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Abstract

The monetary rattle between consumption and affordability slammed the household severely for every now and then in all spheres of life from one pole to another. This research is an encomium on the charisma of plastic money, its usability and affordability while they are impacting on its preference to use. Friends and Family have an influence on the use of plastic money which is taken as a proxy of plastic money charisma while convenient use of plastic money along with spending adjustment and use of plastic money along with prediction of future income are the proxies of its usability and affordability. The findings reveal that the Plastic money has a charismatic appeal as it has an influential effect which is often endorsed by the family and friend. While, it is also investigated and concluded that plastic money also has its usability and affordability for the consumers.

Keywords: Plastic Money, Charisma, Usability, Affordability, Preference to use.

1. Introduction

Banking Industry of Pakistan has seen huge success and growth in yester years. The industry has expanded itself in terms of variety of services. The privatization and support of new banks, the number of private and commercial banks have been increased considerably.

The banking industry which is government monitored, has become more diversified and profitable due to the reforms of 90s, and that same epoch was the entry of plastic money in many major economies including South Asian Economies.

This paper is an illuminating attempt to investigate the charismatic essence of plastic money/ credit card while keeping an eye on its usability and affordability among the consumers of major South Asian economies which includes Pakistan, India, Bangladesh and Srilanka.

The special focus in this paper, which is given on the consumer decision to borrow from their future income has not been addressed in the preceding behavioral research, where they were unable to appropriately value present and future resources which require the cognitive capacity to solve the problem required by the lifecycle hypothesis.

Moreover, consumer debt has been recorded a significant factor for a consumer to face financial crisis and it has never been interrogated that even after this issues why people prefer to use credit options. This study is an endeavor to find the answers of lifted queries in connection with the use of plastic money i.e. credit card.

2. Literature Review

Modigliani and Brumberg (1954) investigated that plastic money i.e. credit cards are a flexible and enthusiastically accessible source of funds; as a convenient payment vehicle for purchases and as a way to provisionally maintain standards of living even during an income shortfall. Hirschman (1979) and Feinberg (1986) investigated the actual consumer transactions while comparing the spending of consumers who paid through plastic money/ credit cards with those who used cash or checks, and found that the former spends more in otherwise identical purchasing situations since a person has a plastic money/ credit card and cannot avoid unnecessary spending

Soman and Cheema (2002) explained that the propensity to spend increases as a function of the credit limit, specifically as the credit limit increases, subjects using a credit card report a higher likelihood of making a purchase *ceteris paribus*. When a consumer once has a credit card and with credit line available, sometimes unnecessary spending gets unavoidable. Unnecessary spending gets increased because consumers have a pool of money available, though he/she has to return that money in future.

Garcia (1988) ideally point outs that the lender should utilize all available information to determine the future earnings potential of the consumer, and speculate that in the presence of all contrary evidence; consumers do expect the credit limit to represent the future well. Credit card holders avoid unnecessary spending once the credit limit was available to allocate the budget.

Purchasing behavior in line with the plastic money/credit card is addressed by Sporleder and Wilson (1974) that purchasing typically is contingent on the availability of funds. The line of inquiry is clearly important in developing a more comprehensive understanding of consumer decision making. When the consumer has proper budget allocation, decision of spending changed. Consumers of credit card can maintain the budget and necessary consumption items through credit card.

The consumers having the experience with using credit card as analyzed by Shefrin and Thaler (1988) puts forward the study that consumers want to control spending out of future wealth by using rules like the matching rule i.e. when consumers are aware about their earning at low level then they try to maintain the budget by defining their own limits of spending, the reason being that if consumers spend more and future earning capacity is less then consumers are not be able to return that the said amount and interest increases with the passage of time, which gradually gets extremely unaffordable. It

has also been recorded that many consumers are listed in the excessive spending than their credit limit, which has accounted for increased amount charged via interest charge on the said amount by the bank/issuer and as result they fail to pay back the handsome amount (Yang, 2003).

The tendency of young adults to seek fulfillment through hedonic activities (such as shopping, hanging out). Young adults were more devoted towards high lifestyles and latest trends in fashion/technological gadgets etc, for the purpose they do unnecessary shopping to be up-to-date (Hausman, 2000). Young adult consumers are spendthrifts and this is related to their emotional behavior. They are brand conscious and spend more on luxury or dispensable goods the plastic money/credit card gives them the option of having easy money if they have the credit limit more than their spending (Yang, 2007). Gross and Souleles (2001) also confirmed that an increase in credit limit brings an increase in spending.

Howells (1995) outlined that an increase in credit spending is resulted due to an increase in income as most of the credit card spending goes for income spending transactions (i.e. the purchase of new goods and services). When there is an increase in income purchasing power then willingness to purchase also increases.

On the contrary, Carlson and Grossbart (1988) mentioned that students financially responsible for debts are more reluctant to use credit cards as they found plastic money/ credit card riskier. Wertenbroch (1998) also contends that college students have a clear sense of financial responsibility and cautions when using credit cards.

Feinberg's (1986) found an interesting observation that when consumers use plastic money, they tend to tip more than when consumers use cash at restaurants. As when a person has cash on hand, they spend more wisely and according to the limit at hand but when they have the plastic money/credit card, then plastic money owners spend unnecessarily without even estimating the actual budget.

The recent studies depict the essence of plastic money/credit card usage to be the most important factor followed by expenditure on fashion goods and routine buying behavior. It has made life easier to a certain extent for compulsive buying, which gives the rise to unnecessary spending (Hogarth, Hilgert, & Kolodinsky, 2004). Demographic and financial variables have major influence altogether in the usability and affordability of plastic money (Lown & Ju ,1992). While it is also noticed that probability of using plastic money/credit cards is very high in developed countries on the influence of friends and family (Kaynak & Harcar, 2001).

3. Hypotheses

H1: There is an impact of Plastic Money/ Credit Card charisma on its preference to use.

H2: There is an impact of Usability (convenient use) of Plastic Money/ Credit Card on its preference to use.

H3: There is an impact of Affordability (affordable use) of Plastic Money/ Credit Card on its preference to use.

4. Research Methods

4.1. Description of Data, Sample Technique and Sample Size

To investigate the Plastic Money/ Credit Card charisma, its usability and affordability and their impact on its preference to use, the friend and family influence to use plastic money/ credit card, convenient use of plastic money/ credit card with spending adjustments, and use of plastic money/ credit card along with prediction of increase in future income are taken as the proxies of plastic money charisma, its usability and affordability respectively. A sample of 2000 respondents from major south Asian countries i.e. Pakistan, India, Bangladesh, and Srilanka (500 from each outlined nation) are selected to investigate the outlined hypotheses. While the stated respondents are selected from all socioeconomic backgrounds and different geographical locations of these nations.

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4.2. Description of Econometrical Technique

The average scores of all outlined variables are measured for each nation and then the preference to use plastic money/ credit card is regressed by the plastic money/ credit card charisma, its usability and affordability through using multiple linear regressions via split technique.

5. Findings and Results

The elementary focus of this paper is to investigate the charisma of plastic money along with its usability and affordability and as well as the impact of these outlined variable on preference to use plastic money/ credit card. The results portray some interesting points to ponder, table 1 reveals that the average scores of preference to use plastic money/ credit card, Charisma of plastic money, Usability of plastic money and the affordability of plastic money are highest for Pakistan in outlined nations from south Asian region.

Table 1: Average Scores of Preference, Charisma, Usability and Affordability (Credit Cards)

Countries	Preference to use Plastic Money (Avg. Scores)	Charisma of Plastic Money (Avg. Scores)	Usability of Plastic Money (Avg. Scores)	Affordability of Plastic Money (Avg. Scores)
Pakistan	3.563	3.508	3.345	3.124
India	3.011	3.006	2.994	2.105
Bangladesh	2.071	2.008	1.200	1.265
Srilanka	2.087	2.162	1.833	1.792

Table 2: Prediction on impacts of Charisma, Usability and Affordability of Plastic Money (Credit Card) on their preference

Countries	Adj.R Square	F		Constant	Charisma of Plastic Money	Usability of Plastic Money	Affordability of Plastic Money
Pakistan	0.399	33.107	Beta	97.023	1.818	0.771	1.921
			p	0.001	0.003	0.010	0.000
India	0.317	27.911	Beta	89.833	1.741	0.631	1.510
			p	0.000	0.000	0.009	0.039
Bangladesh	0.254	22.283	Beta	77.819	0.972	1.010	1.126
			p	0.011	0.040	0.000	0.006
Srilanka	0.278	23.727	Beta	60.238	1.931	0.427	0.456
			p	0.006	0.000	0.000	0.000

DV= Preference to use Plastic Money/ Credit Card

The further finding of this paper concludes that the model which is comprised upon the predictors i.e. Constant, Charisma of Plastic Money, usability of Plastic Money, and affordability of Plastic Money predicts and explains the preference to use plastic money significantly for all outlined south Asian nations but best for Pakistan, as it shown in the given table 2, where for all models $F > 3.84$ which implies the models significance. The results also reveal that the charisma of plastic money/ credit cards matters the most for affecting preference to use plastic money/ credit card for all of the nations of the study while it usability to adjust spending and its affordability also play a pivot role for effecting the preference to use the plastic money/ credit card in all major south Asian nations.

6. Conclusion and Discussions

It has been revealed that the preference to use of plastic money/ credit card has its pros and cons with its usability and affordability. According to the consumer behavior, in this subject it has been analyzed about plastic money that it's a form of conditioning and acts as a stimuli which qualifies a consumer to

spend. The tests identifies that the preference to go for plastic money/ credit card spending has a positive association with the easy use of plastic money in connection with adjustment of the spending with the budget i.e. its usability, because the precept of credit card usability is linked with a psychological phenomena that people are likely to spend less with credit card and spend more with the same amount of cash on hand in the same budget and this precept also linked with the consumer self-concept i.e. convenience and easy use which delves into spending. While, the preference to use plastic money/ credit card is also effected by its affordability which is its use in connection with the prediction for future income which has already been confirmed by Howells (1995) where they found that the preference to go for credit spending is resulted due to an increase in income.

Another arousing facet besides the usability and affordability of plastic money is influence of the people around who has the same mode of payment utility. In the developing country like Pakistan, where there is a mad race to be better than the other and to be dominant and having a flaunting appearance, plastic money is used. It comes in the part of status-quo in a given environment.

Credit card is a form a routine activity to buy diverse products and services even online. With this notion in mind, some consumers are laid-back and do not pay their credit card bills on time, which causes a charge of interest on the due payment. In this way, the consumers tend to acquire a self-risk due to slackness which often turns this easy money into risky money.

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