



**USAGE PATTERNS AND PERCEPTION ON THE CREDIT CARD  
AMONG CONSUMER**

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## CHAPTER 1 : INTRODUCTION

### 1.0 INTRODUCTION

Nowadays, a credit card becomes a popular medium of payment for consumers today. Consumers that use the credit cards become a convenient way to expand purchasing power. Credit cards also serve as a payment device in modern commerce instead of cash and the routine purchases as well as for many transactions that would be inconvenient.

In the mid-1970s (Loke, 2007) credit cards were first introduced in Malaysia. At the early stage, only the professional group and the successful businesspersons that have a credit cards. The credit card had grown in the end of 1970s which over 20,000 cards were issued. The owning of credit card at that time was considered a symbol of prestige. However, with the passage of time, it is increase the criteria for obtaining the credit cards and it affected to the number of cardholders at the last century that reached to about three million cardholders.

The usage of credit card had become popular as a convenient way for many consumers that do purchasing goods and services. There are two reasons that the credit cards have become a practical and natural way of purchasing goods and services. Firstly, the consumer do not need to bring cash and allow them to buy things and services in case of emergency and secondly, by using credit card is more safer than use cash transaction because some consumer feels that by having cash it will expose them to the risk of being easily robbed.

According to Garman & Fogue, 1997 credit card is convenient source of credit and payment tools. In the study by Bird, Hagstrom & Wild, 1997, the credit cardholders are known as revolving credit card users if credit card holders have an outstanding credit card balance after the last monthly payment. The research by Bird, et al., 1997; Canner & Cynak, 1985; Lindley, Rudolph & Selby, 1989; Yoo, 1998 has determine the number of credit card revolvers and the amount of outstanding credit card debt has increased. According to the 1998 Survey of Consumer Finances, about 44% of households had an outstanding credit card balance (Kennickell, Starr-McCluer & Surette, 2000). From the Federal Reserve Board, 2001 the amount of consumer revolving debt was about \$500 billion up 12.9% in 1996 and it increase the amount of consumer revolving debt averaged about \$680 billion in 2001.

## **CHAPTER 2 : LITERATURE REVIEW**

### **2.0 INTRODUCTION**

A study carried out by Kaynak and Harcar (2001) to examine consumer attitudes and intentions toward credit card ownership and usage across consumer. This research found the usage patterns of credit card, the perception on the consumer towards credit card and the effect and implication of the usage of credit card. In addition, the research also identified the relationship between demographic factors, number of credit card owned and frequency of using credit card. There was a close relationship between the consumer of credit card usage in a given country and its stage of socio-economic development. The using of credit card can increase levels of socio-economic and technological development in order to increases in developing countries.

According to Kaynak et al. (1995), the study found that there appear to be certain relationships between socio-economic and demographic characteristics of Turkish consumers and their credit card holding and usage behaviors and these relationships should be investigated by credit card banks. Meanwhile, according to Gan et al. (2008) examined Singapore's diverse cardholders in search of variations among demographic groups, credit card profiles and their perceptions with regard to credit card ownership and use. The result is being possible reasons governing Singaporean consumers' credit card ownership and use.

### **2.1 CREDIT CARD OWNERSHIP AND USAGE PATTERNS**

The ownership of credit card have different users' characteristic. It found in the usage of credit card. Firstly, the level of income is the main characteristic using credit card. The income level shows that are a better indicator of consumer credit card behavior than social class. According to Mathews and Slocum (1969) and Slocum and Mathews (1970) found that cardholders with low income and socioeconomic status are use credit cards to generate revolving credit more frequently than respondents who are rich and have high status. However, according to Sumarwan and Hira (1993) found that younger individuals are more optimistic about their financial futures, thus they are more willing to take on debt because they expect to be able to repay it. Some researchers found that age factor has significant influence on credit card usage.