# A STUDY ON THE IMPACT OF CREDIT CARD USAGE ON PERSONAL FINANCIAL DISCIPLINE

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## Introduction

The global financial system has undergone a major transformation from a predominantly cash-based economy to a credit-driven and digital economy. Among various financial instruments, credit cards have emerged as one of the most widely used tools for facilitating transactions. Initially introduced to enhance convenience and security, credit cards now play a central role in shaping consumer spending behaviour, lifestyle choices, and financial decision-making.

Credit cards offer several benefits such as cashless transactions, deferred payment options, fraud protection, reward programs, and access to short-term credit. These features make them attractive to consumers across income groups, particularly in urban areas. However, the same features that provide convenience can also weaken personal financial discipline. Deferred payment, high credit limits, and reward-driven spending may encourage impulsive purchases, excessive borrowing, and accumulation of highinterest debt.

Behavioural finance research highlights the psychological disconnect between spending and payment when credit cards are used. Unlike cash transactions, credit card usage reduces the "pain of paying," leading individuals to underestimate their actual expenditure. This phenomenon, commonly referred to as the *credit card effect*, often results in overspending and poor budgeting behaviour.

In addition to psychological factors, technological advancements such as mobile banking applications, digital wallets, and automated alerts have reshaped how individuals interact with credit. While these tools enhance transparency and tracking, over-reliance on technology may reduce active financial engagement. Furthermore, aggressive marketing strategies, lifestyle aspirations, and social pressures further contribute to increased credit card usage beyond financial capacity.

In India, credit card usage has increased significantly due to urbanization, digital banking growth, e-commerce expansion, and regulatory support for cashless transactions. According to the Reserve Bank of India (RBI), the number of active credit card users has crossed 60 million, with transaction volumes rising steadily. While this reflects economic progress and financial inclusion, it also raises concerns regarding responsible usage and financial discipline.

## Background of the Study

The increased availability of credit cards has changed how individuals manage money. Financial institutions promote credit cards through rewards, cashback offers, EMIs, and lifestyle benefits, encouraging frequent usage. While these incentives enhance consumption flexibility, they often lead to spending beyond income levels.

Rising inflation, easy credit access, and lifestyle aspirations compel individuals to rely on credit cards to maintain consumption standards. This reliance can negatively impact saving habits and long-term financial planning. Moreover, limited financial literacy regarding interest rates, billing cycles, and penalties further worsens financial discipline.

With the emergence of fintech platforms, BNPL schemes, and app-based credit, consumers face an increasingly complex financial environment. Hence, examining credit card usage behaviour is essential to promote sustainable financial practices.

## Need for the Study

The study is necessary to understand whether credit cards act as tools for financial convenience or contributors to financial indiscipline. Many users lack adequate knowledge of interest computation, minimum payment traps, and credit score implications.

This study helps to:

- Analyse spending and budgeting behaviour of credit card users
- Examine the relationship between credit dependency and financial discipline
- Identify challenges faced in managing credit card debt
- Suggest measures for responsible credit card usage
- The findings will be useful for consumers, financial institutions, educators, and policymakers.

## Statement of the Problem

Despite widespread credit card adoption, many individuals experience overspending, delayed payments, and debt accumulation. This raises concerns regarding the ambiguous impact of credit cards on financial discipline.

**Problem Statement:**

How does credit card usage influence personal financial discipline among individuals?

## Objectives of the Study

- To study patterns of credit card usage
- To examine the relationship between credit card usage and financial discipline
- To analyse the impact on savings and budgeting behaviour
- To identify common credit card management problems
- To suggest measures for responsible credit card usage
- Significance of the Study
- Consumers: Enhances awareness of spending habits and encourages disciplined behaviour
- Financial Institutions: Assists in designing ethical marketing and educational tools
- Policymakers: Supports consumer protection and financial literacy initiatives
- Academia: Contributes to behavioural finance and consumer economics literature

## Scope and Limitations

The study focuses on salaried urban individuals aged 25–45, analysing behavioural, demographic, and financial discipline aspects.

### Limitations:

- Reliance on self-reported data
- Cross-sectional nature limits causality
- Findings may not be universally generalizable

## Future Perspectives

Future research may explore digital wallets, BNPL schemes, and AI-based financial tools and their interaction with financial discipline. Longitudinal studies and behavioural interventions can further enhance understanding.

## Review of Literature

The literature highlights the dual role of credit cards as both facilitators of financial management and contributors to debt stress. Indian studies reveal that convenience, rewards, and status significantly influence adoption, while impulsivity and low financial literacy increase misuse.

Behavioural theories such as Mental Accounting, Prospect Theory, and Hyperbolic

Discounting explain overspending tendencies. Studies by Sriram (2023), Das & Ghosh (2018), and NK R.V. (2019) indicate that psychological traits, demographics, and digital exposure strongly affect repayment behaviour.

Research also shows that financial literacy improves discipline, while BNPL schemes and digital credit increase impulsive spending. However, gaps remain due to limited integrated and longitudinal studies in the Indian context.

# Research Methodology

A descriptive and correlational research design using a cross-sectional survey method.

- Population and Sampling
- Target Population: Salaried individuals aged 25–45
- Sample Size: 30 respondents
- Sampling Technique: Convenience sampling

## Data Collection

- Primary Data: Structured questionnaire
- Secondary Data: RBI reports, journals, academic studies

## Data Analysis Tools

- Percentage analysis
- Tables and interpretation

## Ethical Considerations

Confidentiality, anonymity, and informed consent were ensured.

# Data Analysis and Interpretation

## Demographic Profile

The majority of respondents belonged to the 31–38 age group, with balanced gender representation. Most were middle-income earners with postgraduate education, indicating reasonable financial awareness.

- Credit Card Usage Patterns 46.7% always paid on time
- 33.3% paid sometimes
- 20% rarely or never paid on time
- 60% carried outstanding balances

Convenience was the primary reason for usage, followed by rewards and emergencies. A significant proportion relied on credit for lifestyle expenses, increasing debt risk.

### Financial Discipline Levels

Respondents showed moderate financial discipline. Budgeting awareness was high, but savings discipline and timely repayment were weaker, especially among users carrying revolving balances.

## Findings, Conclusion and Suggestions

- Credit cards encourage convenience but increase impulsive spending
- Carrying balances negatively affects savings and discipline
- Financial literacy improves repayment behaviour
- Lifestyle-driven usage leads to higher debt stress

## Conclusion

Credit cards have a dual impact on personal financial discipline. When used responsibly, they enhance convenience, credit history, and financial flexibility. However, misuse driven by impulsivity, rewards, and lack of awareness can lead to debt accumulation and financial stress. Financial discipline depends not on ownership but on usage behaviour.

Suggestions

Promote financial literacy programs

- Encourage full-balance repayment
- Use spending alerts and budgeting tools
- Regulate aggressive marketing practices
- Introduce behavioural nudges for disciplined usage

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