

A STUDY ON CONSUMER DEBT STRESS CAUSED BY CREDIT CARDS

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Abstract—*The paper examines the perceptions of credit card users regarding the role of credit cards in creating financial stress and difficulties experienced by the credit card users regarding the credit card debt management. This study conducted among the credit card users in UAE. A sample of 250 credit card users has been taken from UAE. According to the central bank of UAE 23 local banks are functioning in UAE. Out of these 23 local banks 5 banks are selected randomly for this study and 50 respondents from each bank are selected randomly for this study. Chi square test and Proportional test has been used to analyse the data. The analysis reveals that majority of the credit card users have a great deal of stress caused by credit card debt and are struggling to manage their credit card irrespective of their age, sex and income. The analysis has done to find out various issues relating to credit card debt management and the major reasons that lead to credit card debt caused stress. Credit card is a good system but if you are not managing your credit card in a proper way that will lead to financial stress and related issues. Revolving credit makes it easy to spend beyond your means. But it's important to remember that a credit card is a form of borrowing. You buy now and pay later - and there are risks. It's all depends up on how do you manage your credit card. If we manage our credit card in a proper way we can avoid financial stress due to credit card debts.*

Keywords—*Credit Cards, Credit card debt, Credit Card users, Debt Management, Financial stress.*

INTRODUCTION

In recent years, there has been a dramatic growth in credit card usage among the people. This increase in the number of people holding credit cards and incurring credit card debt has generated concern that these people are overextended and unaware of the long-term consequences associated with severe indebtedness. Credit card unhealthy practices become been a world-wide challenge in the global business environment. The effect of default hits not only the victim, but also the banks, credit card companies, merchants and even the economies.

If used responsibly, credit cards can provide a number of advantages to the users. Credit cards can be a convenient means of payment, a useful tool for learning financial responsibility, a resource in case of emergencies, a means to establishing a good credit history and a way to gain greater access to credit in the future. If credit cards are mismanaged or misused, however, the disadvantages can result in severe financial consequences.

The convenience of credit may tempt the users to live beyond their means. Excessive credit card debt and late payments can damage user's credit ratings and make it more difficult for them to obtain credit down the road. In addition, users who are financially inexperienced may not understand the cumulative effect that interest rates can have on the amount of debt owed. Inexperience with credit and a lack of personal financial knowledge are likely to place some users at greater financial risk for having large, and perhaps unmanageable, debts burdens and eventually pull them in to financial stress.

CREDIT CARD AND FINANCIAL STRESS

India's ambassador in the United Arab Emirates (UAE) said, around 100 Indians are committing suicide every year since 2011, mainly because of financial problems. Financial stress can negatively even severely impact things outside of the wallet: your health, your job and your relationships," says David Alecock, a vice president at In Charge Institute

Credit cards can be convenient but the resulting debt could lead to financial stress. Credit card debt can lead to financial stress of two kinds: In emotional terms, credit card debt can create friction between you and your spouse, and in dollar terms, credit card debt can strain your financial ability. While credit card debt in and of itself is not necessarily a financial

stressor, the negative effects of credit card debt are widespread and tend to grow as time goes on.

Previous literature has focused on variables such as demographics (Geetha, 2014; Jusoh & Lin, 2012; Khare, 2013; Limerick & Peltier, 2014; Ming, 2013; Teoh et al., 2008) and attitude (Ahmed, 2010; Khare, 2013). With reference to Ming (2013), the findings in their studies indicated that age, income, and marital status have significant correlation with credit card holders' spending behavior. Geetha (2014) extended the literature by examining whether certain demographic variables have an effect on the financial wellbeing among young workers by observing the purchasing behavior in terms of asset ownership. The study of Ahmed (2010) found that credit cards across Malaysia might lead to compulsive shopping behavior causing heavy debt. Less emphasis has been given on the risk factor related to credit card attitude. In view of this elaboration, the first literature gap is identified which is to provide empirical evidence proving the relationship between credit card behaviors and stress to the users.

OBJECTIVES OF THE STUDY

One of the most nefarious things about credit card debt is that it is not static even a small debt can take years to pay off if you only make minimum payments. When your debt grows even if you do not put any additional charges on your credit cards, it can create stress. If your debt takes years to pay off, that causes stress, too. Even the act of whittling your credit card debt by making substantial payments can create stress in the form of stretching your finances to the limit.

Credit card many times leads to relationship Strain. Credit card debt may be the leading cause of divorce. Couples often disagree on how much money they should be save and how much they should spend and rising credit card debt can aggravate that discussion. Further stress can arise if only one spouse runs up a large credit card debt or brings a lot of debt to a new marriage. While in certain states debt accumulated before marriage is the responsibility of the individual spouses, in reality, any money used to pay back debt is money that the household as a whole cannot use.

On the basis of the above theoretical perspective, the following research objectives have been developed for this study.

1. To analyze the role of credit cards in creating financial stress.
2. To identify the reasons behind problems and difficulties experienced by the credit card users regarding the credit card debt management.
3. To offer suggestions on the basis of the findings and conclusions of the study, so that deficiencies and shortcomings can be rectified.

HYPOTHESIS

The following hypotheses are maintained for the purpose of the study.

Hypotheses 1: Credit card debts never cause stress.

1(a) There is no relationship exists between the age of the credit card users and their perception towards stress caused by credit card debt.

1(b) There is no relationship exists between the sex of the credit card users and their perception towards stress caused by credit card debt.

1(c) There is no relationship exists between the income of the credit card users and their perception towards stress caused by credit card debt.

METHODOLOGY

Data collection

Data has been collected from both primary and secondary sources. Primary data has been collected from the respondents through a field survey. The researchers adopted a face-to-face distribution of questionnaire to the respondents of this study in scrutiny of obtaining higher response rate.

The data for this study were collected using survey questionnaires. All questionnaires were accompanied with a covering letter stating the purpose of this study. The covering letter also guaranteed anonymity of respondents. Right before collecting data from the final respondents, the instrument was reviewed by an expert in the area to provide justification for the content validity. Using a convenient sampling methodology, the researchers gathered 250 usable replies for this study. Data has been collected from both primary and secondary sources. Primary data has been collected from the respondents through a field survey. The secondary data for the study was collected from the published journals, magazines

and other periodicals, books published research works etc. Internet services were also used to collect the latest information's through various websites.

Sampling Design

The sampling frame of this study comprises credit card customers of major local banks in UAE. Convenient sampling technique has been adopted for this study. According to the central bank of UAE 23 local banks are functioning in UAE. Out of these 23 local banks 5 banks are selected randomly for this study. The data for this study were collected using survey questionnaires. Primary data has been collected from 250 respondent's i.e 50 respondents from each bank with the help of structured questionnaire. While selecting a respondent due importance was given to various factors such as age, sex, and income etc

All questionnaires were accompanied with a covering letter stating the purpose of this study. The covering letter also guaranteed anonymity of respondents. Right before collecting data from the final respondents, the instrument was reviewed by an expert in the area to provide justification for the content validity. Using a convenient sampling methodology, the researcher gathered 250 usable replies for this study.

Techniques for Data Analysis

In this study mainly, we use the chi square test to test the hypothesis that attributes are associated or not. and the Proportional test to test Whether the proportion (ratio of number of responded in favor to total number of respondent) is greater than 0 *p* (50% in our case) or not we use the statistics where *x* is the number respondent in favor and *n* is the total number and $q0 = 1 - p$.

Findings

The demographic profile of the sample respondents are given below.

Table 1
RESPONDENT'S PROFILE

<i>SI.No</i>	<i>Variables</i>	<i>Frequency</i>	<i>Percentage</i>
1.	Age		
	Below 25	7	2.8
	26-35	24	9.6
	36-45	94	37.6
	Above 45	125	50
	Total	250	100
2.	Sex		
	Male	216	86.8
	Female	34	13.2
	Total	250	100
3.	Income		
	Below 10,000	187	74.8
	10,000 — 20,000	43	17.2
	More than 20,000	20	8
	Total	250	100

Source: Field Survey

Perception of credit card users' towards stress caused by total credit card debt

Table 2

Perception of the credit card users' towards stress caused by total credit card debt

<i>Stress level</i>	<i>Frequency</i>	<i>Percentage</i>
Great deal of stress	105	42
Some stress	137	54.8
No stress at all	8	3.2
Total	250	100

Source: Field Survey

The table 2 presents the perception of the credit card users towards stress caused by credit card debt. Out of 250 respondents, 42 percent have the opinion that they have a *great deal of stress* caused by credit card debt. 54.8 percent of the respondents have the opinion that they have experienced *some stress* because of credit card debt and 3.2 percent of the total respondents *never experienced stress* due to credit cards debt.

In this context the following hypothesis is constructed and put to test, such that **H₁, the credit card debts never cause stress**. To verify this, we conducted the proportional test which gives Calculated value (Z) = 2.2768 and is significant at 5% level.

Since calculated value is greater than tabled value we reject **H₁**. Hence, we can conclude that *the credit card debts cause great level of stress*.

For the purpose of this study credit card users are separately studied on the basis of their age, sex and income.

Relationship between ages of the credit card users and their perspectives of the stress caused by the credit card debt

In order to prove relationship exists between the age of the credit card users and their perspectives of the stress level caused by the credit card debt, the following hypothesis is constructed and put to test, such that **H₀, there is no relationship exists between the age of the credit card users and their perception towards stress caused by credit card debt**.

Chi-square test for independence is applied to test whether **H₀**, is true or not

Table 3

Relationship between ages of the credit card users and their perspectives of the stress caused by the credit card debt

Cross tab							
			AGE				Total
			<i>Below 25</i>	<i>26-35</i>	<i>36-45</i>	<i>45 and above</i>	
Relation between age of the credit card users and their perception towards stress caused by credit card debt	Great deal of stress	Count	1	6	44	54	105
		% within Age	14.3%	25.0%	46.8%	43.2%	42.0%
	Count	6	18	48	65	137	

	Some stress	% within Age	85.7%	75.0%	51.1%	52.0%	54.8%
	No stress at all	Count			2	6	8
		% within Age			2.1%	4.8%	3.2%
Total		Count	7	24	94	125	250
		% within Age	100.0%	100.0%	100.0%	100.0%	100.0%

Chi-Square Tests				
	Value	df	Tabled value	Sig
Pearson Chi-Square	7.329	2	5.991	0.026
Significant				

Source: Field Survey

The result of the Chi-square test to prove the relation between age of the credit card users and their perception regarding the stress cause by their credit card debt is as follows.

The calculated value of χ^2 is = **7.329**

Tabled value = **5.991**

Since the calculated value is greater than table value, the Hypothesis **H₀** is rejected. Hence it is proved that there is a close association between age of the credit card users and their perception regarding the level of stress cause by their credit card debt.

Relationship between sex of the credit card users and their perspectives of the stress caused by the credit card debt

In order to prove relationship exists between the sex of the credit card users and their perspectives of the stress caused by the credit card debt, the following hypothesis is constructed and put to test, such that **H₀, there is no relationship exists between the sex of the credit card users and their perception towards stress caused by credit card debt.** Chi-square test for independence is applied to test whether **H₀**, is true or not

Table 4

Relation between sex of the credit card users and their perspectives of the stress caused by the credit card debt

Cross tab					
			SEX		Total
			Male	Female	
Relation between sex of the credit card users and their perception towards stress caused by credit card debt	Great deal of stress	Count	90	15	105
		% within SEX	41.7%	44.1%	42.0%
	Some stress	Count	118	19	137

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		% within SEX	54.6%	55.9%	54.8%
	No stress at all	Count	8		8
		% within SEX	3.7%		3.2%
Total		Count	216	34	250
		% within SEX	100.0%	100.0%	100.0%

Chi-Square Tests				
	<i>Value</i>	<i>df</i>	<i>Tabled value</i>	<i>Sig</i>
Pearson Chi-Square	0.019	1	3.841	0.891
Not Significant				

Source: Field Survey

The result of the Chi-square test to prove the relation between sex of the credit card users and their perception regarding the level of stress cause by their credit card debt is as follows.

The calculated value of χ^2 is = **0.019**

Tabled value = **3.841**

Since the calculated value is less than table value, the Hypothesis **H₀** is accepted. Hence it is proved that there is no close association between sex of the credit card users and their perception regarding the stress cause by credit card debt.

Relationship between income of the credit card users and their perspectives of the stress caused by the credit card debt

In order to prove relationship exists between the income of the credit card users and their perspectives of the stress level caused by the credit card debt, the following hypothesis is constructed and put to test, such that **H₀, There is no relationship exists between the income of the credit card users and their perception towards stress caused by credit card debt.** Chi-square test for independence is applied to test whether **H₀**, is true or not

Table 5

Relation between income of the credit card users and their perspectives of the stress caused by the credit card debt

Cross tab					
		<i>INCOME</i>			<i>Total</i>
		<i>More than 20,000</i>	<i>10,000 to 20,000</i>	<i>Below 10,000</i>	
Relation between income of the credit card users and their perception towards stress caused by credit card debt	Great deal of stress	Count	6	12	87
		% within income	30.0%	27.9%	46.5%
		Count	14	30	93
			137		

	Some stress	% within income	70.0%	69.8%	49.7%	54.8%
	No stress at all	Count		1	7	8
		% within income		2.3%	3.7%	3.2%
Total	Count		20	43	187	250
	% within income		100.0%	100.0%	100.0%	100.0%

Chi-Square Tests				
	Value	df	Tabled value	Sig
Pearson Chi-Square	7.693	2	5.991	0.021
Significant				

Source: Field Survey

The result of the Chi-square test to prove the relation between the income of credit card users and their perspectives of the stress level caused by the credit card debt, the following hypothesis is constructed and put to test, such that **H₀, there is no relationship exists between the income of the credit card users and their perspectives of the stress caused by the credit card debt.**

Chi-square test for independence is applied to test whether **H₀**, is true or not.

The calculated value of χ^2 is = **7.693**

Tabled value = **5.991**

Since the calculated value is greater than table value, the Hypothesis **H₀** is rejected. Hence it is proved that there is a close association between income of the credit card users and their perception regarding the level of stress cause by their credit card debt.

In order to find out the major reasons that lead to credit card debt caused stress, further analysis have been conducted among the credit card users those who have *a great deal of stress* caused by credit card debt.

Table 6
Credit card users and number of credit cards they hold

	Number of credit cards						Total
		1	2	3	4	More than 4	
Credit card users and number of credit cards they hold	Count	7	14	43	15	26	105
	%	6.7%	13.3%	41%	14.2%	24.8%	100%

Source: Field Survey

The above analysis reveals the fact that out of a total of 105 credit card users those who have *a great deal of stress* caused by credit card debt, 41 percent have 3 credit cards and 24 percent have more than 4 credit cards.

Table 7

Credit card users and mode of their payment

	<i>Mode of their payment</i>				<i>Total</i>
		<i>Those who are always paying full bill amount</i>	<i>Those who are always paying only minimum bill amount</i>	<i>Other mode of payment</i>	
Credit card users and mode of their payment	Count	17	62	26	105
	%	16.2%	59%	24.8%	100%

Source: Field Survey

An analysis of respondents, who have *a great deal of stress* caused by credit card debt, 59 percent of the card holders always paying only minimum bill amount and only 16.2 percent card holders pay full bill amount.

Table 8

Credit card users who share their credit card with others

	<i>Sharing credit card with others</i>				<i>Total</i>
		<i>Always</i>	<i>Sometimes</i>	<i>Never</i>	
Credit card users who share their credit card with others	Count	57	32	16	105
	%	54.3%	30.5%	15.2%	100%

Source: Field Survey

Table 8 reveals the fact that 54.3 percent of the respondents always share their credit card with others. Only 15.2 percent of respondents use their card by themselves.

Table 9

Credit card users who take cash advance

	<i>Taking out a cash advance</i>				<i>Total</i>
		<i>Always</i>	<i>Sometimes</i>	<i>Never</i>	
Credit card users who take cash advance	Count	28	61	16	105
	%	26.7%	58.1%	15.2%	100%

Source: Field Survey

The above analysis reveals the fact that out of a total of 105 credit card users those who have *a great deal of stress* caused by credit card debt, 58.1 percent take cash advance sometimes and 26.7 percent always takes cash advance.

Table 10**Credit card users who check their monthly statement**

	<i>Checking the monthly statement</i>				<i>Total</i>
		<i>Always</i>	<i>Sometimes</i>	<i>Never</i>	
Credit card users who check their monthly statement	Count	12	21	72	105
	%	11.4%	20%	68.6%	100%

Source: Field Survey

The above analysis reveals the fact that out of a total of 105 credit card user's 68.6 percent never check their monthly statement. Only 11.4 percent of the respondents check their monthly statements.

FINDINGS

1. Majority of the credit card holders have the opinion that credit card debts cause stress.
2. There is a close association between age of the credit card users and their perception regarding the level of stress cause by their credit card debt.
3. Stress caused by credit card debt is more in credit card users above 35 years of age.
4. There is no close association between sex of the credit card users and their perception regarding the stress cause by credit card debt. Both male and female credit card users experience stress due to credit card debts.
5. There is a close association between income of the credit card users and their perception regarding the stress cause by credit card debt.
6. Credit card users who belong to the income level of less than 10,000 have more stress caused by credit card debt.
7. The above analysis reveals the fact that majority of the credit card users have 3 or more credit cards.
8. An analysis of respondents, who have a great deal of stress caused by credit card debt reveals the fact that majority are always paying only minimum bill amount. Only few of them are paying the full amount of their bill.
9. Study reveals the fact that majority of the credit card holders always share their credit cards with others.
10. Majority of the credit card holders take cash advance on their card.
11. The study reveals the fact that majority of the credit card users are ignoring their monthly statements. They never verify their monthly statement. They are paying their bill amount without checking the statement.

SUGGESTIONS

Based on the findings following suggestions seem feasible for managing the credit card debt.

1. It is always recommendable to reduce the number of credit cards. Having too many credit cards will have a negative impact on credit score of the card holder and his ability to borrow. If the numbers of cards are less it will be easy to track and manage. The more credit cards you have the better chance you have of getting deeper in debt.
2. Not paying off the credit card balance full is a big mistake, this should be avoided. Carry debt to build credit is actually a myth.
3. New credit card users should try to pay off their balances in full, but also keep balances below 30 percent of their credit limit. Because credit utilization -- or how much of your total credit you actually use -- typically makes up a portion of your credit score. Carrying a high balance from month to month can be devastating to credit score.
4. Sharing the credit cards with others may lead to over spending, misuse of the card and related disputes. It may also disturb the personal budget of the card holder.
5. Cash advance is an attractive option to get quick cash, but interest rates on cash advances can be double your standard interest rate in some cases. Not only have that cash advances also typically had additional fees. Because of these reasons it is better to avoid cash advances at all cost.
6. Payment history is an extremely influential factor in credit score, and just one late payment could damage credit score. Credit card holders can avoid late payments by checking their credit card statements regularly.
7. Paying minimum amount is a blunder. The best strategy is to pay off the balance monthly.
8. Checking the statement will help the card holders not only to pay their bill promptly, but also allow them to make sure that the charges on it are correct or not. Waiting too long to dispute a charge is essentially accepting it.
9. In these days of ID theft, it is always better to check your bills regularly and on time.

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10. Credit card holders should avoid late payments, because a late payment leads to late payment charges, which could be higher than minimum payments. It may damage the credit score and make it harder to get better terms for future loans and accounts.
11. In order to avoid late payment, it is recommendable to set up an automatic payment system via bank. But when we set up an automatic payment system make sure time Zone time and date.

CONCLUSION

Credit card is a good system but if you are not managing your credit card in a proper way that will lead to financial stress and related issues. Revolving credit makes it easy to spend beyond your means. But it's important to remember that a credit card is a form of borrowing. You buy now and pay later - and there are risks. It's all depends up on how do you manage your credit card. If we manage our credit card in a proper way we can avoid financial stress due to credit card debts.

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