



A STUDY ON NEED OF DEVELOPMENT OF SKILL AND FINANCIAL LITERACY TOWARDS USE OF CREDIT CARDS.

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Abstract

In India, the change of trends of cash transactions are not easily accepted. For an instance, cheques and ATMs were a big breakthrough on an Indian Economic scene, after which digitalisation of money via cards came into picture and successfully attempted to change the outlook of the Indian consumer towards usage of digital cash, credit cards and debit cards were not a hit when induced, but, if we are to consider the present scenario, more people in India have active credit cards than there are in the UK as a whole. Along with the rising demand for credit, there has been an increase in credit card issuances. Even though the number of Credit card issued is so high the actual number of users is 5.5% of working class of India. Our research's main goal is to change the public's misconceptions about credit cards by educating them about their advantages. Primary data, structured questionnaires, and surveys are used in this study as tools for data collecting. This study will provide us a comprehensive understanding of the benefits and drawbacks of using a credit card.

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Introduction:

Since the Covid 19 Pandemic, cashless transactions, whether they be online purchases or card payments, have become a crucial part of our life. According to data, there were almost 39 billion UPI transactions recorded in 2021, as opposed to 211 million credit card POS transactions and 430 million debit card POS transactions. UPI and debit cards are the two primary payment methods in India. Despite the widespread use of credit cards, only a small portion of the nation's working-age population has access to them. People tend to prefer debit cards to credit cards. When you take into account that some people have many credit cards, the actual number of cardholders will be even smaller. What we are trying to induct is that once there will be an apt survey and satisfaction of the problems and misconceptions of the millennials then there will be more active, satisfied and efficient users of credit cards. With this study we aim for making the able citizens of India more efficient and credit card friendly, at the same time making them aware of the opportunities and obstacles while using credit cards.

Objectives:

- Through this research we plan to raise the curtain on the benefits of credit cards to the people who are rather curtailing its drawbacks.
- To shed light on the impact of credit cards on your wanna-be good CIBIL score.



- To make people aware how replacing cash with cards and e-money is also taking us one step closer to a sustainable financial eco-system.

Significance:

- To make general people financially aware about effective use of credit cards its benefits and drawbacks. To have a clear idea of which credit card to opt for to attain maximum benefits from it.
- Following Research will help us to know How credit card can be more healthier for pocket compare to debit card. Credit Card provide you with flexibility when it comes to spending since, they come with relatively limits high credit.

Gap Analysis:

If we are to go by the misconceptions of the commoners, we can see that they are still sticking only to debit cards and hard-cash more than any other mediums, we don't say that they should not use the cash or debit cards anyway, but this study will try to make people understand what they are missing while they adhere to their misconceptions. We want to underline the fact that credit cards and digital cash are one of the better, reliable and easiest sources of transacting if given a chance by the society to themselves. According to the information we get from around the internet and news, there is a sizeable number of populations using credit cards. We live in an era that is tended to change itself almost every day, and we wouldn't want to lag behind. This doesn't mean leaving the traditional methods away, but to adapt ourselves to the next gen methods as well. Credit cards can be an option in the rural areas only once they have some banks and other city-like infrastructural developments so that they can make the sufficient use of it, but there are villages which are having internet connectivity and mobile networks, with its citizens having accounts in the banks, these people can rely on the digital payment methods too for daily transactions.

A substantial amount of research is done on the utility of credit cards, credit card user base and its growth in India, analysis of credit card transactions on volumetric basis and comparative analysis between credit card and debit cards. Massive advancements are seen in the mode of payments in India from only cash to UPI, plastic cards, tap to pay (payment with the help of NFC) and so on.

In India there are about 638.53 million debit card users and about 77 million credit card users.

As per the research in India people prefer debit cards over credit cards to transact. The purpose of our research is to make people aware of the many merits of credit cards and to clear all the prejudices regarding credit cards. It focuses on creating awareness of efficient use of credit cards to avail its maximum benefits over a debit card. Now people transact with a particular app or method not only for the sake of transaction but to avail the bonuses offered by them.

Research Methodology:

This research proposal is based on sample primary data collected through structured questionnaire and survey, and on secondary data from news articles and publications. We have used the non-probability convenient sampling method in this study. The sample size was of 120 working people. The survey consisted of 16 multiple-choice questions. The goal was to collect survey responses from 120 salaried people living in Thane city. Here, salaried person is defined as a person who receives a fixed amount of payment each month.

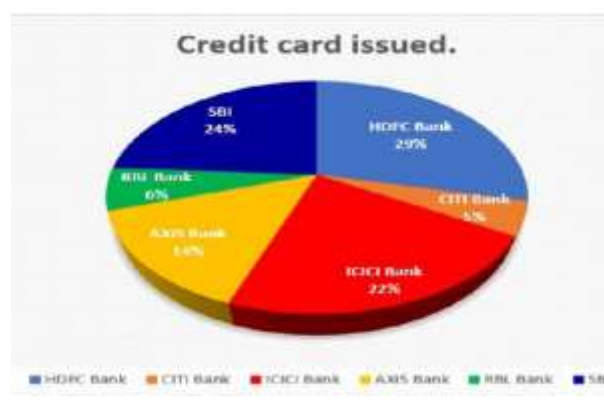
Participants were sent e-forms to fill anonymously. In total, 80 participants responded, but not all surveys were fully completed. Due to this, 74 survey results were included in the analysis. We have conducted a thematic analysis on the responses. Data analysis was done through descriptive tools like Graphical presentation.

Preliminary work:

Electronic payment methods like credit cards and debit cards have captured and retained the public's attention in the modern day. In India, the usage of credit cards has increased substantially. In July 2022, it surpassed 78 million. The amount and volume of transactions have risen to \$11.5 trillion, nearly doubling from the fiscal year 2020–2021. Despite the apparent size of the amounts, just 5% of Indians actively use credit cards. Debit cards continue to be the preferred method of payment for the majority of Indians. In India, there were about 940 million active debit cards as of January 2022. When compared to the number of credit cards in use that same month, which came to over 70 million, this figure was significantly higher. Lack of awareness and poor financial management skills in Indian households are to blame for this. Utilizing credit cards has a number of advantages, including convenience, Cibil score building, security, rewards, etc. Credit cards also ensure that economic activity is recognised and reduce the amount of currency in circulation, increasing government revenue. A debit card immediately withdraws money from a person's bank account, giving the appearance that it is more dependable and secure.

Benefits to society:

- Credit cards have always been considered to be the inutile and unfavourable option for debit cards, but this study intends to shed light upon the critical need for development of skills and glean financial literacy not only about the credit cards but also other online payments interface option.
- We propose to create awareness amongst the millennials about the benefits of appropriate use of credit cards.

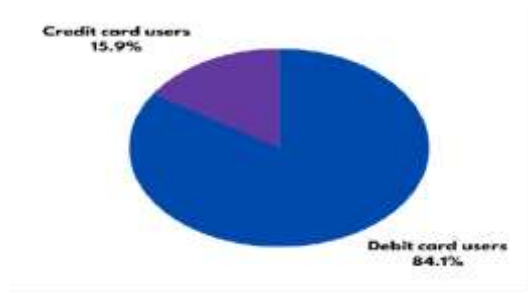


Findings:

- As per the survey conducted by us most of people are preferring to use debit cards instead of a credit card.
- The factors affecting the use of credit cards are high interest rates and people don't want debt to pile up and also other ethically and technically wrong financial news that are spread regarding the credit cards.
- Half of the respondents are working personnel and they don't use credit cards & more than 80% of



responder think debit card is beneficial. Therefore, there is Financial illiteracy among people for the effective use of credit cards.



Limitations:

- This research has potential limitations because the estimates of this paper are based on various observational studies.
- Limited secondary data available.
- The sample size is considerably less.
- Also, there are geographical limitations to this research.

Suggestions:

- We would like to suggest that there should be more circulars and seminars that tend to increase the skills and financial literacy of people, not only regarding Debit or Credit cards but also other payment methods.
- There should be more schemes initiated by the government that can make people understand the smoother ways to handle hard cash and digital cash.
- There should be more such research work done on the pros and cons, and should try finding the solutions to the problems of the users.

Future Scope of Study:

- This research can provide the launching ignition for many more such researches that can prove to be beneficial for not only Indians but global citizens.
- Also, this can help many more researchers in finding out more solutions to the problems of the users.
- This can be the base for further revolutionary changes or schemes in the Indian and global economy.





Conclusion:

We are willing to bring forward the problems faced by the majority of Indians on daily basis and possible solutions to the same. Credit cards are always considered to be difficult to handle, or something that is held responsible for increasing debts and for higher interest rates. Given accurate knowledge of the patterns and ways of using credit cards efficiently people can make better, satisfactory and effective and profitable use of Credit cards. Also, credit cards are a more secure option than that of Debit cards or other payment options, as all the process are strictly monitored by the banks following the guidelines of the Reserve Bank of India. Thus, we propose to bring forward these issues and bring the solutions in the spotlight for the betterment of the users and attempt to help everyone take a step closer towards being skilful and financially literate towards credit cards and other payment options.

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