International Research Journal of Education and Technology
Peer Reviewed Journal
ISSN 2581-7795

RESEARCH PAPER

Factors Influencing Credit Card Selection and Usage Preference Among Consumers in India

Rishita Varma S
USN: 24MBAR1050
Faculty of Management Studies, CMS Business School
JAIN (Deemed-to-be University), Bengaluru, Karnataka, India

Keywords: *Credit cards, consumer behaviour, credit card selection, usage preference, financial literacy, digital usability, perceived security, repayment behaviour*

International Research Journal of Education and Technology
Peer Reviewed Journal
ISSN 2581-7795

1. Abstract

This study examines factors impacting credit card selection and usage preference among consumers in the Indian retail context. The research identifies major economic, technological, service-related, behavioural and demographic factors influencing these decisions. A quantitative, descriptive-cum-analytical research design was adopted using a structured closed-ended questionnaire administered to 259 respondents who were either current credit card users or aware of credit cards.

The study covered annual fee, interest burden, rewards, EMI flexibility, fraud protection, digital usability, app-based monitoring, financial literacy and demographic variables. Findings reveal that respondents display a moderate and practical orientation toward credit cards rather than a prestige-driven one. EMI or instalment flexibility, fraud protection, low annual fee, contactless convenience and app-based monitoring emerged as the most meaningful practical influences. Repayment discipline appeared weaker, with a considerable proportion reporting minimum-due or partial-payment behaviour. The study also found limited but significant associations between usage behaviour and gender, residence and financial literacy. Overall, credit card behaviour is shaped more by functional utility, digital convenience, security perception and repayment psychology than by symbolic appeal alone.

2. Introduction

Credit cards have evolved from simple deferred-payment instruments into multi-functional retail finance platforms combining payment convenience, short-term credit, rewards, instalment conversion, fraud protection, digital account management, merchant tie-ups and symbolic lifestyle value. A consumer no longer decides only whether to own a credit card; they also evaluate which card to select, how often to use it, for what expenditure categories, and under what repayment discipline. Selection and usage preference are therefore related but not identical decisions.

Card selection generally reflects the consumer's assessment of product attributes before or at the time of adoption — including annual fee, interest rate, reward structure, brand reputation, credit limit, co-branded benefits, mobile app usability and perceived security. Usage preference, by contrast, refers to the extent to which the consumer chooses to use the card in actual transactions such as online

shopping, travel, fuel, emergency purchases or recurring payments.

The topic is academically important as it sits at the intersection of consumer behaviour, personal finance, marketing, payment innovation and behavioural economics. It is socially significant because inappropriate card selection or weak repayment discipline may lead to revolving balances, debt stress and impulsive spending.

2.1 Statement of the Research Problem

Consumers are exposed to a large variety of credit card products with differing prices, rewards, features and service promises, yet they do not evaluate or use these products uniformly. Existing practice suggests that card issuers market aggressively on rewards and lifestyle, while actual consumer welfare depends equally on repayment ability, financial literacy, risk perception and clarity of terms.

A second dimension is the conceptual separation between selection and usage. Many studies analyse adoption intention, debt behavior or repayment outcomes in isolation. A unified consumer-level framework for selection and usage preference remains comparatively underdeveloped, especially in the Indian context. Additionally, the contemporary credit card environment has become more complex — consumers compare cards on app-based service quality, instant EMI options, merchant partnerships, fraud monitoring and dispute resolution, beyond just monetary criteria.

3. Review of Literature

The academic literature on credit card behaviour spans several decades and disciplinary perspectives. Chien and DeVaney (2001) established that credit attitude and socioeconomic factors jointly predict credit card debt. Hayhoe, Leach and Turner (1999) showed that money attitudes differentiate the number of cards held among college students. Ahmed et al. (2010) documented Malaysian credit card usage patterns, while Amin (2012, 2013) explored Islamic credit card patronage using the Theory of Reasoned Action.

Wickramasinghe and Gurugamage (2012) found that social demographic attributes, credit knowledge and perceived lifestyle outcomes significantly affect usage. Akin et al. (2012) and Mottola (2013) linked financial literacy to credit card satisfaction and behaviour, with Mottola noting gendered differences. Shefrin and Nicols (2014) examined heuristics and financial styles. Ru and Schoar (2020) investigated behavioral biases in credit card company screening, and Stavins (2020) used credit bureau

data to explain payment choice.

Trinh, Tran and Vuong (2020) explored perceived risk as a multifaceted determinant of credit card intention. Hamid and Loke (2021) confirmed financial literacy and money management as repayment predictors. Lee and Lee (2021) examined multidimensional credit attitudes. Chen, Yu and Sun (2023) investigated associations between consumer financial knowledge and card behaviour, and Sriram et al. (2023) offered an Indian perspective on antecedents of credit card usage.

Recent additions include Rishi, Mallick and Shiva (2024) on importance-performance analysis of usage attitudes; Agarwal et al. (2023) on redistribution in reward programmes; Kuramoto et al. (2024) on time preferences and card utilisation; and Li, Chatterjee and Moorman (2024) on materialism, financial socialization and card debt.

3.1 Research Gaps

Several gaps emerge from the literature:

- Most prior studies examine adoption intention, repayment behaviour or debt misuse separately; fewer jointly analyse card selection and usage preference as linked decisions.
- A large share of empirical literature is non-Indian; a contemporary India-focused framework remains necessary given market-specific digital ecosystems and consumer alternatives.
- Many studies emphasise either monetary or behavioural factors, but relatively few integrate monetary, technological, service-quality and behavioural variables in one model.
- Older literature does not fully capture app usability, contactless payments, alerts and grievance handling — variables now central to post-digital card experience.
- Studies using intention as the dependent variable do not always capture actual usage preference; a questionnaire measuring preferred-usage contexts better approximates lived behaviour.

4. Theoretical Framework

The study is anchored in an integrated theoretical framework drawing from five perspectives:

Theory of Planned Behavior (TPB)

Ajzen's TPB proposes that behaviour is shaped by attitude, subjective norm and perceived behavioural

control. In the credit card context, attitude captures whether consumers view cards as useful, risky or

debt-inducing; subjective norm reflects peer and family influence; and perceived behavioural control captures confidence in managing billing and repayment.

Technology Acceptance Model (TAM)

TAM explains adoption and usage on the basis of perceived usefulness and perceived ease of use. Modern credit cards operate through digital interfaces — mobile apps, reward dashboards, contactless payments and transaction alerts — making TAM directly relevant to justifying convenience and app-quality variables.

Perceived Risk Theory

Consumer decisions are affected by expectations of financial, performance, privacy, security, psychological or social loss. Credit cards carry inherent uncertainty — hidden charges, revolving interest, fraud — making perceived risk a critical dimension of selection and usage.

Behavioural Finance and Mental Accounting

Present bias, overconfidence, impulsivity, materialism and heuristic shortcuts can distort card choice and payment behaviour. Mental accounting explains why rewards or no-cost EMI labels may cause consumers to decouple benefits from borrowing costs.

Consumer Utility and Service Evaluation

Card choice reflects trade-offs among price, functionality, service quality and symbolic benefits. This perspective treats card selection as a multi-dimensional utility-laden evaluation process rather than a purely financial decision.

5. Research Methodology

5.1 Scope

The study is confined to individual retail consumers who are aware of credit cards and are either current users or potential users capable of evaluating card features. The unit of analysis is the individual consumer's perception, evaluation and stated preference. The study covers economic features, convenience, security, trust dimensions and selected behavioural and demographic

dimensions within an Indian urban and semi-urban retail context.

5.2 Research Objectives

No.	Research Objective
1	To identify the major economic, technological, service-quality and behavioural factors that influence credit card selection.
2	To examine how convenience, security, rewards, financial literacy and related variables influence consumers' usage preference.
3	To analyse the association between demographic profile and credit card selection/usage preference to derive a structured consumer-behaviour framework.

5.3 Hypotheses

Hypothesis	Statement
H1	Economic-benefit factors (annual fee, rewards, cash back, credit limit, interest burden) significantly influence credit card selection.
H2	Convenience, digital usability and perceived security significantly influence consumers' usage preference.
H3	Demographic profile and financial literacy are significantly associated with variation in credit card selection and usage preference.

5.4 Research Design

Design Element	Specification
Nature of study	Quantitative; descriptive and analytical
Research type	Cross-sectional survey
Research approach	Deductive and explanatory
Unit of analysis	Individual consumer / cardholder
Sampling approach	Convenience and purposive sampling
Sample size	259 respondents
Data source	Primary — structured closed-ended questionnaire
Area of coverage	Urban and semi-urban India
Time horizon	Cross-sectional (one-time data collection)

5.5 Variables

Type	Variable	Indicative Measures
Dependent 1	Credit card selection	Fee, rewards, issuer image, security, digital features
Dependent 2	Usage preference	Online spending, travel, emergencies, contactless, payment regularity
Independent A	Economic-benefit factors	Annual fee, APR, rewards, cashback, credit limit, EMI option
Independent B	Convenience & digital usability	Acceptance, billing clarity, app usability, contactless
Independent C	Security & trust	Fraud alerts, dispute resolution, data security, issuer reputation
Independent D	Behavioural & social factors	Prestige value, peer recommendation, self-control orientation
Control	Demographic & capability	Age, gender, income, education, occupation, financial literacy

6. Data Analysis and Interpretation

6.1 Respondent Profile

Variable	Category	n	%
Gender	Male	134	51.74
Gender	Female	125	48.26
Age Group	36–45	64	24.71
Age Group	26–35	60	23.17
Age Group	46–55	57	22.01
Age Group	18–25	48	18.53
Age Group	Above 55	30	11.58
Education	Postgraduate	68	26.25
Education	Undergraduate	67	25.87
Education	Professional	65	25.10
Occupation	Homemaker	45	17.37
Occupation	Retired	45	17.37
Occupation	Professional	44	16.99
Income	₹50,001–₹1,00,000	66	25.48
Income	Up to ₹25,000	64	24.71
Residence	Semi-urban	136	52.51
Residence	Urban	65	25.10
Residence	Rural	58	22.39
Financial Literacy	Low	65	25.10
Financial Literacy	Moderate	65	25.10
Financial Literacy	High	61	23.55

The demographic profile is broad rather than concentrated in one segment. The largest age group is 36–45 years (24.71%), followed by 26–35 years (23.17%). Semi-urban respondents form the largest residence group (52.51%), giving the analysis a mixed urban–semi-urban context. Financial literacy is spread across the scale, with the largest shares in the low and moderate categories. Only 125 respondents (48.26%) reported owning a credit card; the remainder were aware non-users, making

findings reflective of both lived experience and perception-based evaluation.

6.2 Credit Card Profile

Variable	Category	n	%
Own credit card	Yes	125	48.26
Own credit card	No, but aware	134	51.74
No. of cards	One	69	26.64
No. of cards	Two	64	24.71
No. of cards	Three	62	23.94
Preferred card type	Travel	47	18.15
Preferred card type	Premium	45	17.37
Preferred card type	Fuel	42	16.22
Preferred card type	Cashback	41	15.83
Repayment style	Minimum due only	91	35.14
Repayment style	More than minimum, not full	73	28.19
Repayment style	Pay in full	54	20.85
Main area of use	Fuel	56	21.62
Main area of use	Travel	48	18.53
Main area of use	Grocery / daily spend	47	18.15
Main area of use	Emergencies	47	18.15
App usage	Sometimes	89	34.36
App usage	Often	66	25.48
App usage	Rarely	45	17.37

Travel cards (18.15%) and premium cards (17.37%) are slightly preferred over fuel, cashback and rewards cards, but the gap is small. Repayment is a key concern: minimum due only is the most common style (35.14%), followed by partial payment (28.19%). Only 20.85% report paying in full — a finding with significant practical implications.

6.3 Composite Scale Statistics

Scale	N	Mean	SD	t vs 3.00	p
Selection score	259	3.031	0.326	1.514	0.131
Usage score	259	2.981	0.405	-0.751	0.453
Satisfaction score	259	3.035	0.456	1.226	0.221
Economic-benefit index	259	3.034	0.521	1.053	0.293
Convenience-security-service index	259	3.042	0.489	1.396	0.164
Social-image-promotion index	259	3.000	0.657	0.000	1.000

All composite scores sit very close to the neutral midpoint of 3.00. None differ significantly from 3.00 at the 5% level. Respondents are neither strongly enthusiastic nor strongly negative — attitudes are moderate overall.

6.4 Item-Level Rankings: Credit Card Selection Factors

Item	Statement	Mean	SD	Agree %
C6	EMI / instalment option	3.154	1.154	43.63
C8	Fraud protection / transaction security	3.124	1.223	43.24
C1	Low annual fee	3.116	1.227	41.31
C14	Brand prestige / lifestyle image	3.081	1.278	39.38
C2	Low interest / borrowing cost	3.081	1.290	40.93
C9	Wide merchant acceptance	3.077	1.185	38.22
C10	Easy-to-use mobile app	3.054	1.209	40.15
C12	Customer service quality	3.015	1.207	37.84
C4	Rewards points / cashback	2.907	1.276	33.21

EMI/instalment conversion (3.154), fraud protection (3.124) and low annual fee (3.116) rank highest. Rewards points/cashback sits near the bottom — a notable contrast to how card issuers typically market their products. Practical affordability and risk protection matter more than promotional rewards in this sample.

6.5 Item-Level Rankings: Usage Preference Factors

Item	Statement	Mean	SD	Agree %
D6	Contactless tap-and-pay increases use	3.201	1.226	44.79
D7	Monitor spending through app/alerts	3.093	1.242	42.09
D10	Credit card is a preferred payment instrument	3.077	1.175	39.38
D1	Use for online shopping	3.012	1.209	37.45
D4	Use in emergencies	2.996	1.289	37.07
D9	Prefer paying bill in full	2.822	1.181	30.89
D8	Avoid use when surcharge applies	2.822	1.239	34.75

Contactless tap-and-pay (3.201) and app-based monitoring (3.093) are the strongest usage drivers, pointing to convenience and digital control as the clearest practical triggers. Items relating to paying in full and avoiding surcharges fall below the midpoint, revealing weaker repayment discipline.

6.6 Reliability and Factor Analysis Adequacy

Scale	Items	Cronbach's α	KMO	Bartlett p
Selection (C1–C15)	15	0.051	0.503	0.334
Usage (D1–D10)	10	0.090	0.504	0.865
Satisfaction (E1–E7)	7	-0.030	0.520	0.129
All items (C1–E7)	32	0.102	0.481	0.730

Reliability is extremely weak across all sections ($\alpha < 0.10$ for all). KMO values hover around the borderline 0.50, and Bartlett's tests are non-significant in every section. These results mean the items do not form consistent latent scales; accordingly, exploratory factor analysis was not retained as a substantive result. The study's conclusions rest on item-level descriptive analysis, association tests and exploratory regression.

6.7 Significant Item-Level One-Sample Tests (vs Midpoint 3.00)

Item	Label	Mean	t	p
D6	Contactless tap-and-pay increases use	3.201	2.636	0.009
C6	EMI / instalment option	3.154	2.153	0.032
D8	Avoid use when surcharge applies	2.822	-2.308	0.022
D9	Prefer paying bill in full	2.822	-2.420	0.016

6.8 Hypothesis Testing

Hypothesis	Key Evidence	Decision
H1	Economic-benefit index mean = 3.034; t = 1.053; p = 0.293. EMI item significant (p = 0.032).	Not supported overall; weak item-level support only.
H2	Convenience-security index mean = 3.042; t = 1.396; p = 0.164. Contactless item significant (p = 0.009).	Not supported overall; weak item-level support only.
H3	Usage score differed by gender (p = 0.022). Residence associated with area of use (p = 0.004). Financial literacy associated with app usage (p = 0.005).	Partially supported.

6.9 Regression Analysis

Model	R^2	Adj. R^2	F	p
Selection score	0.042	-0.030	0.584	0.910
Usage score	0.119	0.052	1.794	0.027
Satisfaction score	0.077	0.008	1.116	0.337

Only the usage-score model is statistically significant (p = 0.027). Two significant predictors emerge: being male is associated with a 0.126-point higher usage score (p = 0.014), and frequent app feature usage is associated with a 0.172-point higher usage score (p = 0.010). The selection and satisfaction

models are not significant, indicating that profile variables alone do not explain these outcomes.

7. Findings

The study produces six key findings:

- Moderate, pragmatic orientation: All composite scores sit close to the neutral midpoint. Respondents are neither strongly enthusiastic nor strongly negative about credit cards.
- Practical features dominate selection: EMI/instalment flexibility, low annual fee and fraud protection rank above rewards or prestige — contrary to typical issuer marketing emphasis.
- Digital convenience drives usage: Contactless tap-and-pay and app-based monitoring are the strongest usage-related items in the dataset.
- Weak repayment discipline: Paying the bill in full is below the neutral midpoint; minimum-due repayment is the most common style (35.14%).
- Measurement structure is weak: Items do not form reliable latent constructs; deep scale-based modelling is not supported by this dataset.
- Demographic effects are limited but present: Gender shows a small but significant usage difference; residence associates with card-use context; financial literacy associates with app-usage pattern.

8. Theoretical Implications

The findings partially support TPB — attitude operates in a narrow, situational and utility-based manner rather than ideologically, and subjective norms appear weaker than expected. TAM finds strong item-level support: contactless convenience and app-monitoring significance align with perceived usefulness and ease-of-use logic in the digital card ecosystem. Perceived Risk Theory is reinforced by the prominence of fraud protection and security in selection decisions — card choice is a risk-management decision as much as a reward-maximisation one. Behavioural Finance perspectives are supported by the minimum-due repayment pattern and EMI preference, consistent with present-bias and mental-accounting dynamics. The consumer utility framework is confirmed in the multi-dimensional trade-off between fee, flexibility, security, service and digital control.

A key negative-theoretical contribution is that the proposed constructs do not form strong unified

scales in this dataset — suggesting that future theory-building should treat economic value, digital convenience, security, service quality and behavioural discipline as distinct but interacting domains rather than a single latent construct.

9. Managerial Implications

Card issuers should re-centre their value propositions around practical utility rather than prestige:

- Position EMI and instalment conversion as financial-planning tools with transparent cost communication, not just spending facilitators.
- Treat security as a core product feature — invest in real-time fraud alerts, dispute resolution, card-control features and visible communication about protection mechanisms.
- Design the mobile app as part of the product itself: easy statement access, spending categorisation, due-date reminders, reward tracking and instant support channels.
- Integrate responsible credit education into the customer journey through app-based nudges, repayment calculators and cost-of-revolving explanations.
- Segment customers by residence, gender and financial literacy — rural, semi-urban and urban markets use cards differently; issuers should move beyond one-size-fits-all strategies.
- Build trust through transparent billing, clear fee structures and efficient grievance handling, as moderate satisfaction implies low switching costs.

10. Limitations

- Sample composition mixes current cardholders and aware non-users, combining lived behaviour with perception-based evaluation.
- Convenience/purposive sampling limits strict generalisability to the Indian population.
- Cross-sectional design prevents causal inference — associations do not imply causation.
- Extremely low internal consistency ($\alpha < 0.10$) and non-significant factor-adequacy tests preclude scale-level or factor-based conclusions.
- Self-report bias is possible, especially for financially sensitive items such as repayment discipline and literacy.
- Regional, issuer-specific and product-category differences are not modelled separately.
- The broad questionnaire scope may have contributed to weak measurement coherence across sections.

11. Conclusion

This study concludes that respondents approach credit cards in a practical, moderate and feature-oriented manner. They are not strongly driven by prestige or emotional appeal; instead they respond to EMI flexibility, fraud protection, low annual fee, contactless convenience and app-based monitoring. The repayment-profile findings raise a cautionary note: convenience appears to outpace repayment discipline for a substantial share of users.

Demographic effects are modest but real — gender, residence and financial literacy all show meaningful associations with specific card-usage behaviours. Methodologically, the study demonstrates that credit card behaviour constructs are multi-dimensional and do not easily collapse into a single reliable scale; future research should use refined instruments and separate card-owner from non-owner samples.

In final terms, credit cards are viewed less as symbolic products and more as financial utility tools. Both academic understanding and managerial practice must treat credit card behaviour as a combination of utility, technology, risk perception and repayment psychology.

12. Scope for Future Research

- Refine the measurement instrument so that economic factors, digital usability, service quality, security, behavioural discipline and satisfaction are captured as clearly distinct constructs.
- Analyse current cardholders and non-holders separately to produce stronger behavioural conclusions.
- Employ larger, more representative national samples enabling robust sub-group and issuer-level comparisons.
- Conduct longitudinal research to understand how selection motives translate into usage patterns and repayment behaviour over time.
- Deploy mixed-method designs — qualitative interviews or focus groups alongside surveys — to explain the 'why' behind EMI preference and minimum-due behaviour.
- Integrate objective transactional data (spending categories, payment history, app logins) to

reduce self-report bias.

- Use SEM or CFA frameworks once a more reliable instrument is developed.

- Examine the direct relationship between financial literacy and costly repayment behaviours (revolving balances, missed payments).

References

Agarwal, S., Presbitero, A. F., Silva, A. F., & Wix, C. (2023). Who pays for your rewards? Redistribution in the credit card market (FEDS Working Paper 2023-007). Board of Governors of the Federal Reserve System.

Ahmed, Z. U., Ismail, I., Sohail, M. S., Tabsh, I., & Alias, H. (2010). Malaysian consumers' credit card usage behavior. Asia Pacific Journal of Marketing and Logistics, 22(4), 528–544.

Akin, G. G., Aysan, A. F., Ozcelik, S., & Yildiran, L. (2012). Credit card satisfaction and financial literacy: Evidence from an emerging market economy. Emerging Markets Finance and Trade, 48(Suppl. 5), 103–115.

Amin, H. (2012). Patronage factors of Malaysian local customers toward Islamic credit cards. Management Research Review, 35(6), 512–530.

Amin, H. (2013). Factors influencing Malaysian bank customers to choose Islamic credit cards: Empirical evidence from the TRA model. Journal of Islamic Marketing, 4(3), 245–263.

Chen, F., Yu, D., & Sun, Z. (2023). Investigating the associations of consumer financial knowledge and financial behaviors of credit card use. Heliyon, 9(1), e12713.

Chien, Y.-W., & DeVaney, S. A. (2001). The effects of credit attitude and socioeconomic factors on credit card and installment debt. Journal of Consumer Affairs, 35(1), 162–179.

Hamid, F. S., & Loke, Y. J. (2021). Financial literacy, money management skill and credit card repayments. International Journal of Consumer Studies, 45(2), 235–247.

Hayhoe, C. R., Leach, L., & Turner, P. R. (1999). Discriminating the number of credit cards held by college students using credit and money attitudes. Journal of Economic Psychology, 20(6), 643–656.

Kuramoto, Y., Takeuchi, K., Nabeshima, H., Nakamichi, S., Khan, M. S. R., & Kadoya, Y. (2024). Temporal dynamics of payment choices: Unraveling the interplay between time preferences and credit card utilization in Japan. Cogent Economics & Finance, 12(1), 2369278.

Lee, J. M., & Lee, Y. G. (2021). Multidimensional credit attitude and credit card debt behavior in the United States. Review of Behavioral Finance, 14(2), 183–196.

Li, Z., Chatterjee, S., & Moorman, D. (2024). Exploring the interplay of materialism, financial socialization, financial capability, and credit card debt. International Journal of Bank Marketing, 42(7), 2099–2122.

Mottola, G. R. (2013). In our best interest: Women, financial literacy, and credit card behavior. Numeracy, 6(2), Article 4.

Rishi, B., Mallick, D. K., & Shiva, A. (2024). Examining the dynamics leading towards credit card usage attitude. Journal of Financial Services Marketing, 29(1), 79–96.

Ru, H., & Schoar, A. (2020). Do credit card companies screen for behavioural biases? (BIS Working Papers No. 842). Bank for International Settlements.

Shefrin, H., & Nicols, C. M. (2014). Credit card behavior, financial styles, and heuristics. Journal of Business Research, 67(8), 1679–1687.

Sriram, K. V., Singh, R., Vibha, & Kamath, G. B. (2023). Antecedents of credit card usage behaviour: An Indian perspective. Cogent Economics & Finance, 11(2), 2269796.

Stavins, J. (2020). Credit card debt and consumer payment choice: What can we learn from credit bureau data? Journal of Financial Services Research, 58, 59–90.

Trinh, H. N., Tran, H. H., & Vuong, D. H. Q. (2020). Determinants of consumers' intention to use credit card: A perspective of multifaceted perceived risk. Asian Journal of Economics and Banking, 4(3), 105–120.

Wickramasinghe, V., & Gurugamage, A. (2012). Effects of social demographic attributes, knowledge about credit cards and perceived lifestyle outcomes on credit card usage. International Journal of Consumer Studies, 36(1), 80–89.