

**AN INVESTIGATION ON CONSUMER ATTITUDES  
TOWARDS CREDIT CARDS**

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## **Abstract**

A notable change in consumer financial services over the past few decades in Sri Lanka has been the growth of the use of Credit Cards, both as a mode of payment and as of revolving credit. Use of Credit Cards are sweeping through Upper, Middle and Lower Middle classes and across all age groups in Sri Lankan society.

With no government intervention in regulating the issue of Credit Cards and with very faded regulations of issuing agencies and particularly without any awareness programs of Credit manipulation, this easily accessible pre paid loan scheme has the potential of driving the Middle Class, particularly the Lower Middle Class which is striving to maintain the social status and severely hampered by the rising cost of living in Sri Lanka into the debtiness.

As such, the present study was focused on investigating consumer attitudes towards Credit Cards and thereby to contribute in recommending suitable corrective action to prevent economically collapsing the Middle Class of Sri Lankan society.

Main objectives of the study was to analyze the Credit Cards issuing agencies in Sri Lanka and to analyze the facilities, features and switching costs; investigate the factors that influence consumers to obtain Credit Cards; investigate consumer attitudes such as repayment behavior, responsiveness to interest rates etc, towards Credit Cards in terms of demographic factors such as age, income, education, occupation and to investigate the ways in which Credit Cards spending has changed consumer life styles.

The questionnaire-survey method was used in order to gather the information and 177 Credit Card holders have responded to the questionnaire posed to them. Findings of the study, reveals that the prestige has been the most influential factor for the consumers to obtain a Credit Card. Further, it was revealed that 80% of the consumers have had their education up to GCE (A/L) or a Basic Degree, and 70% of the respondents are drawing an average monthly wage of Rs. 15000.00-45000.00. It is evident that these middle class consumers are trying to maintain a social status which is difficult to be achieved with their monthly earnings. Further, the findings of the present study supports one of the hypotheses of the study, i.e., consumers are unaware of the effects of the hidden interest rates charged by the Credit Card issuers. Lack of clear understanding of using Credit Cards particularly on the interest rates charged will undoubtedly lead the consumers to debtiness. In order to arrest this situation, an active social awareness

programmers, which addresses on rational use of Credit Cards, calculation of interest rates, grace period for payment and consumer rights when using Credit Cards need to be conducted.

As the Credit Card culture is relatively young in Sri Lanka, it may be premature to make a final conclusion on adverse effects on Sri Lankan consumers due to Credit Cards. However, the present study on consumer attitudes towards Credit Cards revealed certain problems experienced by families and the society as a whole. For example, the management of debts by the Credit Card holders too can not be considered satisfactory as the findings indicate that almost half of the Credit Card holders do not manage their debts rationally.

While there are lot of advantages in Credit Cards, some of which were discussed in this study, problems emerged are of a new kind and are require innovative solutions. Impacts of the changes in money spending, banking and purchasing activities on consumers have been observed to be different for different social classes and various age groups. In response to these new emerging problems, social welfare professionals have to be urged to gain new intervention skills and knowledge. They have to be encouraged to equip themselves with skills in credit counseling, family budgeting and financial management, so that consumers are ready to assist the increasing number of clients with such problems as well as provide preventive programs.