THE RELATIONSHIP OF USAGES AND MANAGEMENT OF CREDIT CARDS ON LIFESTYLES AND PURCHASING BEHAVIOURS OF CARDHOLDERS

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Notion of “Credit Cards” have changed the course of businesses as well as individuals. It is imperative to comprehend how credit cards influence their owners in day to day life. To this regard, this study aims to examine the impact of credit cards’ usage and management on lifestyle and purchasing behaviour of cardholders. The findings revealed that usage of credit card can influence lifestyles and purchasing behaviour of the cardholders as well as its impact on attitude toward debt. However, there is no proof of connection between management of credit cards and lifestyles or purchasing behaviour. Further, socio-economic and demographic characteristics of credit cardholders found to be radically involve attitudes towards routine outcomes of credit card usage.

Keywords: Credit card, Cardholders, Lifestyle, Purchasing behaviours, Usages

INTRODUCTION

Recently, consumers are showing more interest of using credit cards in their purchasing behaviour. Financial schemers are also concerned in recognizing how money attitudes relate to savings behaviours and investment. Financial counsellors look for recognizing new facts regarding individual behaviour that how and why they get themselves into debt. Financial planners want to discover why clients of credit cards debt and personal bankruptcies have been increasing so fast. The total revolving customer debt in the United States was $463 billion in 1996, and the number of American bankruptcies was 1.2 million (Hayhoe et al., 1999).

The evidences show that credit card debt has a significant role in to family financial difficulties and individual bankruptcies (Harcar, 2001). In order to determine why customers use credit card and their debts are raising it is essential to recognize a person’s attitudes on the road to credit, money, debt and purchasing behaviour.
their lifestyles. In the United States and Europe as developed countries, credit cards were considered as a signal of cashless society. In the society where people use less cash, there is no requiring carrying money in shape of cash or coins, which will decrease crime and insecurity.

Since money will be transmitted by electronic system, in this kind of society, there is no need of foreign currency when people are travelling. It means in cashless society, there is no possibility of fake currency and people get the exact value for their products, rather than down valuing (Shy and Wang, 2011). For example, it is an ordinary experience to buy gasoline and groceries from an automated petrol station without any attendant. Malaysia, as one of the developing countries, also has been applied this service to cardholders where they can charge their credit cards, without attending, to buy gasoil (Hussin, 2011).

In Malaysia there are twenty six financial institutions that are issuing credit cards, which consist of four non-bank financial institutions (BNM, 2011a.). The number of these financial institutions growth up from 2004 with eighteen financial issuers comprising one non-bank (BNM, 2008). There were 8.4 million credit cards in transmission, comprising one million complementary cards, by January 2011. Malaysian local cardholders purchased RM6.8 billion and abroad cardholders purchased totally RM603 million. Regarding the advances of cash, RM275.5 million were made in Malaysia and RM17 million were transacted abroad (BNM, 2011c).

Consistent with Say (2011), total credit card loan is at about RM28.6 billion, which includes 3.4% of the total bank, lends. Beside the company, Malaysia is an ideal marketplace for credit cards in the region because the population is moving fast toward education and growing rapidly. 7.5 million Malaysians have bank accounts, that a million of them were qualified for credit cards. Still Malaysia remains a potential and interesting market for Visa International to develop their big business in comparing to other Southeast Asian countries. As a result, the function of this study is to show the relationship between the usage and management of credit card and the lifestyle, purchasing behaviour of cardholders. Furthermore, the purpose of this study is to find the relationship between the factors of individual socioeconomic and demographic, with those who practice credit card.

**LITERATURE REVIEW**

In the United States, the practice of credit cards had increased quickly since 1960 (Ramayah et al., 2002). Cheque and cash were replaced by credit cards in many types of transactions. In the trade industry, the usage of “non-store” credit cards, such as American Express, MasterCard and Visa had also developed rapidly. According to the data, in departmental stores, approximately three percent of all transactions of non-store cards were utilized with over $1 million in sales. By the end of 1980, the habit of non-store cards had improved to eight percent of the transactions. Alternatively, in speciality stores with over $1 million volume of sales, credit cards accounted for ten per cent of the dollar sales volume in 1978. In 1980, the sales of credit cards had enhanced visibly to seventeen percent of the dollar sales volume (Hamilton and Howcroft, 1995).

In today’s market the usage of credit card is affected on purchasing behaviour by customer in all over the world. At the first, the credit card was used as a widespread payment method for
luxuries, such as accommodation and travel. However, nowadays ever more used for buying small items of expediency in the daily life sorting from the impenetrable to the ordinary (Lee and Hogarth, 2000). The usage of credit card facilitated customers to extended their expenses besides their daily spending. Subject to bank, amusement and travel cards, traders obtained expense from card issuer for instance hotels and banks who performed as third party in invoicing client at the end of the month.

Most of the banks who issued the card, started to offer 1.5% monthly interest to their cardholder for more convenience of their customer. Nevertheless, cardholders were also legally and officially recognized to pay their invoice before the owed date to evade needless interest charges. Currently all the financial organizations were to inflict twenty days grace period between the statement date and payment owed date (Woolsey and Schulz, 2010). In addition, previous studies indicate that customer require by relying on economic parameters such as consumption amount and finance charge. Even a few researches expanded their study into the effects of card usage on, retailing, banking, and money supply.

On the other hand, the majority of the studies done by behavioural researchers have concentrated on analyzing credit card usage and possession (Hirschman and Goldstucker, 1978). According to the Chien and Devaney (2001) founding, the exact approach key is linked to the outstanding credit balances, the general attitude towards using credit, and the instalment debt. In another study which Alias (2001) had done in an association of higher learning in Malaysia, he mentioned that there is a positive connection between attitude and credit card usage among employees. Kidwell and Turrisi (2000) found that students who are studying under graduation at college, also had positive attitudes to cognitive variables when they are looking to obtain credit cards. Hayhoe et al. (2000) showed that credit card purchasing behaviour could be influenced by affective credit attitude among college students. In his study, students were engaged to observe college students ‘use of credit cards.

The money attitudes of retention and obsession and the sentimental credit attitude were demonstrated to discriminate between students with credit cards and those without credit cards. The money attitude of effort/ability and the cognitive credit attitude distinguished between students with four or more credit cards and students with one to three credit cards. There is a study accomplished by Bernthal et al., in 2005 which is describing the relation between card usage and lifestyle. In this study, they analyzed accounts offered by customers, credit counsellors, and participants in a seminar regarding credit-counselling with the purpose of expanding a differentiated theory of lifestyle facilitation through credit card custom.

There is always a distinguish between those who are having a life style with a higher cultural wealth and those with lower cultural wealth, in the behaviour of taste and skills known by credit card practice. Dissimilarities in lifestyle regulation practice are assumed to create in cultural discourses connected to abstinence and entitlement. Sharaf (1998) had done a study on credit card usage among consumers in Penang, found that in Malaysia there were considerable dissimilarities in the behaviour of credit card usage in relation to numerous demographic variables such as race, marital status, sector of employment and educational level. However, no
differences were found in credit card usage between males and females.

Munro and Hirt (1998) recognized that there were some major differences between demographic factors such as, academic standing and race with credit card payment practices. Kaynak et al. (1995) researched in Turkey on credit card users and established the idea that there is a positive relation between income and education to card usage while gender had a negative influence on card usage. Choi and DeVaney (1995) researched the relation between households with retail cards and bank in the United States and found that the ownership of house and education had a positive relation to card usage, whilst gender was negatively related to card usage. In another research done by Davies and Lea (1995), it was shown that students who had a higher wages had higher debt arising from usage of credit cards.

Martell and Fitts (1981) examined discriminating bank credit card users from non-users. They obtained the data for their research from a random sample of American card customers. Apart from income, profession, and education, their model included socio-economic variables such as the number of banks a household dealt with, the number of basic accounts owned, the kind of basic accounts owned, the length of accounts owned and the length of residence. Also, it’s found that there is the importance of attitudinal and demographic variables. The another study conducted by Martell and Fitts (1981) presented that bank credit cardholders generally were in a higher level of education, had better income, owned multiple bank accounts, and employed a constant pattern of banking. Although, in this case, age did not bring to the unequal role.

Previous researches on credit card has decided primarily on providing demographic descriptors of credit card users (Xiao et al., 1995, Bernthal et al., 2005) or on pathology and policy issues related to compulsive consumption (Phau and Woo, 2008) impulsive consumption (Roberts and Jones, 2001; and Pirog and Roberts, 2007), addiction (Manning, 2001; and Park and Burns, 2005) consumer self control (LaRose and Eastin, 2002; and Mansfield et al., 2003) debt collection (Paisittanand and Olson, 2006; and Mann, 2007) and credit issuing institutions (Cuervo, 2001). The point of the current study is to examine the relationship between usage, management of credit cards and lifestyles. Purchasing behaviours and demographic of the cardholders.

METHODS
Participants
The participants in this research were young working adult who are doing their first degree in UKM part time basis that aged between of 18 to more than 41 years old. The students participating in this study are the from the University of Kebangsaan Malaysia in Bangi Malaysia. The students of this university are with different backgrounds. Five hundred students were selected randomly to fill the questionnaire, which was emailed them during the spring 2013 semester. We decided to do the unnamed survey due to the sensitive nature of the information. The survey consisted of 6 pages containing 9 sections and 104 questions and took approximately 40 minutes to complete.

Measurement of Variables
Information on Credit Card Usage was measured by a 13 statements that was made by Gan et al. (2005), the main part of the survey required to
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examine the cardholders’ perceptions of credit card ownership in the forms of 13 statements. These 13 statements were expanded according to the credit card trends at the point of the study in Singapore, and they were anchored on a Likert-type scale ranging from (1) strongly disagree to (5) strongly agree (Gan et al., 2005).

Information on Credit Card Management was measured by credit card survey that contain 12 statements and was made by Tan (2003). These 12 statements were developed according to the Oklahoma collage student’s attitude towards credit card issues with a 5-point Likert scale from Strongly disagree (1) to Strongly agree (5) (Tan, 2003).

Lifestyle related to credit cards was measured by a stretchered questionnaire that employed by Wickramasinghe and Gurugamage (2009). The questionnaire included 13 statements with a 5-point Likert scale from Strongly disagree (1) to Strongly agree (5) (Wickramasinghe and Gurugamage, 2009).

Purchasing Behaviour related to credit cards was measured by 10 statements that were employed by Wickramasinghe and Gurugamage (2012) with a 5-point Likert scale from Strongly disagree (1) to Strongly agree (5) (Wickramasinghe and Gurugamage, 2012).

A list of 10 items probably relating to attitudes to debt were derived from a work of Lea et al. (1995) that the answer categories “strongly agree”, “agree”, “slightly agree”, “no opinion”, “slightly disagree”, “disagree” and “strongly disagree” (Lea et al., 1995).

The last two-predictor variables referred to background information (such as number of credit cards, purchase frequency using credit card, amount charge per transaction, the normality use of the credit card to purchase, the occupation of the respondents and their spouse occupations) current financial situation and respond demographic (such as gender, age, marital status, race and educational level).

RESULTS

Demographic Information

We had received the responses from 464 students, which is the percentage rate of 92%. The rate of responds was suitable even some of the students did not reply the survey with the subsequent statements: it might be due to the shortage of time to complete the survey or that respondents felt they were not a suitable subjects since they were international students. Even the surveys were totally unidentified and not numbered until returned the researchers had no way of knowing which students did not return questionnaires.

There were 208 male and 256 female of students, with 8 respondents not answering this question. The respondents ranged in age from 18 to 57 with a mean age of 23. Most students had never been married (75%), 25% were married. Most respondents were married 10 years or more (29%). The majority of respondents have bachelor degrees (39%) while 27% have diploma and just 6% have PhD. 79% of the respondents were Malay and 11% of them were Chinese, while only 7% were Indian. 1% of the respondents was student, 6%, self-employed and 57% were government staff. While 9% of their spouses were self-employed and 33% of their spouses were government staffs.

57% of the respondents just have one credit card, 39% of them have 2-3 credit cards and just. 4% of the respondents have more than 5 credit cards. Regarding frequency purchasing with

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credit card, 37% of the respondents 2-3 times a month purchased with credit card, only 9% of them purchased 6 times or more per a month with credit card. The most of the respondents charged RM101-RM 500 per transaction (54%), just 1% of them charged RM 2000 per transaction. Shopping goods was the most part of the usage of the credit cards in the respondents (39%), even household items just takes 13% of the purchasing of the respondents with credit card.

Only 37.5% of the respondents dispensed cash advance from credit cards. 22.4% of the respondents dispensed cash advance from credit cards when they were in short of cash. Their monthly credit card usage of the majority of the respondents was RM 3000 and below (90%). Also their outstanding of the 26% of them were less than RM500 and just 6% of them had outstanding credit card balance RM 4001 and more. 50% of the respondents, they never missed their credit card payment, but 46% of them sometimes they missed their credit card payment. 48% of the respondents, typically monthly credit card payment covered between minimum and entire balance.

Credit Card Usage and Lifestyles
The influence of usage of the credit card on lifestyle was tested by Pearson correlation analysis, as it is shown in Table 1.

The influence of usage of the credit card on lifestyle was statistically significant as P-value = 0.00 < 0.05. Besides, the level of correlation between lifestyle and credit card usage is fairly high and positive. It means using the credit card can influence or change the way of living.

Credit Card Management and Lifestyle
The impact of management of credit card on lifestyle was tested by Pearson correlation analysis, as it is shown in Table 2.

The influence of management of the credit card on lifestyle was not statistically significant as P-value = 0.867 > 0.05. Besides, the level of

| Table 1: Correlation Analysis Between Credit Card Usage and Lifestyles |
|----------------|--------|------------------|
| Lifestyle      | 1.000  | 0.494            |
| Credit Card Usage | 0.494  | 1.000            |
| Sig. (1-tailed) |        |                  |
| Lifestyle      | 0.000  | 0.000            |
| Credit Card Usage | 0.000  | 0.000            |
| N              | 464    | 464              |
| Credit Card Usage | 464    | 464              |

| Table 2: Correlation Analysis Between Credit Card Management and Lifestyles |
|----------------|--------|------------------|
| Credit Card Management | Pearson Correlation | 1  |
|                      | Sig. (2-tailed) | 0.867 |
|                      | N | 464 |
| Lifestyle | Pearson Correlation | 0.008 |
|            | Sig. (2-tailed) | 0.867 |
|            | N | 464 |

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The correlation between lifestyle and credit card management is near to zero. It means management of credit card have not influenced the way of living based on data available.

**Credit Card Usage and Purchasing Behaviour**

The influence of usage of the credit card on purchasing behaviour was tested by Pearson correlation analysis, as it is shown in Table 3.

The influence of usage of the credit card on purchasing behaviour was statistically significant as P-value = 0.00 < 0.05. Besides, the level of correlation between purchasing behaviour and credit card usage is fairly high and positive. It means using the credit card can influence or change the purchasing behaviour.

**Credit Card Management and Purchasing Behaviour**

The impact of management of credit card on purchasing behaviour was tested by Pearson correlation analysis, as it is shown in Table 4.

The influence of management of the credit card on purchasing behaviour was not statistically significant as P-value = 0.138 > 0.05. Besides, the level of correlation between purchasing behaviour and credit card management is near to zero. It means management of credit card have not influenced the purchasing behaviour based on data available.

**Credit Card Features and Purchasing Behaviour**

The influence of credit card features on purchasing was tested by Pearson correlation analysis as it is demonstrated in Table 5.

The influence of credit card features on purchasing behaviour was statistically significant as P-value = 0.00 < 0.05. Besides, the level of correlation between credit card features and purchasing behaviour is fairly high and positive. It means numbers of credit card features can influence or change the purchasing behaviour.
Credit Card Features

Table 5: Correlation Analysis Between Credit Card Features and Purchasing Behaviour

<table>
<thead>
<tr>
<th>Credit Card Features</th>
<th>Credit Card Features</th>
<th>Purchasing Behavior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>0.329</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>464</td>
<td>464</td>
</tr>
</tbody>
</table>

Purchasing Behavior

| Pearson Correlation | 0.329 | 1 |
| Sig. (2-tailed)     | 0.000 |   |
| N                   | 464   | 464 |

Credit Card Usage and Attitudes Toward Debt

The influence of usage of the credit card on attitudes toward debt was tested by Pearson correlation analysis, as it is shown in Table 6.

The influence of credit card usage on attitudes toward debt was statistically significant as P-value = 0.00 < 0.05. Besides, the level of correlation between credit card usage and attitudes toward debt is fairly high and positive. It means using of credit card can influence or change the attitudes toward debt.

Credit Card Management and Attitudes Toward Debt

The influence of management of the credit card on attitudes toward debt was tested by Pearson correlation analysis, as it is presented in Table 7.

The influence of credit card management on attitudes toward debt was statistically significant as P-value = 0.00 < 0.05. Besides, the level of correlation between credit card management and attitudes toward debt is fairly high and positive. It means management of credit card can influence or change the attitudes toward debt.

Credit Card Usage and Attitudes Toward Debt

Table 6: Correlation Analysis Between Credit Card Usage and Attitudes Toward Debt

<table>
<thead>
<tr>
<th>Credit Card Usage</th>
<th>Credit Card Usage</th>
<th>Debt Attitude</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>0.232</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>464</td>
<td>464</td>
</tr>
</tbody>
</table>

Debt Attitude

| Pearson Correlation | 0.232 | 1 |
| Sig. (2-tailed) | 0.000 | |
| N | 464 | 464 |

Credit Card Management and Attitudes Toward Debt

Table 7: Correlation Analysis Between Credit Card Management and Attitudes Toward Debt

<table>
<thead>
<tr>
<th>Credit Card Management</th>
<th>Credit Card Management</th>
<th>Debt Attitude</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>0.245</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>464</td>
<td>464</td>
</tr>
</tbody>
</table>

Debt Attitude

| Pearson Correlation | 0.245 | 1 |
| Sig. (2-tailed) | 0.000 | |
| N | 464 | 464 |
FINDINGS AND DISCUSSIONS

Results show that usage of credit card can influence lifestyles, purchasing behaviour and attitude toward debt of the cardholders. This finding was supported by the result of Bernthal et al. (2005) that showed the skills and tastes showed by credit card practice help differentiate between the lifestyles of society with higher cultural wealth relation to those with lower cultural wealth. Differences in lifestyle parameter and behaviour practice are assumed to create in cultural discourses related to privilege and abstinence. This finding is align with Wickramasinghe and Gurugamage (2009) that found that socio-economic and demographic characteristics of credit cardholders will have an important impact on their attitudes on the way to lifestyle outcomes of credit card usage.

The current study findings are supported by finding of Tan (2003) that showed attitude toward debit cards of the students can influence by usage of the credit card. The result showed that usage of credit card can influence the purchasing behaviour the same Hirschman (1979) expressed there is a differences in term of credit card payment system which is influenced by customer purchase behaviour. It appears that the management of the credit card cannot influence the purchasing behaviour of the cardholders, while it was shown that influence of credit features on purchasing can influenced by usage of credit card. In addition, the results revealed that usage and management of the credit card can influence the attitude toward debt in cardholders.

Although the findings of the present study suggest that management of using a credit card cannot influence purchasing behaviour but the usage of the credit cards itself could influence the purchasing behaviour, it is not clear the main reason. Hence, there is not an exact relation and effect explored between the habit of using credit cards and lifestyles and taste of purchase. In general, problems involved with payment of credit card debt, lifestyle and customer purchasing behaviour are numerous, and only by this study cannot expect to cover all of them. More future research is needed to complement the findings.

REFERENCES

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