

Changing Demographics of Credit Card Holders

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ABSTRACT

The concept of buy now pay later is gaining popularity day by day by using different credit instruments in which one of the credit instruments is leading growth in its number and usage, i.e., the credit card market in India. The growth of credit cards, quantity and usage both, is increasing over time in almost every age group and irrespective of gender and profession of cardholders, the same is evident in this research study. There are many factors which lead to the growth trends in India, for instance, easy to apply and get the card and its use without or less paperwork, growing acceptance of card payments by merchants, etc. Consequently, all this increased purchasing capacity of credit card customers, as well as a shift in the profile of credit card holders, can also be observed. Age, gender, usage frequency, increased credit limits etc are some of the variables of credit card profiles which are covered in this study.

The overall study found the decreasing median age of credit card holders, an increase in women's credit card ownership, the trend of multiple cards holding among the young age groups and a significant change in increased credit limit of cards.

Keywords: Credit Cards, Credit Limit, Median Age, Multiple Credit Cards, Plastic Cards.

1. INTRODUCTION

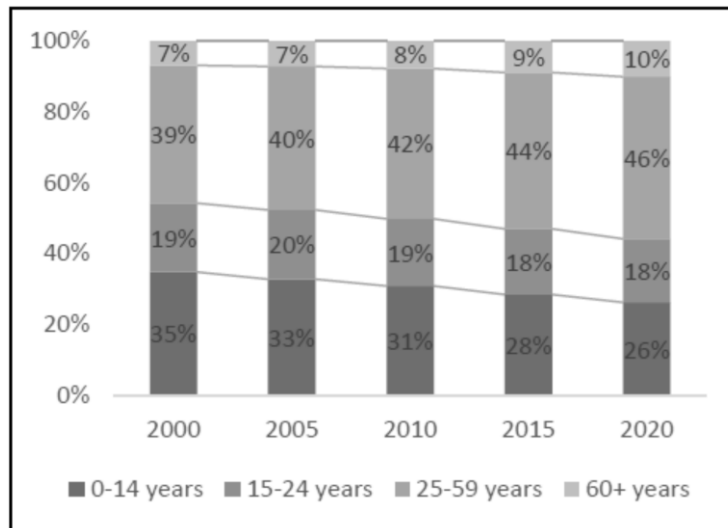
The evolution of the economy is a continuous process and this brings many changes in the functioning of the economy. Usually, changes are motivated toward the economic development of society. Under this many other sociocultural changes take place, which ultimately led to the growth of many sectors, especially the service industry. With reference to banking services and money-related facilities, affluence has increased in the last few decades and it is in its progress due to these complexities in transactions and its management has increased and also due to increasing insecurity the CREDIT CARDS has been introduced.

Credit cards make cardholders' payment experience more quick, convenient and safe. Credit card is generally known as "plastic money", the reason is simple these cards are made of plastic. The basic benefits attached to credit are- the convenience and safety factors which add value to these cards. The growth of credit cards is not only due to the benefits that these cards are offering but because consumers' behaviour has significantly changed which let the acceptance of credit cards as the payment instrument.

It is a card that provides its owner to purchase goods and services without cash and also makes them eligible to get credit from a number of business organisations. Traditionally, this card is issued to those customers who hold some credibility. Now in the modern competitive time, where selling is the key to success, the terms and conditions of issuing cards have changed a lot. Consequently, due to this leniency, the cards are issued to those customers who hold very little creditworthiness and with unknown income sources and transaction behaviour. All this has increased the volume of transactions and the number of

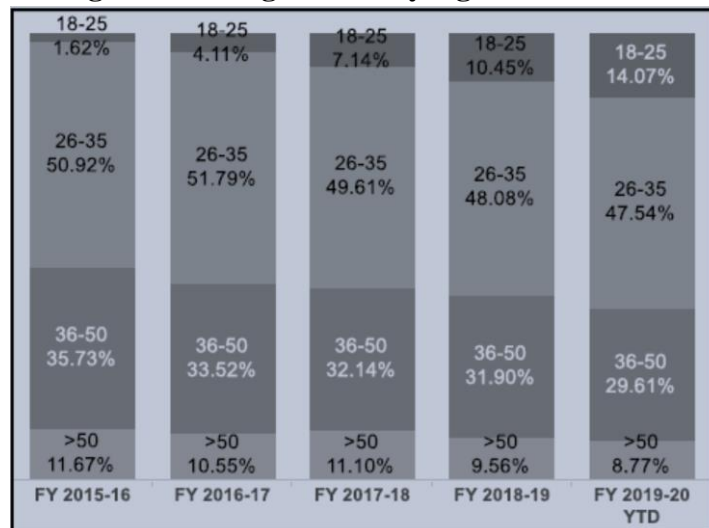
issues of credit card. Many of the above-said statements are evident from the report of CRIF. India has a young workforce, with a median age of 28 years. Projections indicate that by 2030, India's median age will rise to 31 years, still significantly lower than the 40 years in the US and 42 years in China. In 2020, 46% of the population in the country, representing the working-age demographic, falls within the 25-59 age range. (CreditScope, 2020)

Fig. 1: India’s Demographic Profile



Source: World Population Prospects 2019, Department of Economic and Social Affairs, United Nations

Fig. 2: Sourcing Trends by Age of Borrowers



Source: CRIF Bureau, India

The report by CRIF (CreditScope, 2020) points that, in 2020, within the working age population of 25-59 years, the age group 25-49 years constitutes 80%. Millennials in the age group 18-25 years are another important driver of credit cards growth. The share of credit cards originations for this age segment has seen a remarkable increase from 1.6% in FY 2015-16 to 14% in FY 2019-20 YTD. This section of consumers are flexible and open to unconventional modes of payment, other than cash. They are far more technology savvy, more liberal towards personal debt and a crucial driver for credit cards growth.

Beside discussed above, there are many other factors which influence the growth of the use of credit cards which are mentioned below:

- The disposable income of people has increased from last few years
- Level of education has increased about the process and terminologies of credit card.
- Awareness about use of credit cards is another main factor
- Earlier cost of issue of credit card and the interest on the amount of credit through credit cards was higher but as these interest rates and cost of issues has amending to lower levels its usage and growth has increased.
- Parties involved in credit cards has also played role in increasing the use of credit cards.

It is very interesting to notice that shift in the number of card holding is also seen among cardholder as per CIRF as well as the primary data of this study shows that now people are holding more than one credit card, issue by different banks and financial institutions for customised purposes. “37% of Borrower Base in the Age Group 26-35 years has 2 or more Credit Cards, 34% in the Age Group 36-50 Years.” (CreditScape, 2020) This means working group are more interested in holding multiple credit cards. This can also be categorised as age wise and number of holdings, figure 3 of which is given below.

Fig. 3: Distribution of Customer Base by Number of Cards within Age Segments

Age Segment	1 CC	2 CC	3 CC	>3 CC
18-25	81.19%	12.76%	3.65%	2.40%
26-35	62.65%	20.07%	8.77%	8.50%
36-50	65.80%	17.29%	7.78%	9.12%
>50	74.56%	14.30%	5.42%	5.73%
Grand Total	67.43%	17.39%	7.39%	7.79%

Source: CRIF Bureau, India

1.1 Parties involved in credit cards and their role in shift in use of credit card

Parties that are involved in credit card are many but this research work is related to shift in the profile credit card holders, for which I have categorised the parties in directly involved and indirectly involved. Parties that have direct involvement in credit card are: **Clients and Credit Card Issuing Bank**. Parties that have indirect involvement in credit card are: **Merchant, Merchant’s bank, Payment gateway etc.**

1.1.1 Clients- Here clients are the credit card holder of issuing bank, who uses the credit allowed by bank for different purposes like purchase, payments, and other monetary transactions. They are the main party in this whole study from here only the credit transaction starts. Increasing trend in e-commerce activities, offers like discounts, coupons, cashbacks, etc. on usage of credit cards and also security and easiness in payments motivated to use credit cards. This trend has been concluded in one of the industry reports (Coppola, 2022) discussed that e-commerce will account for 20.4% of global retail sales by the end of 2022, up from only 10% five years ago. In other words, the e-commerce space is becoming more crowded. The rapid growth of e-commerce can be attributed to many reasons — Covid-19 being a major one. In times of uncertainty, fears of the virus and stay-at-home policies have driven changes in consumer behaviour, bringing offline footfall to online stores. Large numbers of e-commerce businesses emerge as the times require. (Hung, 2022)

1.1.2 Card issuing bank- Card issuing bank is the banking or financial institutions who issues credit cards

to their clients who holds accounts and sometimes also to those who don't hold account in that bank. When bank issues credit card then they maintain and manage the credit card holders' credit account, whether of account holders or non-account holders. Their role in increasing use of credit card for payment is simple that they extend the credit to card holder which provide easy credit facility and also allowance of usage of card for e-shopping or on point-of-sale or often paying EMIs. These all helped customers to think for using credit card for paying for their stuffs.

1.1.3 Merchant- Merchant is any business-person or institution who trade in goods and service. Merchant is the main party from where the transactions take place and payment by customer is made. For this purpose, businesses hold merchant account with bank to accept payments multiple ways in which credit card is one and important method for payments. The client of issuing bank, who is customer if this merchant, makes payments using credit card. So, role played by merchant is also clear and simple if they haven't offered the different payment modes then how individual have thought of taking credit cards.

1.1.4 Merchant's bank- Merchant's bank is a bank which holds and maintain the account of merchant and facilitates businessperson to accept the payments from their customers.

1.1.5 Payment gateway- There is payment journey from clients' cards to merchant to issuer bank to merchant's bank. Payment gateways are used by the merchants to collect the information which is then passed through secured connection to payment processor. Payment processor then sends the payment information to associated credit card network such as Visa, American Express and MasterCard. The credit card network then passes the information to the issuer's bank which approves the sufficiency of funds in issuer's account and also checks whether the purchase is legitimate or not. Once it finds appropriate, it sends a message, either approved or declined, back to the credit card network which in turn forwards to payment gateways and which is displayed on card reader and purchase is made and merchant delivers the goods to customer.

Citrus Pay Payment Gateway, Atom Paynetz Payment Gateway, Bill Desk, PayPal, Square, and Stripe are some of the payment gateways used in India.

2. LITERATURE REVIEW

Credit Scape: Credit Card Report (2020) by CRIF states the age wise categorization like it states largest share of credit card holders fall in the age group 36-50 years (37.1%) followed by 26-35 years at 35.8%. Customers in the age group 51 years occupy 21.2% of the card base as of Sep 2019, while younger customers in the age group 18-25 years occupy only 5.8 of the borrower base. This report discuss about the multiple credit card holding among young age group and also the volume of transaction. The missing part was about women's participation or the proportion of women in credit card holding. Also, this research study is related to before pandemic as situation and many scenarios have changes during and after covid period. Therefore, changes in participation and number of credit card still has scope to be measured and studies.

(Chau, 1998) in his paper "Credit Card Usage Behavior Between Anglos and Hispanics" explore the alleged difference in credit card usage between Anglos and Hispanics. Anglos owned various banks credit card when compared with the Mexican American due to the fact that they have good source of income and assets which is the primary criteria for possessing different credit cards. On the other hand, Mexican American owned mores retail card than Anglos. This study highlights the idea of holder's preferences in holding and using the credit card. Even the gender classification is also understood which explains the type of card holding is popular among Anglos and Hispanics. This type of study lacks in Indian context,

so there is a good scope to study the income variables which has impact on the credit card.

(Bhatt, 2015) primarily this study is focused to examine the socio-economic profile of the cardholders so that association of factors with the use of debit cards and credit cards can be ascertained. Also, this study points out the benefits and problems associated with plastic money by cardholders and merchants in business deals. With these objectives this study analyse that male respondent are more than women and credit card is popular among youngsters. This analysis matches with the objective and the core concepts of my research study but the current research study do not shows any indications related to how it has changed during last few years.

(Bernthal, 2005) The purpose of the research was to understand consumer lifestyles by credit cards and their associated practices. This study explained the paradox in terms of differing stores of cultural and economic capital and to exposure to life events that carry implications for changes in stores of capital (e.g., loss of a job or spouse). The study has developed a differentiated theory of lifestyle facilitation through credit card practice for this researcher analysed the accounts provided by consumers, credit counsellors, and participants in a credit counselling seminar. They use methods through primarily from textual data generated by nondirective depth interviews of 28 credit card holders, whose credit card debt ranged from zero to 395% of pre-tax household income and whose income levels ranged from low to moderate.

(Khare, 2012) Studies the relation between the different variables of credit card and MILOV (Multi-item List of Value) dimensions, i.e., well-respected, self-fulfilment and security. The study is based on the lifestyle of people and value as interpreters to study the usage of credit cards in India. The study revealed that usage rate was the main determinant in the use of credit cards. Although, there was limited use of credit card in Indian market but considered convenient in financial transactions. Younger age people are more likely to use credit cards than older people. Here, it was also concluded that the younger generation associate the credit card use with lifestyle and sense fulfilment which also aligns with the MILOV dimensions. Men card holders were more than women due to the dependability of women on men.

Although this study shown every important aspect for demography related to credit cards but how the shift has taken was not been introduced. the current research paper is dedicated with this study and added the trends in different variables of demography which shows the shifts in the users of credit card which is the strong gap identified for the study.

3. OBJECTIVES

- To Identify and analyse the demographic changes among the credit card holders during last decade.
- To analyse the shift in use pattern of credit cards during the last decade

4. HYPOTHESIS

- A. H_0 = The median age of credit card holders has not reduced during the last decade.
- B. H_0 = The usage of multiple credit card has not significantly increased in younger age groups during the decade.
- C. H_0 = The proportion of women credit cardholders has not been significantly increased during the decade.
- D. H_0 = There has not been consistent increase in the most preferred credit limit over time.

5. DATA COLLECTION AND SAMPLE OF STUDY

The current study is based on primary data and the data so required is collected from the users of the credit

card holders. The data is collected through structured questionnaires. Data was randomly collected from the credit card holders mostly from urban area who have knowledge about the card and have bank account. Credit card holders were focused at random irrespective of private and public banks. Total number of responses received were 187. Out of 187 responses around 152 responses were found to be complete, correct and adequately filled in which 150 responses were taken for the study.

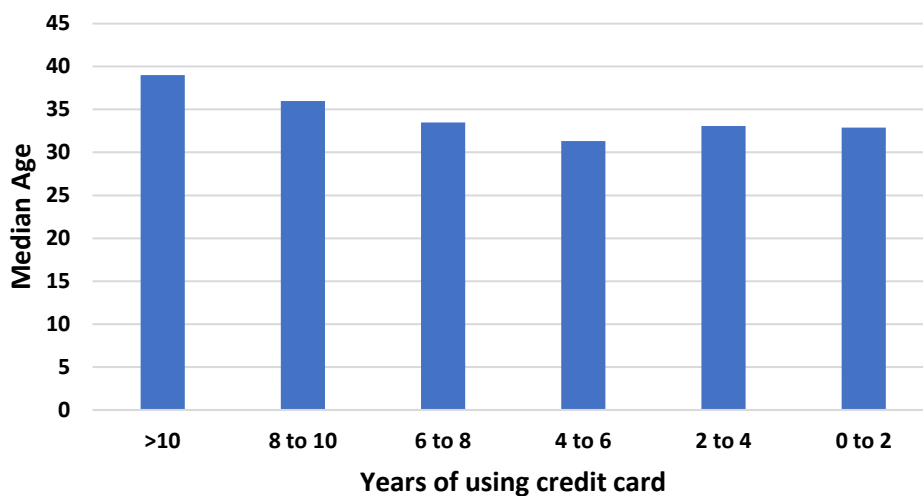
Secondary data is also used to ascertain the population mean. The population parameters for this study have been estimated analysing the published reports of CRIF (2020).

6. FINDINGS AND THEIR ANALYSIS

A: The median age of credit card holders has not reduced during the last decade.

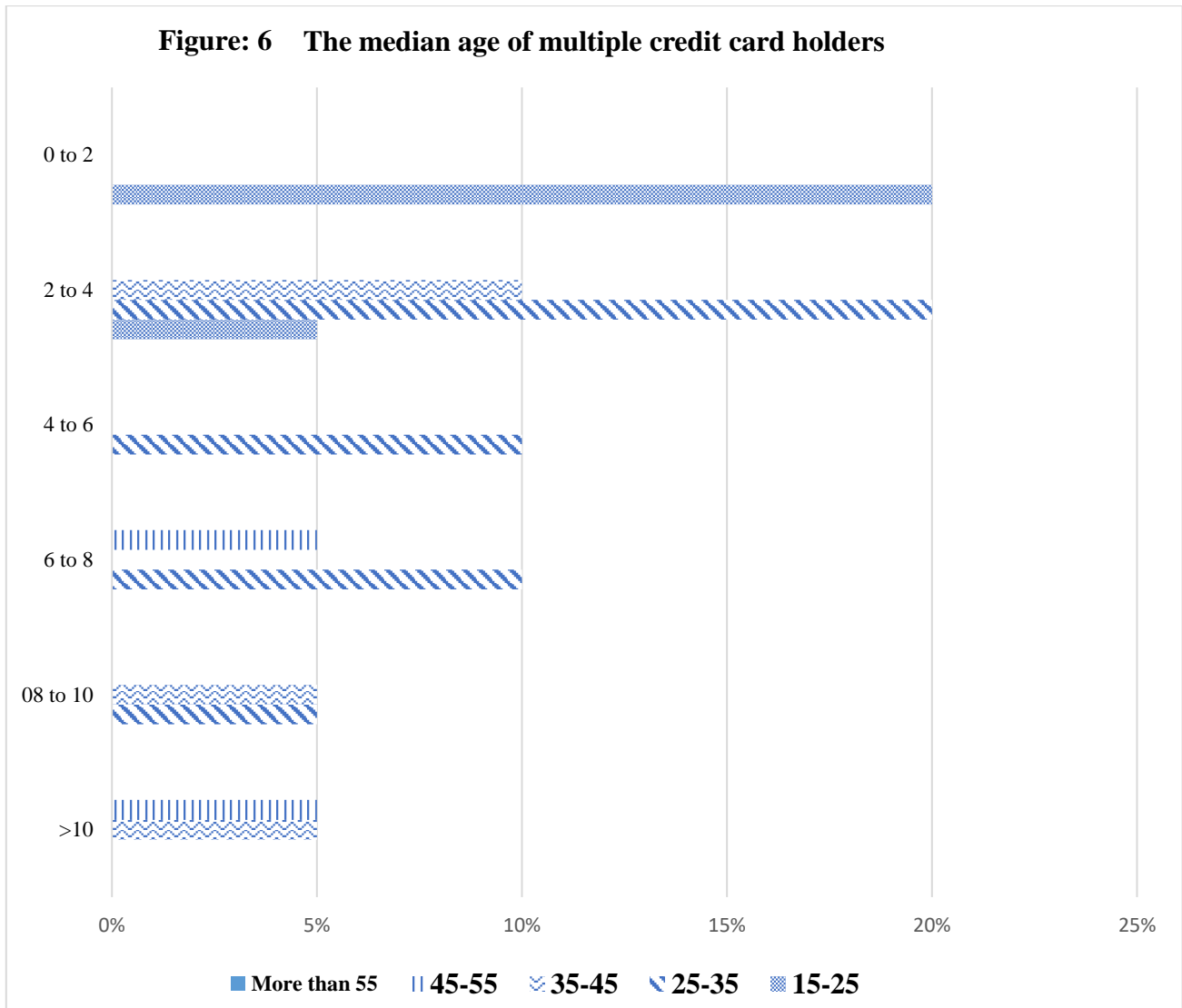
Based on the data analysis using t-test, it was found that the sample mean age of credit card holders (34.30 years) is lower than the estimated population mean (35.75 years, as reported by CRIF). At a 1% significant level, the confidence interval for the median age was determined to be 33.35 to 35.25 years, indicating significant reduction in the median age of credit card holders over the last decade. This is also supported in the given figure 4, illustrating the median age. Therefore, analysis suggest to reject the null hypothesis that the median age of credit card holders has not reduced during the last decade.

Fig. 4: Median Age



B: The usage of multiple credit card has not significantly increased among younger age groups over the past decade.

The analysis of the collected data reveals a clear trend indicating a significant increase in multiple credit card holding among younger age groups over the last decade. Referring sample collected, the practice of holding multiple credit card was less prevalent, and the median age of individuals with multiple cards found to be 37 years. Although presently, this has now decreased to 31 years, suggesting that more younger individuals are increasingly adopting this behaviour. This trend is further validated by the below figure 6, highlighting that the majority of the multiple cardholders now belong to the 25-35 age group, followed by notable participation from the 15-25 age group. Therefore, it is concluded we reject the null hypothesis as the preference for holding multiple credit card has shifted significantly towards younger age groups during the last decade.

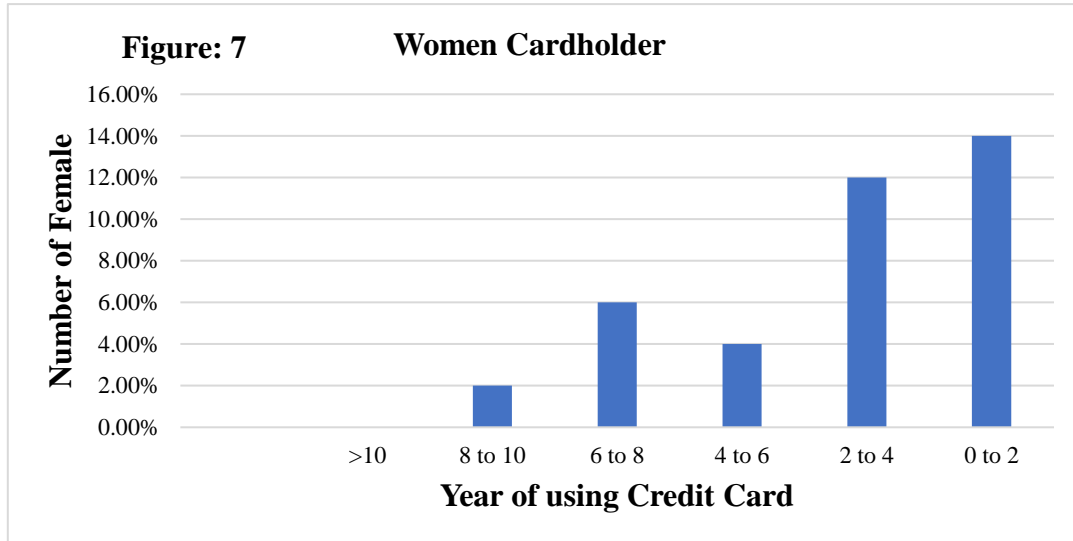


C: The proportion of women credit cardholders has not been significantly increased during the decade.

The study shown a positive sign in the credit card holding among the women. In comparison to last decade, from the data collected, it has been observed that credit card holding by female has gone from 0% to 600% which led to the rejection of null hypothesis. Moreover, it is also observed that average age of women cardholders has significantly reduced from 31 years to around 27 years of age and also it was found that most of cardholding women belongs to young age group.

By working on this hypothesis gives lot many exciting insights about the women cardholders. The findings not only confirm significant increase but also provided additional demographic shift towards younger women. The study reveals a **remarkable 600% increase in credit card holding** by women over the past decade. The given figure 7 also highlights how it has seen the drastic changes over the past years. Moreover, the study found that the average age of women credit cardholders has decreased from 31 years to approximately 27 years indicating, the majority of women credit cardholders belong to younger age group. This clearly suggests that younger women are increasingly adopting credit cards highlighting a demographic shift in card ownership and reinforcing the trend of greater financial independence and

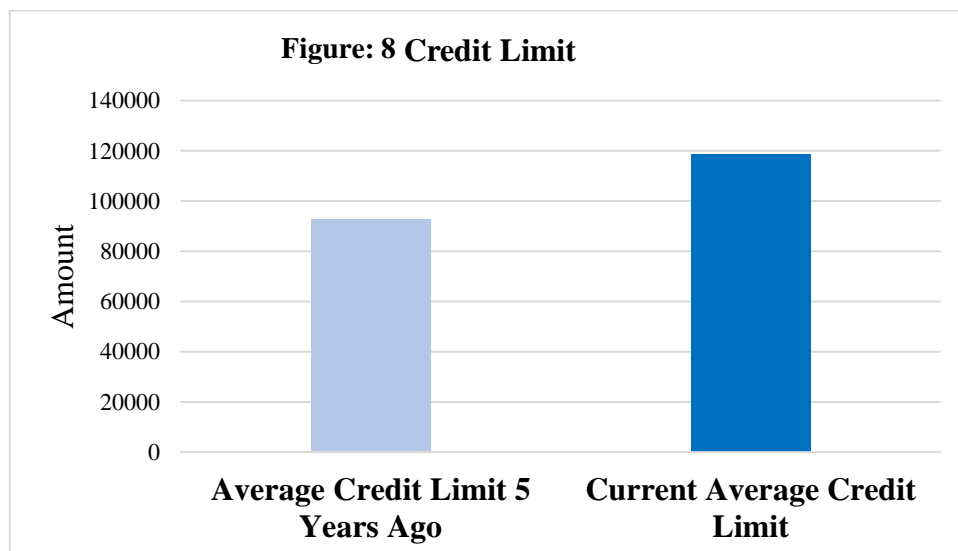
participation in credit systems among younger women. These results underline the importance of considering gender and age dynamics in financial policy and marketing strategies.



D: There has not been consistent increase in the most preferred credit limit over time.

This hypothesis is also accepted as the data clearly indicated that the average credit limit was less in previous years and now it has increased. This is very clearly indicated in the below bar diagram that how average credit limit has increased.

The data demonstrates a clear trend of increasing average credit limit over time. In earlier years, the average limit was notably lower, while in recent years, it has shown significant growth, approx. 28% increased from past 5 years. A visual support is also given in below figure 8, representing the upward trend in the average credit limit over the time. Thus, **the null hypothesis is rejected** as the data provides clear evidence of a consistent increase in the preferred credit limit over the time. This increase indicates a good sign to all the financial institutions and banks as it shows the improved financial profile of cardholders, consumers growing confidence in managing larger credit limits, also reflects broader economic growth.



7. DISCUSSION AND CONCLUSIONS

Innovation in digital technologies lead to the dramatic changes in the payment industry. In the era of speed and convenience, secure and fast payment is most rational demand of the consumers, other than need satisfying products. Credit cards are one of the drivers for the quick and secure payments and with this credit card industry is also adding more and more innovative features so that consumers can take many other benefits, such as EMI, reward points, etc., of the credit card apart from just using it for making payments.

There are lot of studies which shows the ever-growing trend of online and improved techno-based payment system. A report by the Reserve Bank of India and PwC shows that the use and issuance of credit cards in India have seen an uptick with credit card spending crossing the Rs 1 trillion mark for the first time in years. Report also mentions the 20% compounded annual growth rate (CAGR), in the last five years, of the credit card industry.

Apart from the growth of credit card industry and the initiatives made towards credit card industry, the volume of online purchasing and the digital payments are continuously showing upward movement. The payment through plastic card is one which seen a remarkable increase in issue and usage of credit cards. The reason for this increase perfectly relates with the present trend and the research made in this study. (Joshi, 2011) Factors fuelling the credit card industry's growth including hyper-personalization of credit cards, interesting rewards and loyalty programmes, increased use of technology, evolution of credit card business models and the interest of the Gen-Z amid growing number of new fintech players offering credit cards, the industry are set to play a role in further strengthening of the credit cards market in India.

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