

CREDIT CARD USAGE PATTERNS AND CONSUMER BEHAVIOUR AMONGST THE YOUTH

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Abstract

Purpose: This study aims to gain insight into the credit card usage patterns and credit card behaviour of youth with emphasis on the determinants of their credit card adoption and use. Its focus is on analysing how credit cards affect financial habits, spending behaviour, and the possibility of incurring debt in younger demographics.

Methodology: A mixed-method were employed in this research. Quantitative surveys and qualitative interviews were utilized to gather data and properly assess youth use of credit cards. This survey is based on a structured questionnaire which consists of both close-ended and open-ended questions and focuses on a sample of young adults (ages 18–30). The interview adds extensive exploration of behavioural aspects at a deeper level including motivations for using credit cards and helps identify prevalent myths and misconceptions of credit cards.

Findings: Cards are mostly being used by the youth for online shopping (internet payment), entertainment (hotels, restaurants, gambling, etc.) and small purchases. Their credit card usage is greatly influenced by their peers and what is popular in each respective society. So many have impulse purchases and do not understand the nuances behind interest rates and how to manage debt. Mobile wallets and other technological integrations are making credit cards easier to use as well.

Research Limitations: Limitations of the study on young credit card usage and consumer behaviour include sampling bias, which could make the results inapplicable to other populations. The social desirability bias in self-reported data can cause errors. Furthermore, the study offers a short-term view, but consumer behaviour changes in response to changes in the economy and in technology. Rapid fintech advances could quickly render certain findings obsolete, and external factors like cultural views toward debt and family financial background might not be properly taken into consideration.

Originality: This research is unique as it investigates how modern youth use credit cards in the digital age, emphasizing the effects of fintech advancements, social media advertising, and Buy Now, Pay Later (BNPL) options on their spending habits. In contrast to previous studies that concentrated on financial self-control, this research looks at how attitudes towards credit, debt, and digital payments have changed across generations. It also offers new perspectives on how reward programs, peer influence, and financial education affect the spending behaviours of youth in an increasingly cashless environment.

INTRODUCTION

The use of credit cards among younger consumers has been on the rise due to their increasing financial independence, the emergence of digital payment solutions, changing online shopping habits, and the ease of cashless payments. The availability of credit, combined with enticing rewards, cashback incentives, and Buy Now, Pay Later (BNPL) options, has also contributed to this trend. Influences from social media, peer pressure, and carefully targeted marketing tactics are essential in shaping their purchasing habits. Nonetheless, even though credit cards offer financial adaptability, many young users are unaware of interest rates, repayment responsibilities, and the long-term effects on their credit ratings.

The rising prevalence of credit cards among young consumers has emerged as a notable trend in contemporary financial practices. As they gain more financial independence, embrace digital innovations, and adapt to changing consumer habits, young individuals are increasingly turning to credit cards for both necessary and discretionary purchases. The convenience of cashless payments, the popularity of online shopping, rewards programs, and Buy Now, Pay Later (BNPL) options have all played a role in the heightened acceptance of credit cards within this age group.

Nevertheless, despite the benefits of having access to credit, issues related to financial literacy, impulsive spending, and managing debt continue to be significant among younger consumers. A lot of them have difficulty grasping concepts such as interest rates, repayment responsibilities, and the lasting effects of credit use on their financial health. Furthermore, the influence of peers, marketing through social media, and specific promotional deals also play a role in shaping their spending behaviours.

This research intends to investigate the credit card spending habits of younger individuals, delve into their financial practices, and evaluate the elements that shape their credit choices. By looking into these factors, financial organizations can more effectively customize their offerings, encourage responsible credit practices, and improve financial education for young people to foster lasting financial behaviours going forward.

BENEFITS:

- 1) **Analysing Spending Patterns:** Aids in understanding how younger consumers utilize credit cards, encompassing their buying habits and financial priorities.
- 2) **Tailored Financial Products:** Empowers financial institutions to create customized credit offerings, rewards, and financial services that cater to the preferences of the youth.
- 3) **Enhancing Financial Literacy:** Offers valuable insights into the financial knowledge gaps among young consumers, enabling policymakers and educators to enhance financial education initiatives.
- 4) **Promoting Responsible Credit Usage:** Assists in identifying potentially harmful spending habits and formulating strategies for fostering responsible borrowing and effective debt management.

CHALLENGES:

- 1) **Lack of Financial Understanding:** Numerous young consumers find it challenging to comprehend credit card terms, such as interest rates, billing cycles, and minimum payments, which can result in poor credit management.
- 2) **Impulse Buying & Excess Spending:** With easy access to credit and aggressive marketing tactics, including reward programs, young individuals often engage in impulsive purchases, leading to financial difficulties.
- 3) **Debt Build-Up & Elevated Interest Rates:** Not paying off balances in full results in accumulating debt at high-interest rates, complicating the repayment process over time.
- 4) **Unseen Fees & Charges:** Many young users lack awareness of late payment penalties, annual fees, or fees for foreign transactions, leading to unforeseen financial burdens.

- 5) **Effects on Credit Score:** Poor management, late payments, or surpassing credit limits can harm credit scores, affecting future loan approvals and financial credibility.
- 6) **Security & Fraud Threats:** The rise in digital transactions increases young consumers' exposure to risks like identity theft, phishing scams, and unauthorized transactions.
- 7) **Social Pressure & Trend Influence:** Young consumers might feel compelled to spend beyond their financial limits to keep up with social trends or peer expectations, resulting in financial instability.

LITERATURE REVIEW

The utilization of credit cards among younger consumers has garnered significant research attention, especially as youth culture changes within the framework of financial autonomy, digital payment systems, and shifting consumer habits. This review of the literature investigates important research, theories, and results that delve into how young individuals engage with credit cards, their financial decision-making processes, and the elements that affect their credit behaviors.

Financial Independence and Embracing Credit Card Use:

Financial independence has led many young consumers to embrace credit card usage as a convenient tool for managing their finances. With access to part-time jobs, allowances, and entrepreneurial ventures, youth now have the means to obtain credit cards, which help them build a credit history and gain purchasing flexibility. The ability to make online purchases and pay for goods or services upfront, while deferring payment, makes credit cards an attractive option. However, without proper financial literacy, this independence can sometimes lead to poor decision-making and increased debt accumulation.

Spending Patterns Among Youth:

Young consumers tend to use credit cards primarily for discretionary spending, such as entertainment, fashion, and online shopping. The ease of accessing credit often encourages impulse purchases, as many youths may not fully consider the long-term financial implications of their spending. Furthermore, the popularity of digital platforms and e-commerce has made credit card transactions more seamless, leading to frequent use. This pattern of spending, combined with the availability of rewards programs and promotional offers, often results in higher spending levels, which can sometimes lead to challenges in managing debt and budgeting.

Credit Card Debt and Financial Management:

Credit card debt among young consumers is a growing concern, as many struggle to manage their finances effectively. Due to a lack of financial literacy, some youth may not fully understand how credit card interest rates, fees, and minimum payments work, which can lead to accumulating debt. The ease of spending and the allure of rewards programs often result in overspending, leaving young cardholders with balances they struggle to repay. As a result, financial management becomes challenging, and delayed payments can negatively affect their credit scores. Developing better financial education and encouraging responsible credit usage are crucial to help young consumers avoid falling into debt traps.

Gender and Credit Card Usage:

- 1) **Spending Preferences:** Studies show that young men and women may have different spending patterns with credit cards. Men tend to use credit cards for technology, gadgets, and travel-related expenses, while women are more likely to use them for fashion, beauty, and household items.

- 2) **Debt Management:** Women often report higher levels of concern about managing credit card debt compared to men. They may be more cautious with spending and may prioritize paying off balances quickly, whereas men may sometimes accumulate higher balances before addressing repayment.
- 3) **Credit Utilization:** Research indicates that young women may use credit cards more conservatively, preferring to keep low balances. Men, on the other hand, might have higher credit utilization, especially for larger purchases.
- 4) **Financial Literacy:** Women, in general, have been found to have lower levels of financial literacy than men, which can impact their credit card usage and financial decision-making. This suggests that targeted financial education could benefit female consumers.
- 5) **Impact on Credit Scores:** While both genders face challenges with managing credit card debt, women are more likely to be impacted by negative credit events (such as late payments) due to a stronger focus on maintaining financial stability.

Psychological and Behavioural Aspects:

The psychological and behavioural aspects of credit card usage among youth play a significant role in shaping their spending habits. For many young consumers, credit cards offer a sense of financial freedom and an easy way to make purchases without immediate financial constraints. This can lead to impulsive buying, as the act of swiping a card often feels less tangible than using cash, making it easier to overlook the long-term consequences of spending.

Over time, these behaviours may lead to challenges in managing debt, especially when young consumers fail to fully understand how interest rates and payment terms work. The combination of emotional impulses and a lack of financial awareness makes it crucial to address these psychological factors in promoting responsible credit card usage among the youth.

OBJECTIVE OF THE STUDY

The main aim of this research is to examine the spending behaviours and credit card usage trends among young people to gain insights into their financial practices, reasons for spending, and methods of handling debt. The detailed objectives consist of:

- **Examine Spending Behaviours:** To analyse the types of products and services that young consumers typically purchase using credit cards, and identify patterns in discretionary spending versus essential needs.
- **Evaluate Financial Literacy:** To assess the level of financial knowledge among youth regarding credit card usage, including an understanding of interest rates, fees, repayment terms, and the impact on credit scores.
- **Identify Factors Influencing Credit Card Adoption:** To explore the key factors influencing young consumers' decisions to obtain and use credit cards, such as peer influence, marketing strategies, rewards programs, and digital payment trends.
- **Analyse Debt Management Practices:** To investigate how youth manage credit card debt, including their awareness of payment schedules, interest rates, and the challenges they face in repaying balances.
- **Understand the Role of Technology:** To assess the impact of digital payment methods, mobile wallets, and BNPL (Buy Now, Pay Later) services on credit card usage patterns and consumer behaviour among young users.
- **Study Psychological and Social Influences:** To explore the psychological factors, such as instant gratification, and social influences, such as peer pressure, that drive young consumers' spending habits and credit card usage.

- **Assess the Impact of Digital Payment Trends:** To explore how the rise of digital payment systems, mobile wallets, and Buy Now, Pay Later (BNPL) options influence credit card usage and consumer spending behaviour among youth.
- **Evaluate the Impact of Credit Card Rewards:** To understand how credit card rewards, cashback offers, and loyalty programs affect spending decisions and whether they encourage responsible or excessive spending among young consumers.
- **Identify Risks and Challenges:** To recognize the risks associated with credit card usage among youth, including debt accumulation, credit score impacts, and financial stress, and to propose solutions for promoting responsible credit card management.
- **Provide Recommendations for Financial Institutions:** To offer insights into how financial institutions can tailor their products and services to better meet the needs of young consumers while promoting financial education and responsible credit usage.

RESEARCH METHODOLOGY

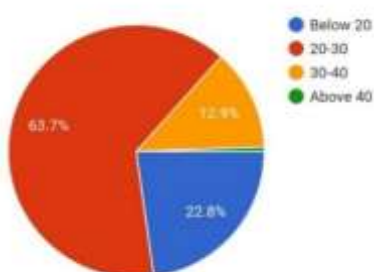
This sectoral research is descriptive and exploratory in nature. A questionnaire survey was conducted among customers via social platforms for data collection. Around 200 people were approached to get the questionnaire filled but only 170 responses were achieved. Secondary sources such as research papers published in reputed peer reviewed journals were sourced to review the literature.

RELIABILITY OF SCALE

This study was based on self-structured questionnaire; therefore, we conducted a reliability test. To test the validity and reliability, we used Cronbach alpha through SPSS.

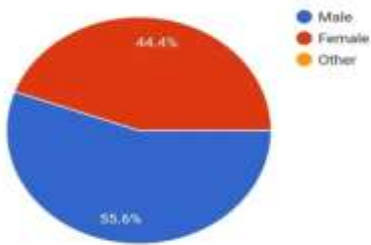
DATA ANALYSIS AND INTERPRETATION

Fig.1 Age group



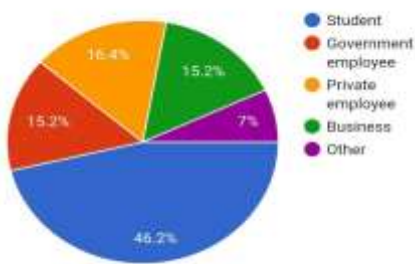
A major part of our respondents is age 20-30 and below 20 from the fig.1

Fig. 2 Gender



It is inferred that the majority of the defaulting of the customer were male from the fig.2.

Fig. 3 Occupation



It reveals that the most of the defaulting customer are student from the fig. 3

DETAILS OF SIGNIFICANT RESULT

Statement 1: Do you own a credit card?

Table 1: Statement 1

| S.no | Response | Frequency | Percent |
|------|----------|-----------|---------|
| 1 | Yes | 110 | 64.7 |
| 2 | No | 60 | 35.3 |

According to table 1, maximum respondents have said yes that they own a credit card.

Statement 2: If yes, how many credit cards do you own?

Table 2: Statement 2

| S.no | Response | Frequency | Percent |
|------|-----------|-----------|---------|
| 1 | One | 80 | 47.05 |
| 2 | Two | 60 | 35.29 |
| 3 | 3 or more | 30 | 17.6 |

According to table 2, maximum respondents are likely to one credit card because it helps them manage their finances more easily and also minimizes the risk of overspending and simplifies tracking expenses.

Statement 3: What is your primary reason for using credit card?

Table 3: Statement 3

| S.no | Response | Frequency | Percent |
|------|-----------------------|-----------|---------|
| 1 | Reward & Cashback | 70 | 41.2 |
| 2 | Building credit score | 50 | 29.4 |
| 3 | Emergency expenses | 30 | 17.6 |
| 4 | Other | 20 | 11.8 |

According to table 3, maximum respondents are likely to use their credit cards for rewards and cashbacks.

Statement 4: How frequently do you use your credit card?

Table 4: Statement 4

| S.no | Response | Frequency | Percent |
|------|--------------|-----------|---------|
| 1 | Daily | 40 | 23.5 |
| 2 | Weekly | 50 | 29.4 |
| 3 | Monthly | 45 | 26.5 |
| 4 | Occasionally | 35 | 20.6 |

According to table 4, maximum respondents use their credit card on daily basis for convenience, rewards and financial management.

Statement 5: What percentage of your total spending is made using a credit card?

Table 5: Statement 5

| S.no | Response | Frequency | Percent |
|------|---------------|-----------|---------|
| 1 | Less than 25% | 60 | 35.3 |
| 2 | 25-50% | 50 | 29.4 |
| 3 | 50-75% | 35 | 20.6 |
| 4 | More than 75% | 25 | 14.7 |

According to table 5, maximum respondents use less than 25% of their total spending mainly to manage their finances responsibly and avoid debt.

Statement 6: Do you pay your credit card bill in full every month?

Table 6: Statement 6

| S.no | Response | Frequency | Percent |
|------|-----------|-----------|---------|
| 1 | Yes | 90 | 52.9 |
| 2 | Sometimes | 40 | 23.5 |
| 3 | Rarely | 25 | 14.7 |
| 4 | No | 15 | 8.8 |

According to table 6, maximum respondents pay their credit card bill full in every month.

Statement 7: Have you ever missed a credit card payment?

Table 7: Statement 7

| S.no | Response | Frequency | Percent |
|------|----------|-----------|---------|
| 1 | Yes | 50 | 29.4 |
| 2 | No | 120 | 70.6 |

According to table 7, maximum respondents do not miss their credit card payment.

Statement 8: What is your primary method of tracking credit card expenses?

Table 8: Statement 8

| S.no | Response | Frequency | Percent |
|------|----------------------|-----------|---------|
| 1 | Mobile banking | 80 | 47.1 |
| 2 | Monthly credit | 50 | 29.4 |
| 3 | Manually | 25 | 14.7 |
| 4 | Don't track expenses | 15 | 8.8 |

According to table 8, maximum respondents use mobile banking applications for tracking their credit card expenses.

Statement 9: Have you ever exceeded your credit limit?

Table 9: Statement 9

| S.no | Response | Frequency | Percent |
|------|----------|-----------|---------|
| 1 | Yes | 45 | 26.5 |
| 2 | No | 125 | 73.5 |

According to table 9, maximum respondents did not exceed their credit limit.

Statement 10: Do you understand how credit card interest rates work?

Table 10: Statement 10

| S.no | Response | Frequency | Percent |
|------|-----------------|-----------|---------|
| 1 | Yes, completely | 70 | 41.2 |
| 2 | Somewhat | 60 | 35.3 |
| 3 | No, not really | 40 | 23.5 |

According to table 10, maximum respondents understand how credit card interest rates work.

Statement 11: What type of purchases do you most commonly make using your credit card?

Table 11: Statement 11

| S.no | Responses | Frequency | Percent |
|------|-------------------------------|-----------|---------|
| 1 | Online shopping | 60 | 35.3 |
| 2 | Dining & entertainment | 40 | 23.5 |
| 3 | Travel expenses | 25 | 14.7 |
| 4 | Groceries & daily necessities | 35 | 20.6 |
| 5 | Others | 10 | 5.9 |

According to table 11, maximum respondents use credit card for Online shopping due to convenience, security and rewards.

Statement 12: Have you taken a cash advance using your credit card?

Table 12: Statement 12

| S.no | Response | Frequency | Percent |
|------|----------|-----------|---------|
| 1 | Yes | 35 | 20.6 |
| 2 | No | 135 | 79.4 |

According to table 12, maximum respondents avoid taking a cash advances using your credit card primarily due to high fees and interest rate.

Statement 13: Do you feel that using a credit card helps in managing finances better?

Table 13: Statement 13

| S.no | Response | Frequency | Percent |
|------|----------|-----------|---------|
| 1 | Yes | 85 | 50 |
| 2 | No | 50 | 29.4 |
| 3 | Not Sure | 35 | 20.6 |

According to table 13, maximum respondents feel that using a credit card helps in managing finances better.

Statement 14: Do you plan to apply for additional credit cards in the future?

Table 14: Statement 14

| S.no | Response | Frequency | Percent |
|------|----------|-----------|---------|
| 1 | Yes | 60 | 35.3 |
| 2 | No | 70 | 41.2 |
| 3 | Maybe | 40 | 23.5 |

According to table 14, maximum respondents decline to apply for additional credit cards in the future.

CONCLUSION

Studying youth credit card usage patterns helps in designing better financial products, promoting responsible credit habits, and ensuring long-term financial well-being for young consumers. Future research can focus on emerging fintech trends and the impact of digital payments on credit behaviour.

Benefits:

- **Understanding Financial Habits:** Researching youth credit card usage provides valuable insights into their spending and repayment behaviours, helping financial institutions and policymakers design better financial education programs.
- **Promoting Financial Literacy:** The study can highlight gaps in financial knowledge among young individuals, encouraging the development of educational initiatives that promote responsible credit card usage.
- **Identifying Risk Factors for Debt:** By analysing credit card behaviour, researchers can identify common risk factors that lead to excessive debt accumulation among youth, allowing for targeted interventions to prevent financial distress.
- **Enhancing Banking and Financial Services:** Financial institutions can use research findings to improve credit card offerings, such as introducing customized credit limits, rewards, or financial management tools tailored to young consumers.
- **Encouraging Responsible Credit Usage:** Understanding how and why youth use credit cards can lead to the development of strategies that promote responsible spending, timely bill payments, and overall financial discipline.

Challenges:

Limited Access to Accurate Data: Youth may be hesitant to share financial details due to privacy concerns. Additionally, self-reported data on spending habits can be unreliable due to biases or inaccuracies.

Diverse Spending Behaviours: Young individuals have varying financial literacy levels, income sources, and spending priorities, making it challenging to categorize their credit card usage patterns.

Influence of Socioeconomic Factors: Factors such as family background, education, and financial independence influence youth credit card behaviour, making it difficult to generalize findings across different demographic groups.

Impact of Digital Payment Alternatives: With the rise of mobile wallets and digital payment apps, many young consumers rely less on credit cards. This shift complicates research on traditional credit card usage trends.

Rapidly Changing Consumer Trends: Trends in youth spending and financial behaviour change quickly due to evolving technology, marketing strategies, and economic conditions, requiring continuous updates to research findings.

Potential Ethical Concerns: Research on financial behaviour involves sensitive information, raising ethical concerns about data security and participant privacy. Ensuring confidentiality can be a challenge.

Research Consideration:

When conducting research on youth credit card usage and behaviour, several key factors should be considered to ensure accurate and reliable findings.

- Define key variables such as income level, spending patterns, repayment behaviour, and digital payment preferences.
- Use stratified sampling to capture differences across demographics like income, education, and employment status.

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