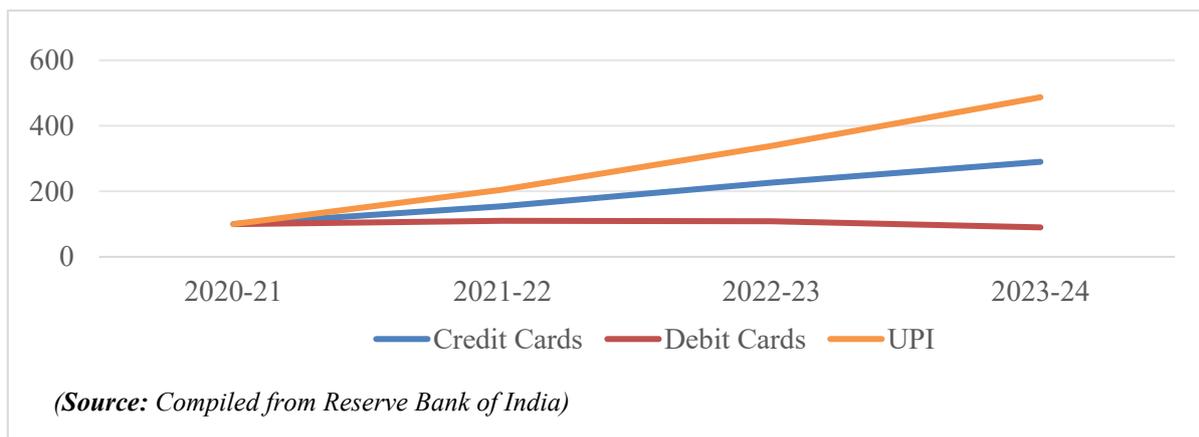
Figure 4: Trends showing value of retail payments done through credit cards, debit cards and UPI for the years ending 2021 to 2024 in India.

The payments through Unified Payments Interface (UPIs) have shown enormous growth both in volume and value compared to the Year 2020-21. Debit cards and Unified Payments Interface (UPIs) are linked with bank accounts and payments through these means directly get deducted from the deposits which one has in its accounts. The credit facilities are not available through these payments

means generally. However, some Unified Payment Interface (UPIs) are also offering payment options using credit card linked with it.

In the present study, an attempt has been made to find out that how credit card is helpful in economic growth by stimulating demand (6), giving more purchasing power to users at easy terms of payment (7), faster trading cycle (8), generating revenue to exchequer through collection of taxes (9), eliminating black money and encouraging transparent transactions (10), creating more employment avenues (11), and generating revenue for banks through collection of fee and service charges (12). It has also been tried to assess that how credit card is detrimental for financial health as it makes user materialistic (13), extravagant (14), stressed (15,16), and throws users in the clutches of debt trap (17). Further, an evaluation has also been done to understand that how the credit cards benefit its users by providing extra purchasing power, easy credit, purchase benefits (18), credit at times of need (19), improved credit rating, convenient and easy mode of payment (20), interest free credit for a term (21) and accumulation of credit points (22) to use for further purchases.

REVIEW OF LITERATURE

The concept of credit has undeniably been a driving force behind economic growth throughout history and continues to be so today. Across the centuries, economies have depended on access to credit as a crucial tool for expansion and development (23). The use of credit card brings transaction efficiency, gives credit to customer at easy terms of payment, increases consumption, brings faster trading cycle and gives confidence to the consumers on payment system. It boosts consumption and Gross Domestic Product (GDP). It also reduces transaction costs and improves efficiency in flow of goods and services (24). Credit supplies particularly through credit cards increases the households' purchasing power that pushes up the current demand for goods and services (25). Credit card premium increases the individual's propensity to buy more as compared to other mode of payment in an identical buying condition. Research in credit card psychology revealed that consumers are keen to spend more and purchase high value products on their credit cards (26). A study by Moody Analytics found that by increasing one percentage spending using digital payments, there is an increase in Gross Domestic Product (GDP) of developed economies by 0.04 percent and 0.02 percent of emerging economies, assuming all other factors remain the same. Credit card more often leads to impulsive purchases (27). Consumers who use credit cards for purchasing have more tendencies for impulse purchasing (28). Impulsive purchasing creates demand for the product, increases sales for manufacturers, increases tax collections for the government and generates employment for the people.

Credit cards are convenient and easiest form of credit made available by banks at low interest (29). It comes with lots of benefits with zero cost if used wisely and as per the terms and conditions of issuing bank. The most common charge on credit card is penalty for late payment. This phenomenon has

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reduced drastically by adopting automatic payments (30). Credit cards are very handy to use at time of credit need. Financial inclusion and issuance of credit card have enabled many families to access medical treatment. In absence of such financial instrument patients would have not been treated on time (31). In developing countries, credit card users prefer to use it for payment as it offers almost immediate access to money in the form of cash (32). Use of credit cards comes with lots of rewards to users. Credit card reduces the transaction cost as compared to cash payment. It benefits both merchant and credit card holder. They get mutual benefit by this. Consumers may use cards more frequently for rewards and earning credit points and merchants can keep saving the transaction costs. Merchants may further transfer the benefits so gained by reducing the price of goods and services to the consumers (33). While credit card holders receive direct rewards from merchants, they also benefit indirectly from rewards transferred from cash purchases made by others. A substantial portion of the merchant fee is allocated towards credit card holder rewards for their purchases. Merchants often transfer the burden of these fees to consumers, which includes both credit card and non-credit card users. Consequently, credit card holders may receive larger rewards, effectively subsidized by those who pay with cash (34). It is not only rewards that associated with credit cards but users also get superior discounts and promotions offered by the issuing bank (35). Besides monetary benefits other benefits are also associated with credit cards. Ease of use, convenient to use and risk of carrying cash are the key drivers for purchase decisions (36).

Use of electronic payments system enhances trade and economic growth (37). China has worked on financial inclusions in the recent past and made financial services accessible and affordable to those who were financially excluded earlier which led to higher economic growth (38). The government collect 18 percent Goods and Service Tax (GST) on interest so becomes due. Though, banks generally waive off annual fee if spending using credit card crosses a specified limit. The use of credit cards is on the rise, resulting in increased income for both banks and the government. Banks have been earning by charging annual fee, late fees, and interest on the amount outstanding at the due date. The interest on credit card varies from 3 to 4 percent per month and annually (39), it varies from 6 to 53 percent depending upon the issuing banks and the amount outstanding (40). Credit cards promote financial inclusion of those people who otherwise do not access to formal banking system. It also benefits those governments who have weak tax collection mechanism by tracking transparent digital transactions. The use of electronic payment bring transparency, accountability and drastically reduces the fraud related to cash. These are the basics of economic growth and development (41).

Credit card is beneficial for those who use it wisely and do the timely payment of their bills. Credit card is convenient to use and widely accepted. Financial literacy is very important to avoid late fee charges, charging an over-the-limit fee and carryover of the balance for next cycle (42). The studies show that financial literacy of credit card users over worldwide across all ages is not high (43, 44).

Lack of financial literacy causes irrational investments, inapt financial plans, impulsive purchases. It also adversely affects the saving ability and superannuation planning (45). There is also a tendency to take more debt among financial illiterates (46-48). The people who tend to pay using card are more prone to credit card debt as compared to the people who use other modes of payment. Their attitude towards money is more linked to credit card debt rather demographic features (49). Credit cards may be the reason for bankruptcy due to credit card debts as holder may go for shopping without proper consideration. Credit cards non-payment has increased by Rs 951 crore, to Rs 4,073 crore in FY23 from Rs 3,122 crore in FY22 (50). The ease of access to credit can lead to excessive borrowing, financial mismanagement, and rising defaults, particularly among first-time users unfamiliar with the long-term costs, hidden fees, or penalties for late payments (51).

Credit card gives us an option to 'buy now, pay later.' At times, when income remains inconsistent, the same option 'buy now, pay later' forces households to use savings to meet their needs (52). Those who have lesser savings may result in an increased liability for credit card repayment and prone to economic shocks (53). Credit card is not free from security issues. It is convenient to use but at the same time if not used wisely may lead to over spending and may caught in debt traps (54). Further, attractive rewards and poor spending restrictions lead young consumers to pay more than what they could afford. It results into overspending and puts in debts (55). The impact of credit cards debt on individuals have been far reaching. It is affecting the financial well-being, credit scores, savings, and physical and mental health. The users remain stressed. A study conducted on college students found that higher levels of money anxiety is correlated to higher levels of disposable income. Higher levels of disposable income increase the likelihood of irrational use of credit card. Further, a desire to get social recognition through materialism upsurges the use of credit cards (56). According to Australian Bureau of Statistics, 2017, Australian households were in debt trap and 55 percent of debt was related to credit card debt only. Since the credit card bills were overdue, therefore, were eligible for interest charges, annual charges, and late fee charges. Accordingly, financial institutions collected almost $1.5 billion as annual fees and surcharges for delayed payment in 2016–2017 (57). Credit card outstanding amount rose by 31 per cent in India. It was Rs. 45,866 crores in the fiscal year ending 31st March 2022 and went up to Rs. 1.94 lakh crores in the fiscal year ended March 31, 2023 (58).

OBJECTIVES OF THE STUDY

- To evaluate the usage patterns of credit cards among consumers.

- To identify the key motivating factors that influence consumers to use credit cards for payments.

- To investigate the obstacles and challenges that hinder effective credit card usage.

- To propose suggestive measures for overcoming the identified challenges.

METHODOLOGY

To achieve the stated objectives, a sample of 487 credit card users was randomly selected from the Delhi/National Capital Region (NCR). A well-structured questionnaire was administered via Google Forms between February 2025 and April 2025. The questionnaire included both demographic and psychometric components. Respondents were asked to provide information on their general profile, including age, gender, marital status, education level, occupation, annual income, purchase preferences, payment preferences, and monthly credit card transaction frequency. The questionnaire also included 23 self-rating statements, measured on a five-point Likert scale, where **1 indicated Strongly Agree** and **5 indicated Strongly Disagree**. These statements were designed to assess aspects related to credit card utility, promotional schemes offered by issuing banks and vendors, risks associated with excessive usage, financial implications, psychological impact, and mental health. To draw meaningful inferences, the collected responses were analyzed using **SPSS version 19**. **Factor analysis** was conducted to reduce the data and summarize it for easier interpretation. The **Kaiser–Meyer–Olkin (KMO) measure of sampling adequacy** and **Bartlett's Test of Sphericity** were used to determine the suitability of the data for factor analysis and to test the hypothesis that the attributes are uncorrelated in the population. The **Principal Component Analysis (PCA)** method was used for factor extraction, with components having **eigenvalues greater than one** retained for further analysis, while others were discarded. The extraction process was supported by a **Scree Plot**, where components beyond the point at which the curve flattens were ignored. For better interpretation and grouping of attributes, the **Varimax rotation method** was applied. After factor extraction, attributes with **factor loadings above 0.50** were retained. The final structure included **4 attributes in Factor 1**, **6 attributes in Factor 2**, **2 attributes in Factor 3**, and **8 attributes in Factor 4**. Attributes with factor loadings below the threshold were excluded from further analysis.

RESULTS
Profile of Respondents

A total of 487 random samples were collected by circulating google form. More than 80 percent of the respondents were between 18 to 45 years. The proportion of male respondents

Table 1: Profile of Respondents

Particulars		Percent	Particulars		Percent
Age	18-25	53.0	**Annual Income**	Less than 2,50,000	39.2
	26-35	18.2		2,50,000-5,00,000	16.2
	36-45	12.3		5,00,000-7,50,000	11.4
	46-55	12.1		7,50,000-10,00,000	23.1
	56-65	3.5		10,00,000 and above	10.1
	66 and above	1.0			
Gender	Male	65.8	**Purchase Preference**	Online	15.7
	Female	34.2		Offline	11.7
Marital Status	Married	36.2		Both	72.6
	Unmarried	63.8			
Education Level	Matric	2.2	**Payment Preference**	Cash	20.0
	Senior Secondary	12.5		Credit Card	24.7
	Graduate	49.1		Debit Card	8.6
	Post Graduate	23.1		Payment through UPIs	46.3
	PhD	13.1		Others	0.4
Occupation	Services	36.4	**Monthly Transactions Using Credit Card**	1,000-20,000	57.3
	Business	15.3		20,000-40,000	23.5
	Home Maker	3.7		40,000-80,000	11.5
	Students	38.9		80,000-1,60,000	6.1
	Agriculture	0.2		1,60,000 and above	1.6
	Others	5.5			

was 65.8 percent from total. Most of the respondents were unmarried and only 36.2 percent of respondents were married. More than 80 percent of the respondents were graduate. The occupations of majority of respondents were services and students. There were only 0.2 percent of respondents from agriculture. 15.3 percent of the respondents were from business. Average annual income of 39.2 percent respondents was less than Rs. 2,50,000. There were 33.2 percent respondents who had more than Rs. 7,50,000 average annual income. Majority of the respondents liked to buy online and offline

mode. Only 11.7 percent of the respondents prefer offline purchases. As mentioned in introductory part most of the people prefer payment through Unified Payment Interface (UPIs). Here too, 46.3 percent of respondents prefer payment using Unified Payment Interface (UPIs). Credit cards payment preferred by 24.7 percent of the respondents. Debit card is least preferred. 57.3 percent of the respondents' average monthly spending using credit card is between Rs. 1,000 and Rs. 20,000. 23.5 percent of respondents spending is between Rs. 20,000 and Rs. 40,000. 7.7 percent of the respondents spend more than 80,000 (Table 1). The respondents have been using credit cards for shopping mostly. 78.7 percent use their cards for shopping purpose. It is also being used by the respondents for payment of convenience bill, petrol/diesel, entertainment, grocery items, tour and travels, air tickets, education, insurance premium tickets, education,
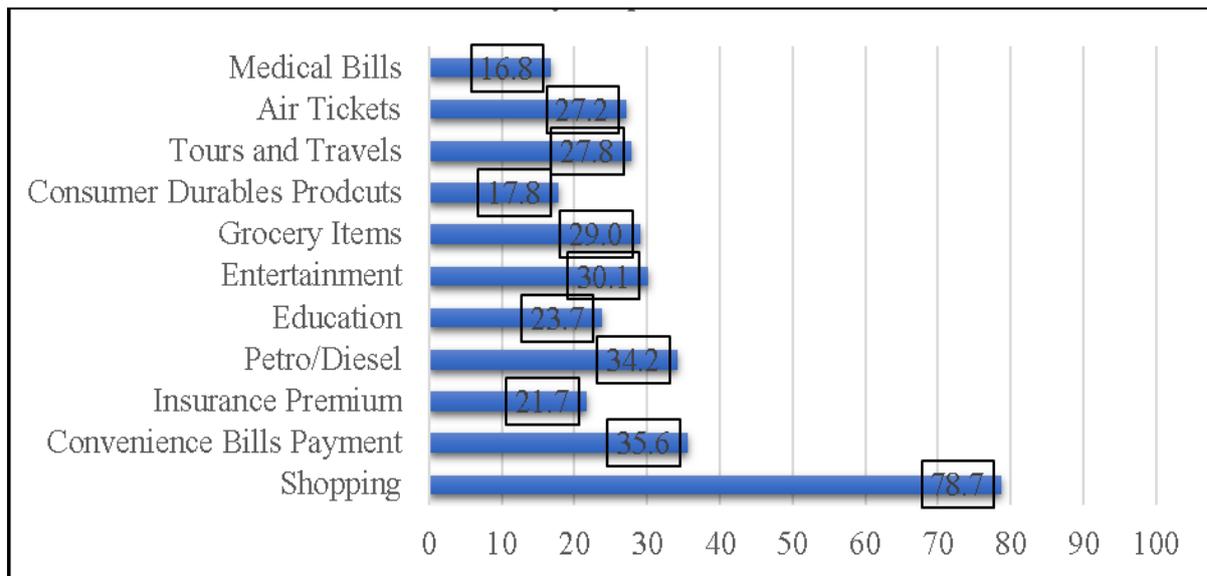
(Source: Primary data collected for the study)

Figure 5: Usage of credit cards by the respondents

insurance premium tickets, education, insurance premium tickets, education, insurance premium payment, consumer durable products and medical bills, respectively, in order of preference (Figure 5).

FACTOR ANALYSIS

Factor analysis was used to reduce and grouping of the statements. The responses collected through self-ratings on a 5-point Likert scale, ranging from strongly agree to strongly disagree for each statement, was processed using SPSS.

Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy

A KMO value of 0.906 suggests that the patterns of correlations are relatively compact. It means that factor analysis would be suitable to give distinct and reliable factors (Table 2). The significance value (p-value) of 0.000 indicates that the correlation matrix is not an

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Table 2: KMO and Bartlett's Test of Sphericity

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.906
Bartlett's Test of Sphericity	Approx. Chi-Square	4152.651
	df	253
	Sig.	.000

identity matrix. There are significant relationships among attributes. Thus, it satisfies another key assumption for factor analysis. It is clear from both the high KMO value and the significant result from Bartlett's Test that the data is suitable for factor analysis.

Table 3: Correlation Matrix

Attributes Code	X1	X2	X3	X4	X5	X6	X7	X8	X9	X10	X11	X12	X13	X14	X15	X16	X17	X18	X19	X20	X21	X22	X23
X1	1.000																						
X2	.346 (.000)	1.000																					
X3	.344 (.000)	.560 (.000)	1.000																				
X4	.322 (.000)	.537 (.000)	.499 (.000)	1.000																			
X5	.351 (.000)	.303 (.000)	.261 (.000)	.471 (.000)	1.000																		
X6	.304	.552	.514	.661	.432	1.000																	

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	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)								
X7	.397	.430	.373	.394	.296	.426	1.0 00						
	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)						
X8	.370	.311	.304	.279	.233	.300	.495	1.0 00					
	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)					
X9	.345	.188	.210	.289	.363	.232	.328	.369	1.0 00				
	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)				
X10	.317	.448	.362	.470	.389	.472	.372	.359	.344	1.0 00			
	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)			
X13 1	.343	.341	.325	.361	.280	.349	.387	.547	.389	.444	1.0 00		
	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)		
X11 2	.281	.111	.165	.151	.248	.194	.217	.239	.282	.241	.233	1.0 00	
	(.0 00)	(.0 07)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	
X16 3	.139	.175	.113	.246	.291	.302	.161	.125	.239	.180	.171	.321	1.0 00
	(.0 01)	(.0 00)	(.0 06)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 04)	(.0 00)	(.0 00)	(.0 00)	(.0 00)
X13 4	.180	.107	.132	.206	.229	.186	.282	.245	.280	.230	.220	.374	.322	1.0 00
	(.0 00)	(.0 14)	(.0 01)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)	(.0 00)
X15	.181	.236	.261	.342	.288	.381	.209	.182	.273	.314	.308	.296	.313	.31 1.0 00
	(.0	(.0	(.0	(.0	(.0	(.0	(.0	(.0	(.0	(.0	(.0	(.0	(.0	(.0

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        00) 00) 00) 00) 00) 00) 00) 00) 00) 00) 00) 00) 00) 00)

        .40 .22 .16 .24 .36 .22 .35 .34 .45 .29 .31 .29 .24 .31 .32
X18      0   3   5   4   3   3   6   6   0   9   3   1   6   9  1.0
  6     (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0  00
        00) 00) 00) 00) 00) 00) 00) 00) 00) 00) 00) 00) 00) 00)

        .08 .07 .14 .13 .18 .15 .15 .06 .10 .10 .02 .25 .28 .27 .21 .10
X18      7   8   2   4   3   1   9   9   2   0   8   8   8   7   4  1.0
  7     (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.3 (.0 (.0 (.0 (.0  00
        26) 44) 01) 02) 00) 00) 00) 64) 08) 12) 27) 00) 00) 00) 00) 11)

        .09 .14 .19 .13 .18 .10 .17 .09 .10 .06 .01 .23 .27 .23 .16 .18 .43
X17      3   0   0   7   7   4   7   9   3   8   9   5   1   1   5   5  1.0
  8     (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.3 (.0 (.0 (.0 (.0 (.0  00
        16) 01) 00) 02) 00) 09) 00) 17) 08) 83) 46) 00) 00) 00) 00) 00)

        .15 .06 .15 .09 .29 .14 .14 .10 .25 .16 .09 .40 .32 .35 .21 .24 .32 .35
X12      7   0   4   9   0   0   8   6   0   7   9   4   0   0   4   9   4  1.0
  9     (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0  00
        00) 69) 00) 19) 00) 01) 01) 08) 00) 00) 16) 00) 00) 00) 00) 00) 00)

        .23 .15 .14 .16 .30 .16 .26 .21 .24 .17 .22 .48 .30 .37 .27 .28 .31 .32 .46
X22      1   4   7   7   1   5   8   4   5   7   4   9   8   9   3   3   0   9  1.0
  0     (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0  00
        00) 00) 01) 00) 00) 00) 00) 00) 00) 00) 00) 00) 00) 00) 00) 00) 00) 00)

        .20 .06 .07 .13 .31 .12 .20 .12 .25 .14 .13 .43 .31 .43 .27 .25 .36 .30 .48 .62
X25      6   0   3   0   8   3   0   4   1   2   0   6   3   9   7   7   8   7   7  1.0
  1     (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0  00
        00) 73) 63) 02) 00) 02) 00) 04) 00) 01) 02) 00) 00) 00) 00) 00) 00) 00) 00) 00)

        .18 .05 .11 .11 .29 .14 .20 .13 .16 .13 .05 .43 .31 .39 .26 .23 .41 .34 .52 .57 .65
X28      9   8   1   7   2   6   2   3   6   7   6   7   3   8   1   7   3   2   6   7  1.0
  2     (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.1 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0  00
        00) 95) 05) 07) 00) 01) 00) 02) 00) 01) 04) 00) 00) 00) 00) 00) 00) 00) 00) 00) 00)

        .17 .22 .21 .33 .24 .29 .25 .15 .21 .29 .25 .28 .16 .14 .26 .21 .03 .16 .21 .19 .29 .24
X24      7   1   7   4   1   5   9   2   7   6   7   4   0   0   3   7   3   1   6   5   7  1.00
  3     (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.0 (.2 (.0 (.0 (.0 (.0 (.0  0
        00) 00) 00) 00) 00) 00) 00) 00) 00) 00) 00) 00) 00) 01) 00) 00) 07) 00) 00) 00) 00) 00)
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(Numbers in brackets show Significance level (1 -tailed)

Correlations Matrix Analysis

All attributes show **p-values ≤ .007** (with almost all at **.000**, which is conventionally reported as **p < .001**). This indicates that **all observed correlations are statistically significant**, meaning there's strong evidence (well below the typical α = .05 threshold that these relationships did not occur by chance. The attributes X2–X3 (.560), X2–X6 (.552), X3–X6 (.514), and X4–X6 (.661) show strong **interrelationships as the value is more than .50, it** suggests that these attributes share substantial variance. Many pairs X1–X7 (.397); X5–X4 (.471); X6–X10 (.476); and X11–X8 .547) show moderate correlations as the value fall between .30 and .50. It shows **meaningful but not dominant** relationships. X12 with others (.111–.289), X17–X18 show weak correlation, despite being statistically significant (Table 3).

Mean and Standard Deviation Analysis
Since the Likert Scale ranges from **1 (Strongly Agree)** to **5 (Strongly Disagree) and** the means are around 2 to 3 and standard deviations are moderate, therefore, **lower means** indicate **agreement** or **positive sentiment**, while **higher means** suggest **disagreement** or **negative sentiment**. The attributes such as: Useful in Emergency (X9), Increased Credit Scoring (X10), Convenient to Carry/use (X11), and Bonus Points / Instant Discount (X2/X4) have mean score of 2.08, 2.15, 2.19 and 2.28 respectively, which shows most agreed positive aspects. It

Table 4: Mean and Standard Deviation Analysis

Attributes	Description	N	Mean	SD
X1	Option to BNPL	487	2.29	1.057
X2	Bonus points	487	2.28	.995
X3	Fee waiver	487	2.51	.998
X4	Instant discount	487	2.28	.990
X5	Interest free purchases on EMI	487	2.48	1.081
X6	Instant cash back	487	2.39	.974
X7	Global acceptance	487	2.30	.935
X8	Easier to manage	487	2.32	1.010
X9	Useful in emergency	487	2.08	.977
X10	Incresed credit scoring	487	2.15	.981
X11	Convenient to carry and easy to use	487	2.19	.944
X12	Extra spending	487	3.01	1.192
X13	Controlled purchases with cash	487	2.56	1.068
X14	Impulsive buying	487	2.39	1.022
X15	Lucrative offers	487	2.59	1.012
X16	Bulk purchases	487	2.43	1.015
X17	High interest rates on usage	487	2.82	1.009

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X18	Security Issues	487	2.58	.988
X19	Stress	487	2.78	1.096
X20	Materialistic **tendencies**	487	2.77	1.013
X21	Affects savings adversely	487	2.68	1.086
X22	Cyclical debt trap	487	2.98	1.148
X23	Multiple cards use that benefits more	487	2.73	1.126

means that the respondents strongly agree that credit cards are reliable financial tool in urgent times, credit cards improve credit scores, it is user friendly, and they get instant discount and bonus points when they use credit card as mode of payment. The attributes with highest mean such as Extra Spending (X12), Cyclical Debt Trap (X22), High Interest Rates (X17), and Stress / Materialism (X19/X20) show most disagreed aspects with mean scores of 3.01, 2.98, 2.82, and 2.77 respectively.

Table 5: Factor Extractions and Loadings for Key Attributes

Factors	Components	Attribute Code	Attributes included in the factors	Communalities Extraction	Factor Loading
F 1	Rewards and Savings	X6	Instant cash back	.711	.702
		X4	Instant discount	.697	.676
		X2	Bonus points	.647	.758
		X3	Fee waiver	.613	.749
F 2	Utility and convenience	X8	Easier to manage	.645	.753
		X11	Convenient to carry and easy to use	.552	.654
		X9	Useful in emergency	.510	.619
		X16	Bulk purchases	.489	.607
		X1	Option to BNPL	.463	.600
		X7	Global acceptance	.571	.570
F 3	Value-seeking behaviors	X15	Lucrative offers	.457	.592
		X23	Multiple cards use that benefits more	.361	.549
F 4		X22	Cyclical debt trap	.648	.781

Risk perceptions	X21	Affects savings adversely	.645	.736
	X20	Materialistic tendencies	.579	.695
	X19	Stress	.511	.678
	X17	High interest rates on usage	.544	.674
	X18	Security Issues	.525	.643
	X12	Extra spending	.468	.528
	X14	Impulsive buying	.402	.504

Extraction Method: Principal Component Analysis.

It reveals that the respondents may acknowledge overspending, they are also concerned for perceived risk of trapping into recurring debt, high interest rates, remaining stressed and materialistic. If we look at the standard deviation we find Extra Spending (X12), Debt Trap (X22), Multiple Cards Benefit (X23), Stress (X19), Interest-free EMI (X5), and Affects Savings (X21) have more than 1.05 Standard Deviation (Table 4). These indicate more variability in opinions. This suggests a **divided opinion** among respondents on these topics.

Factor Extraction and Loadings for Key Attributes

After applying factor analysis using Principal Component Analysis (PCA) and the Varimax rotation method, four distinct factors were identified (Table 6; Figure 5). Only components with eigenvalues greater than one were retained, while those with lower eigenvalues were excluded. Attributes with factor loadings above 0.50 were considered significant and retained, whereas those with loadings below 0.50 were disregarded (Table 5). Out of 23 attributes, 20 met the threshold and were retained, while 3 were excluded. Factor 1 (F1) has been labeled "Rewards and Savings" and comprises four attributes: Instant Cashback (X6), Instant Discount (X4), Bonus Points (X2), and Fee Waiver (X3). This factor underscores the benefits credit card users receive, including immediate cashback and discounts on purchases, the accumulation of bonus points redeemable in the future, and eligibility for annual fee waivers upon exceeding specified spending thresholds.

Table 6: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.906	30.028	30.028	6.906	30.028	30.028	3.956	17.198	17.198
2	2.901	12.612	42.640	2.901	12.612	42.640	3.124	13.581	30.779
3	1.469	6.387	49.027	1.469	6.387	49.027	3.009	13.081	43.860
4	1.087	4.724	53.752	1.087	4.724	53.752	2.275	9.892	53.752
5	.973	4.231	57.983						
6	.892	3.877	61.859						
7	.797	3.466	65.325						
8	.712	3.096	68.421						
9	.700	3.042	71.463						
10	.680	2.958	74.421						
11	.641	2.787	77.208						
12	.609	2.650	79.858						
13	.552	2.400	82.258						
14	.527	2.290	84.548						
15	.518	2.252	86.800						
16	.508	2.207	89.007						
17	.435	1.893	90.900						
18	.416	1.808	92.708						
19	.385	1.676	94.383						
20	.369	1.603	95.986						
21	.326	1.419	97.405						
22	.309	1.344	98.749						
23	.288	1.251	100.000						

Extraction Method: Principal Component Analysis.

Factor 2 (F2) has been labeled as **"Utility and Convenience"** and consists of six attributes: E**asier to Manage (X8), Convenient to Carry and Easy to Use (X11), Useful in Emergencies (X9), Bulk Purchases (X16), Option to Buy Now, Pay Later (BNPL) (X1), and Global Acceptance (X7)**. This factor indicates that credit card users find credit cards easier to handle and manage compared to cash. They are more convenient to carry and use. Credit cards are considered particularly useful in urgent financial situations when users may not have immediate access to sufficient funds. Users also experience less financial strain when making expensive or bulk purchases using credit cards instead

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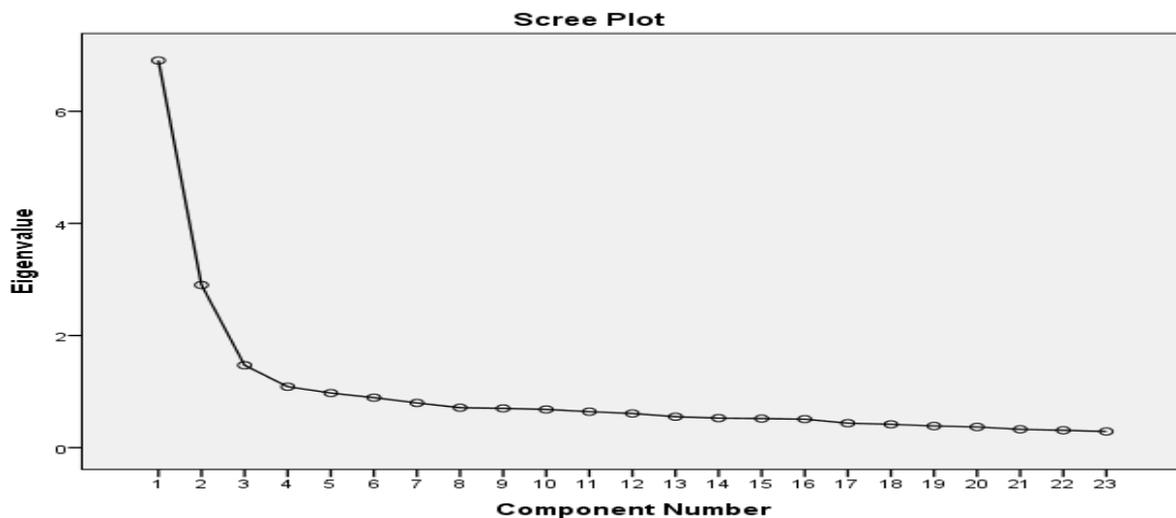of cash. The availability of the **Buy Now, Pay Later (BNPL)** option

Figure 6: Scree Test for Component Analysis

adds flexibility to their spending. Additionally, due to global acceptance, credit cards are frequently used for online transactions and international purchases.

Factor 3 (F3) has been identified as **"Value-Seeking Behaviors"**, and consists of two attributes: L**ucrative Offers (X15)** and M**ultiple Card Use that Benefits More (X23)**. The study reveals that users often prefer to make purchases using credit cards when vendors offer attractive deals. They actively seek additional benefits and tend to own multiple credit cards issued by different banks. Users typically choose to use the card that provides the most advantages for a particular transaction.

Factor 4 (F4) has been identified as **"Risk Perceptions"**, and includes eight attributes: C**yclical Debt Trap (X22), Affects Savings Adversely (X21), Materialistic Tendencies (X20), Stress (X19), High Interest Rates on Usage (X17), Security Issues (X18), Extra Spending (X12), and Impulsive Buying (X14)**. This factor highlights the negative consequences associated with credit card usage if not managed properly.

The study reveals that users often fall into a **cyclical debt trap** when they are unable to pay their full monthly credit card bills and resort to paying only the minimum due, which leads to accumulation of debt. Excessive use of credit cards has been observed to **adversely impact users' savings**, as they tend to spend more than necessary. Credit card usage is also linked to **increased materialism**, where users buy items that are not essential. This overuse and inability to repay on time contribute to **financial stress**, especially due to the **high interest rates** imposed on unpaid balances, adding to the burden beyond the principal amount. **Security concerns**, particularly related to online transactions,

make some users hesitant to shop digitally. Moreover, the **irresistible promotional offers** provided by credit card issuers often encourage users to spend beyond their planned monthly budgets. As a result, credit card usage frequently leads to **impulsive or unplanned buying** (59), which can further worsen financial strain.

DISCUSSION

In the era of intense competition, where digital payments and multiple banking options are readily available, it is crucial to remain competitive and ensure continuous growth. The availability of debit cards, UPI, and various digital transfer methods, along with inter-bank competition among credit card issuers, has made this landscape even more challenging. Credit cards contribute to economic growth by stimulating demand through impulsive purchases, providing liquidity to users, and boosting trading cycle. Credit cards generate revenue to exchequer through tax collection, facilitate transparent transactions, eliminate black money, create more employment avenues, and generate income for banks through fee and service charges. It stimulates consumer spending, drive e-commerce growth, and generate revenue for financial institutions. Credit cards are widely regarded as convenient tools for financial transactions. This convenience significantly enhances their usage and adoption (60). More and more uses of credit cards create demand for the products, generate revenues for the banks and government, and are beneficial for users as well.

The study found that users are buying the products which they have not planned for. It is also encouraging users to spend more than their budget. Credit card has been making users materialistic (61). People are running after the products which are not needed for them. The users have become extravagant as they do not have control over use of credit card (62). Though, these may be detrimental for an individual but are very important for economic growth as these encourage economic activities and create demand. Use of credit card largely depends upon the benefits associated with it. The study found that if banks provide larger benefits to users, the use of credit card also increases. The study reveals that credit cards have been used for shopping mostly. 78.7 percent respondents have used their cards for shopping purpose. Though, it has also been used for making payment of convenience bill, petrol/diesel, entertainment, grocery items, tour and travels, air tickets, education, insurance premium payment, consumer durable products and medical bills but less than 40 percent of the respondents have only used for other than shopping purpose. To encourage the use of credit cards banks should also come up with the promotional schemes to increase payment of convenience bill, petrol/diesel, entertainment, grocery items, tour and travels, air tickets, education, insurance premium dues, consumer durable products and medical bills also.

As the study shows that 46.3 percent have been preferring to use for their payments through Unified Payment Interface (UPIs). Generally, when someone makes a payment through Unified Payment

Interface (UPIs), the money is directly deducted from the linked bank account. Only a few Unified Payment Interface (UPIs) have provision to make payment with the credit cards. Therefore, Unified Payment Interface (UPIs) needed to be linked with credit cards so that users can avail the benefits of credit cards and vice versa. Average spending of 57.6 percent of the respondents is between Rs. 1000 to Rs. 20,000. The banks need to launch new promotional schemes with more benefits to encourage more spendings using credit cards. The credit card users who still prefer to pay cash for their purchases may be attracted to use credit cards in place of cash. They may be made aware about the benefits of its use. The young generations are using credit cards more frequently. The elder generations may also be made familiar with the credit card usage and its benefits. Add-on cards may be issued to cover more young generations and home makers without financial risk.

Credit cards have benefited users in many ways. They enjoy instant cashback and discounts on purchases, earn bonus points for future redemption, and often receive annual fee waivers upon reaching specific spending thresholds. Credit cards are easier to manage than cash and are more convenient to carry. They are especially useful during emergencies when immediate access to funds is necessary. Credit cards also ease the burden of expensive or bulk purchases by offering flexible payment options like Buy Now, Pay Later (BNPL), and are widely accepted for both online and international transactions. Today's users have become more benefit-driven. They tend to shop where the most attractive offers are available and often hold multiple credit cards from different issuers, using the one that offers the greatest advantage in a particular situation.

However, despite these benefits, there are also negative consequences and psychological concerns associated with credit card usage. When mismanaged, credit cards can trap users in a cycle of debt—especially when only minimum payments are made. Excessive use can erode savings, promote materialism, encourage unnecessary purchases, and cause stress due to high interest rates. Security risks related to online transactions are another concern (63). Many users fall prey to irresistible offers, leading them to overspend and engage in impulsive buying, which further adds to their financial strain. The advantages associated with credit cards can only be realized through sound financial planning and disciplined usage. Poor planning and mismanagement can result in financial distress, cyclic debt traps, dwindling savings (64), higher interest burdens, materialistic tendencies, and increased financial pressure due to impulsive and excessive spending. Therefore, financial discipline and effective planning are essential to maximize the benefits of credit card usage while minimizing associated risks.

Banks and vendors should continue offering lucrative incentives, but with a focus on long-term value rather than short-term gains. A significant portion of the revenue generated through credit cards should be passed on to users in the form of tangible benefits. Credit cards drive demand, encourage impulsive purchases and increase disposable income—users become more materialistic which can be

advantageous for businesses. The easy availability of credit promotes bulk buying, while rewards and bonus points with every purchase further fuel spending and loyalty. Redemption options incentivize repeat purchases. The study reveals that credit cards have been used for shopping mostly. Though, it has also been used for making payment of convenience bill, petrol/diesel, entertainment, grocery items, tour and travels, air tickets, education, insurance premium payment, consumer durable products and medical bills but proportion is very less. To encourage the use of credit cards banks should also come up with the promotional schemes to increase credit card usage other than shopping.

Further, the study also found that people prefer to use Unified Payment Interface (UPIs) for their payments. Therefore, Unified Payment Interface (UPIs) needed to be linked with credit cards so that users can avail the benefits of credit cards and vice versa. The banks need to launch new promotional schemes with more benefits to encourage more spending using credit cards. The credit card users who still prefer to pay cash for their purchases may be attracted to use credit cards in place of cash. They may be made aware about the benefits of its use. The young generations are using credit cards more frequently. The elder generations may also be made familiar with the credit card usage and its benefits. Add-on cards may be issued to cover more young generations and home makers without financial risk. The benefits of the credit cards can be availed when used wisely else it may put user under cyclical debt trap, financial burden, and mental stress. The banks would not be able to recover their debts and thus may lead to financial crisis. Their funds will be redundant and will not be used for economic activities. The litigation charges will go up. Therefore, it is equally important to promote and educate the users to use it wisely. There needs to be develop a mechanism for check and balances. Keeping budget in mind, limits for spendings must be fixed. An alert or caution beyond a certain limit must be in place to avoid extra spending. Credit cards must be issued after observing financial capabilities of the users. The schemes offered by the banks must be categorically explained to the users so that they could get maximum benefits from it. If there are any term and conditions to fulfil for availing those schemes, those must be properly communicated to them. An alert system must be in place to get ready for cyclical payment of credit card bills which will avoid delayed payment.

Users have security concerns for using credit cards. They are reluctant to use credit cards for online payments. Though, banks have a strong security system in place but due to ignorance of the system and lack of knowledge, the users become prey to unscrupulous elements and lose their hard-earned money. Therefore, financial literacy has become crucial for avoiding such unscrupulous elements. There are also concerns over high interest rates. Banks should give a thought to reduce the interest rates and should find alternative ways to increase their income through wider business tie-ups.

CONCLUSION

Credit cards play a significant role in promoting economic growth, serving as a source of revenue for

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both the government and financial institutions. They help keep the trading cycle active by generating consumer demand. For users, credit cards offer various benefits, including discounts, bonus points, reward programs, improved credit scores, instant cashback, easy access to credit, and emergency funds. However, **financial discipline and proper planning** are crucial in ensuring the effective and responsible use of credit cards. A lack of financial literacy may lead to negative outcomes such as cyclical debt traps, reduced savings, materialistic behavior, psychological stress, high interest rates, security concerns, overspending, and impulsive buying. Therefore, disciplined and informed usage can maximize the benefits and minimize the risks associated with credit card usage.

Abbreviation

UPI: Unified Payment Interface, KMO: **Kaiser–Meyer–Olkin, GDP:** Gross Domestic Product, GST: Goods and Service Tax, NCR: National Capital Region, BNPL: **Buy Now, Pay Later.**

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Ethics Approval

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