



# United International University

A Project on

Evaluation of Possible Consequences of Providing Credit Card  
to the College and University Students in Bangladesh

Submitted to

Khandoker Mahmudur Rahman, Ph.D.

Associate Professor & Director - BBA Program

Submitted by

Sagar Saha

ID: 111 141 467

Submission Date

16<sup>th</sup> November, 2018

## *Letter of Transmittal*

Date: 16<sup>th</sup> November, 2018

Khandoker Mahmudur Rahman, Ph.D.

Associate Professor & Director - BBA Program

School of Business and Economics

United International University.

Subject: Submission of project on Evaluation of Possible Consequences of providing Credit Card to the college and university students in Bangladesh.

Dear Sir,

With due respect, I would like to submit the project on “Consequences of providing Credit Card to the college and university students in Bangladesh.” as final project for my BBA program. This report is the result of the knowledge which has been acquired from the various articles from the internet.

I believe that this report has given me a vast opportunity to enrich both of my knowledge and experience. The information of this report is mainly based on the articles available on the internet. I made my best effort to fulfill the objective of the report and believe that it will meet your expectation.

In preparing this report I have tried utmost to include all the relevant information and analysis to make the report comprehensive as well as workable one. Please feel free for any query or clarification that you would like to explain. Thanking you for your cooperation.

-----  
Sagar Saha

ID- 111 141 467

## *Acknowledgement*

First of all, I would like to express my gratitude to almighty God for enabling me to complete this project on credit card for college and university students.

I have taken efforts in this project. However, it would not have been possible without the kind support and can help of many individuals. I would like to extend my sincere thanks to all of them.

I convey my sincere gratitude to my supervisor, thesis advisor Khandoker Mahmudur Rahman, Ph.D. Without his kind direction and proper guidance this report would have been a little success. In every phase, his supervision and guidance shaped this report to be completed in time.

I would like to express my gratitude toward my parents, friends and relatives for their kind cooperation and encouragement which helped me in completion of this report.

I would like to express my special gratitude and thanks to United International University (UIU) for providing the opportunity; those enlighten me with knowledge which will be very helpful for me in near future.

## *Executive Summary*

Bangladesh is a developing country. Here, the market based economy exists. Its economy is 42<sup>nd</sup> largest in the world. The financial sector of Bangladesh holds the second position in the subcontinent. The banking sector has also developed dramatically. As a result, standard of living here is also getting better.

In Bangladesh, about 65% people are getting various facilities provided by the bank. And the percentage is also increasing day-by-day. Credit card is one of them. Usage of credit card has increased significantly recently in Bangladesh. People are getting used to credit card for shopping daily and other necessities. Sellers have also adopted the idea of credit card for receiving payments.

But in Bangladesh, students are not allowed to apply for credit card. But the scenario is totally different in the other western and developed countries. The main reason behind this is the financial condition of the students and their families. Students are deprived of the benefits of credit card. It is high time to take some initiatives by the banks to provide credit card to the students of Bangladesh.

Credit card debt is a burgeoning problem all over the world. And students easily fall into debt because of credit card. Though many students have financial knowledge to handle credit, majority of them don't have. So, before providing credit card to the students of Bangladesh we have to keep in mind this thing.

The purpose of this thesis is to identify the aspects and consequences of providing credit card to the students of Bangladesh. I have also tried to find out and recommend the ways how credit card can be provided to the students. The main purpose of this report is to attract viewpoint of our commercial banks regarding credit card for students. The day has come to provide credit card to our students for their well-being.

## Table of Contents

<i>Letter of Transmittal</i> .....	<i>I</i>
<i>Acknowledgement</i> .....	<i>II</i>
<i>Executive Summary</i> .....	<i>III</i>
<i>Background:</i> .....	<i>1</i>
<i>Introduction:</i> .....	<i>2</i>
<i>Objectives of the study:</i> .....	<i>3</i>
<i>Methodology:</i> .....	<i>3</i>
<i>Limitations:</i> .....	<i>3</i>
<i>The history of credit card:</i> .....	<i>4</i>
<i>Types of credit card:</i> .....	<i>5</i>
<i>Contribution of credit card in economic growth:</i> .....	<i>5</i>
<i>Present context of credit card in developed countries:</i> .....	<i>7</i>
<i>Present context of credit card in developing and under developing countries:</i> .....	<i>8</i>
<i>Present context of credit card in Bangladesh:</i> .....	<i>9</i>
<i>Aspects that contributed to the growth of credit card:</i> .....	<i>10</i>
<i>Benefits of credit card from issuer perspective:</i> .....	<i>12</i>
<i>Benefits of credit card from consumer perspective:</i> .....	<i>12</i>
<i>The relationship between compulsive buying and credit card:</i> .....	<i>13</i>
<i>The relationship between tourism and credit card:</i> .....	<i>13</i>
<i>Credit card and macro-economic factors:</i> .....	<i>14</i>
<i>Advantages of providing credit card to the students:</i> .....	<i>15</i>
<i>Disadvantages of providing credit card to the students:</i> .....	<i>17</i>
<i>Influential factors that contribute to the student credit card debt:</i> .....	<i>18</i>
<i>The impact of credit card debt on college and university students:</i> .....	<i>19</i>
<i>Credit card and security issues:</i> .....	<i>21</i>
<i>Future challenges of credit card:</i> .....	<i>21</i>
<i>Recommendations:</i> .....	<i>22</i>
<i>References:</i> .....	<i>23</i>

## *Background:*

In the era of modern world of technology credit card is one of the way which is used widely for monetary transaction is called plastic money. A credit card is a card which is issued to cardholders and enable them to pay for goods and services. On the contrary, the cardholders make commitment to the card provider to pay the amounts and also the interest and other charges. It can be used for balance transfers and taking out cash from ATMs. It is also a source of providing credit. Now-a-days the growth of online shopping is growing rapidly and most of the payments of online shopping is made through credit card. The usage of credit card is increasing day by day because it is one of the safest method for carrying cash and easiest way to make payments. Credit card are generally issued by Commercial Banks, Credit Unions and other financial organizations. American Express, Visa card, Master Card etc. are the well-known credit card issuing companies all over the world.

The usage of credit card is increasing all over the world including Bangladesh. The pioneers of these cards, plastic money in Bangladesh are foreign commercial banks Standard Chartered Bank and American Express Bank. In recent years banking industry in Bangladesh has been experiencing a dramatic growth. It is an important financial instrument and profitable product for commercial banks. Use of credit card, a product of banks, is a comparatively recent phenomenon in Bangladesh. The market of credit card is flourishing quickly because of the increase in admissibility of plastic money in numerous shops and retail stores.

Western country students can have credit card of their own. But in Bangladesh credit card is provided only who have sufficient income source and credit line. Though there are some advantages of providing credit card to the students, it also has some draw backs. So it is possible to think that our country students may have credit card but before that we have to critically analyze the consequences of providing credit card to the students.

## Introduction:

Bangladesh is one of the most densely populated countries in the world. It has a population over 16 cores. This huge population will not become burden for the country if they are literate and will become asset for the country. They can contribute to the economy and work for the society's wellbeing. According to UNESCO, the literacy rate of Bangladesh is 70%, the male literacy rate is 75% and female literacy rate is 70%. The worldwide ranking of Bangladesh is 112<sup>th</sup>. In current years, the rate of literacy is increased significantly. The increase in the rate of literacy has great impact on Bangladesh. It can be considered as one of the principal factors that enables the Committee for Development Policy of United Nations to declare the eligibility of Bangladesh to become a developing country from the under developed country Bangladesh government and non-government organizations have taken various initiatives to improve the literacy rate.

As Bangladesh is a developing country, most of the students acquiring graduation come from middle and lower class families. So they face financial problems regarding their education. The main source of funds of students is their families. Sometimes the students do tuitions and part-time jobs to bear their educational expenditure. Even then they face various problems. This financial problem has significantly negative impacts on the students. It can badly hamper the academic performance of the students. It can lead them to anxiety and drop out from college and university.

In the western countries, students can take short-term loan using credit card for temporary scarcity of money. But in our country this is not possible. Because in Bangladesh credit card is not made available to the students yet. That is why we are studying availability of credit card for students in Bangladesh. The significance of our study is to get attention from credit card companies so that they can provide credit card to the students reviewing the consequences of providing credit card to the students.

The amount of loan defaulted is rising every year in Bangladesh. According to the Daily Star, "the total defaulted loan at banks and commercial organizations stood TK 55,095.33 core till January 2018." On the other hand, most of the students have the tendency not to repay the loan in time. This is one of major factor that the financial institutions in Bangladesh are not willing to provide credit card to the students. But if we can make the

students learn about the various advantages of credit card and build the habit of repaying loan amount in time among, then we can expect that in future our country's financial institutions will provide credit card for the students.

### *Objectives of the study:*

- 1) To assess the advantages and disadvantages of credit card for students.
- 2) To assess the consequences of providing credit card to the students in Bangladesh.
- 3) To get attention of credit card companies for providing student credit card.
- 4) To raise awareness among the students about the benefits of credit card.
- 5) To assess the future challenges for providing credit card to the students.

### *Methodology:*

This is an exploratory study depending on available literature on the topic. Qualitative approaches is being followed based on available literature. Since studies on Bangladesh perspective are rear, research papers in western countries and Asian context are considered.

Conclusions are based on critical literature review of existing studies.

### *Limitations:*

- Time constraint.
- Limitations in accessing online literature from university library.
- Some of the literature in paid form and can't be purchased personally.
- Quantitative data is not collected due to the shortage of fund.



## *The history of credit card:*

Credit card is a small plastic card. It contains the identification data of its authorized person who can use it. When a credit card is issued for making payment, it starts verifying the identification data with the given passwords. Identification data includes picture and signature of the authorized person.

United States is the origin country of credit cards. In 1920s, various individual companies and firms of United States including hotels and oil companies started to provide credit card of their own to their customers. Those cards can be used only at the company's outlet. In 1950, the Diner Club first introduced a credit card. After that in 1958, the American Express started issuing credit card which can be used for entertainment and travel.

After that banking system started to adopt the idea of credit card. The Bank of America which was situated in California, in 1958 introduced the BankAmericard. In 1966 it took license to issue credit card in other states and in 1977 it was renamed as VISA. After that many other local or foreign banks also began to issue credit card which can be used around their operating area. As a result, the usage of credit card was expanded broadly. Then it was not limited to specific location or region. People started to use credit card nationally and internationally to make their payments. Many other major banking cards include MasterCard, Discover, JCB and Barclaycard are also introduced.

But the usage of credit card increased dramatically in 20<sup>th</sup> century. Increase of recession and unemployment lead the general people to rely on credit. People started to make purchase through credit card and at the end of month make payments when they had money.

### Types of credit card:

At present there are many types of credit card in the financial market. Credit cards can be classified according to their functionality. But credit card is issued to the consumers' benefit and from their perspective credit cards can be classified into two types:

- ❖ **Retail cards:** Retail card are those credit card issued by non-banking institution which is mainly used for buying products and goods. For example, many retail stores and petrol station issue their own credit card to their customers to make the payment system easy and convenient.
- ❖ **Bank credit cards:** Bank credit cards are issued by the banking and other financial institutions which are used for all types of transaction and fund transfer. People can use this credit card to withdraw cash from ATM booths and to make online payment.

### Contribution of credit card in economic growth:

Today, credit card has changed our payment system. Credit and debit card issuing companies have anticipated a vision of the future in which we would exchange traditional money for electronic payments to make the transaction fast and efficient. Our payment system has changed dramatically over the years because of credit cards that we are now using in our daily life.



One of the prominent economic forecast provider Moody's Analytics have found out that credit and debit cards not only smoothen the flow of transaction but also contributed to

economic growth on a broader level by providing proficiency in trade and monetary transaction. The outcome of this analysis is quite significant. From this research, Moody calculated that global Gross Domestic Product (GDP) was boosted by \$983 billion between 2008 and 2012 as a result of increase in credit card usages. This growth in global GDP is identical to creating 1.9 million jobs indicating that credit card and electronic money significantly contributed to the global economic growth. Now governments of various countries are adopting various policies to foster and accelerate credit card and electronic payments.

Moody administrated a research on behalf of Visa called “The Impact of Electronic Payments on Economic Growth”. This research has showed the influence of credit card growth on individual consumption in 57 countries constituting 90% of global economy around the world. This study also concluded that credit card usages contributed to the global economy by facilitating various economic activities such as decreasing transaction expenditure, enhancing transparency and accountability and progressing proficiency in the stream of goods and services.

On the other hand, credit card flourish economic growth by constructing a reliable payment network which connects buyers and sellers empowering consumer power and awaking the economy. Credit card transaction also offer more security than cash and better assurance of a guaranteed payment than checks. It also reduces "gray economy" which results from unreported cash transactions by enhancing transparency.

Credit cards have significant impact on of continued economic growth. Credit card promote global market by contributing to long-distance transactions. As a result, people from one country can easily have the goods of another country increasing GDP and global consumption and this lead to more employment opportunities. Credit card also provide governments a greater power to collect additional tax revenue by reducing the number of unreported transactions in the gray economy. So, government can spend more on country's development and economy which contribute to more consumption as well as more production. And more production means more employment opportunities, higher income and greater economic enrichment.

### *Present context of credit card in developed countries:*

In current years, the global marketplace is transferring toward the usage of credit card. There are many reasons including economic pressures, competitive market, impetuous technological advancement and reduction in consumer purchasing power etc. There are many influencing factors behind this transformation. Because of socio-economic development people in developed countries are becoming risk-avoidance which has also contributed to the invasive spread of credit card. As a result, many banks of USA and west Europe countries have held this aspect as a lucrative business scope.

In the western countries credit card is considered as alternative cash. So credit card has become equivalent to cash. Late 70s and beginning of 80s are considered to be dynamic period of credit card in the US because during that time people using credit card had become the significant segment of consumer which was spreading fast. It was found that about 70% US families had different types of credit cards. It was reported that more than one billion credit cards had been used in USA in 2000 which means that every citizen of USA holding 9 cards each. As a result, credit card companies' domestic volume increased by on average 19%. In 1997, credit card companies charged 1 trillion dollars from the users. According to the study of National Business Council for Consumer Affairs, this startling increase had various causes including enhancement of living of standard, increment in average income, excessive marketing of credit card, reduction in the interest rate etc. Various advantages and social acceptance of credit card also contributed to this increment. On the other hand credit card issuing institutions have also reduced standards of credit card proprietary eligibility. Non-traditional consumers such as university students also played a principal preface in this aspect. About 85% college students have at least one credit card and most of them have 3 cards on average.

In the developed countries people use electronic money, plastic money in the form of credit card more than the traditional money. One of the main reasons is the advancement of technology in the payment system and automated and online shopping system. About 95% stores and retail shops of developed countries accepts credit card for making payments. Borrowing of people in the developed countries through credit card is increasing day-by-

day. And this aspect attracts the concentration of credit card issuing companies and banks of developed countries.

About 70 million cards has been issued worldwide by America's General Electric. Our neighbor country in India, many banks such as Citigroup and Standard Chartered has issued 14 million credit cards in the past decade. And the growth rate of credit card in India is 31% per year. Although most of the Indians hardly uses credit card for daily necessities, the growth rate is increasing. The more advanced economy of a country, the greater the use of credit cards. There is a close relationship between the level of economic development and credit card usage.

Institutional credit card is also getting popularity in developed countries. Big companies and institutions are issuing their own branded credit card which can be used only for those transaction related to the respective companies and institutions. For example, Amazon.com Store Card, TJX Store Card, Victoria's Secret Credit Card, Walmart® Store Card etc.

### *Present context of credit card in developing and under developing countries:*

Along with the developed countries, now the cards are becoming common in developing countries too. In fact, the growth rate of credit card in developing countries higher than the developed countries.

The volume of credit-card transactions in developing economies is recently increasing fast by forty percent each year (Mercer Oliver Wyman). One study suggest that credit card market in developed countries has already developed and targeted by many companies. As a result, credit card issuing companies are now targeting the developing countries as additional market for cultivation and exploration.

As the economies of developing countries growing and progressing and becoming better, usage of credit cards is also increasing. Economic development of developing countries attract international banks and credit card issuing companies to expand their business. As a result, usage of credit card is expanding.

On the other hand, internet access in developing countries is growing rapidly. The internet population of developing countries has increased by 70% between 2014 and 2017. E-commerce has also developed dramatically in these countries. People are using their credit card to make payment for e-commerce expanding credit card usage. According to a study, it was found that in the Asia Pacific region about \$1.3 trillion transactions were made through credit card.

Though credit card market expanded well in the developing countries, but under-developing countries are lagging behind such as Angola, Benin, Guinea, Mali, Haiti etc. These are LDS (least developing country) category countries where socio-economic development is very poor. But it is a matter of hope that economic conditions of these countries are also improving. So in near future credit card market of these countries will be improved along with developing countries.

### *Present context of credit card in Bangladesh:*

In Bangladesh, credit card is mainly issued by state owned and private commercial banks. There are 6 state owned and 40 private commercial banks are operating in Bangladesh. And 9 foreign commercial banks are also operating. Most of the commercial banks have their own credit card for their customers. But the credit cards of Dutch Bangla Bank Ltd., Islamic Bank, Dhaka Bank are very popular because the infrastructure (ATM booth) of these bank is highly developed. On the other hand, people can also use their international credit card such as VISA card, Master card here.

Being a developing country, credit card is not made available to mass people in Bangladesh. The per capital income of this country is very low. 80% people live in rural areas. About 16% people are living under the poverty line. On the other hand, main profession of these people is agriculture. As a result, they can't afford to have credit card paying extra interest and other charges. Though the infrastructure of banks is well developed in urban areas but rural areas are not so developed.

Now-a-days, many supermarket and departmental stores are being opened in cities. These shops allows their customers to make payment through their credit cards. People are now getting used to credit cards. In 2014, there were approximately 5.6 ATMs per hundred

thousand adults in Bangladesh. So usages of credit card in increasing day by day in Bangladesh.

The eligibility requirements for acquiring credit card in Bangladesh:

- For salaried person minimum monthly income after tax is BDT 25,000
- For self-employed person minimum monthly income after tax is BDT 25,000
- Age: - Minimum 21 years for primary card
- - Minimum 18 years for supplementary card
- - Maximum 60 years for any card

So, only the adult and solvent citizens of Bangladesh can have credit cards. But students are not allowed to have credit card in Bangladesh.

### *Aspects that contributed to the growth of credit card:*

People who are living in a decent lifestyle and have the potentiality to increase their standard of living, use credit card maintain their status. The growth of credit card all over the world had vouched a slow progress in the late 1980s and early 1990s but the situation is totally different today. There are many aspects that contributed to the growth of credit card are described below:

❖ **The increment of the upper middle class families' income:**

Today under developing and developing countries are becoming solvent. Their economy is expanding. As a result, the income of the people of these countries is also increasing. It is one of the significant drivers of credit card usage. For example, in Bangladesh average income of middle class families has increased in recent years. So, they are capable of having a credit card and using it.

❖ **Enabling the consumers to make payment later:**

According to Mitchell and Mickel, credit card is a source of money allowing holders to payback later. Credit card gives the customer an opportunity to borrow money instant for their monetary transaction.

❖ **Advancement of education system:**

Education system of the world is changing and advancing day by day. People are becoming educated. They have enough knowledge to operate credit card that contributes to the growth of credit card.

❖ **Benefits of not carrying cash:**

Credit card serves the facility of carrying large amount money in a simple plastic card with hundred percent security. People use credit card so that they need not carry cash with them. This is the main reason of increment of credit card usage.

❖ **Benefits of credit card:**

Credit cards are considered to be the most suitable way to make financial payment. It allows the card holders to make payment without any hassles.

❖ **Age:**

It has been seen that people of young ages usually use credit card compared to older people.. Because they knows the benefits of credit card. They are more comfortable using credit card than old people. They also consider credit card as a part of their lifestyle.

❖ **Gender:**

It has been seen that men are more likely to use credit card than women. Because most of the women are dependent on their family income.

❖ **Technological advancement:**

Today people are getting depended on technical advancement. Online shopping is one of the output of technological advancement. People are also getting used to online shopping and online payment. So they need credit card to make the payment online. So the usage of credit card is increasing.

❖ **Travelling:**



Now-a-days traveling has become an integral part of people's lifestyle. Whenever they get time they go out to explore the world. International credit card helps the travelers to carry cash without converting into foreign currency manually.

### *Benefits of credit card from issuer perspective:*

Most of the commercial banks have their own credit card to serve their customers. Banks and other credit card issuing companies issue credit card not only for the benefits of their customers but also for their own benefits. Credit card is a profitable product for them. Credit card holders are charged fees for the credit card. On the other hand, card holders also pay interest on the credit they have borrowed through credit card. Sometimes, online and offline merchants make contract with credit card issuer to attract customers by providing discounts if the customer pay through specific credit card. On the other hand, credit card issuing company can have some profit from the contract.

- **Interest Income**
- **Increment of financial transaction through bank account**
- **Credit card fees**
- **Income from online and offline merchants**

### *Benefits of credit card from consumer perspective:*

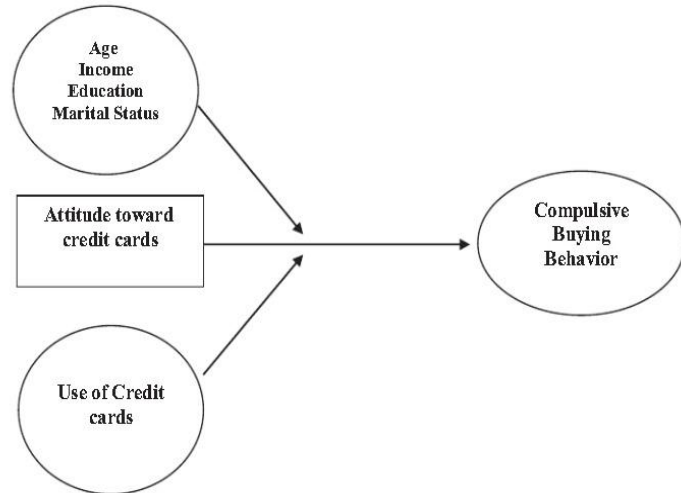
Benefits of credit card from the consumer perspective can't be explained in words. Credit card is now considered to be one of the safest method for carrying cash. People can borrow money at any time through their credit card. Now-a-days online payment is getting popular. 80% of the online transaction are made through credit card. People do not need to carry a lot of money for buying product. They can simply make payment through their credit cards.

- **Short-term borrowing**
- **Easy access to credit**
- **Convenience**
- **Security**

➤ **Online transaction**

*The relationship between compulsive buying and credit card:*

Compulsive buying is a negative behavior of consumers. It leads a consumer to overspending. It is also called compulsive buying disorder or oniomania. It is an obsession and shopping and buying behavior that causes negative consequence to the consumers. Compulsive buyers



generally relate money to power, status and success. They think that they can overcome their negative self-esteem and anxiety through compulsive buying. In fact, it is one kind of addiction.

From the figure, we can see that there are several factors that influences the compulsive buying behavior. One of them is credit card. Several research have found association between credit usage and compulsive buying. Studies find that there is a strong relationship between credit card usage and compulsive buying. Research conducted by Pirog and Robert in 2007 suggested that personality traits of students are responsible for credit card misuse. Introvert, emotional people are likely to use credit card excessively for compulsive buying. Because they do not need to make payment immediately if they use credit card. They can pay back the money to card issuing company in future or at the end of the month. It has been seen that students usually overspend to show their status among their friends.

*The relationship between tourism and credit card:*

Today's young generations loves to travel. Whenever they get a chance, they get out from home to travel the world. Majority of the students also loves to travel. After finishing academic exams, they tries to make a trip with their friends. Usually, travelers carry credit card with them instead of cash. So, there is a relationship between traveling and credit card

usage. People are becoming attracted to travelling. And credit card provides easy access to cash to the travelers result the increase in credit card usage.

### *Credit card and macro-economic factors:*

Credit cards have significant impact on various macro-economic factors such as consumer expenditure, credit risk, bankruptcy, interest rates, inflation, supply and demand etc. In this section, we will try to find out those macro-economic factors which are affecting by the increase of credit card usages.

- **Consumer Expenditure:**

Establishment of credit card and electronic payment system has increased the consumers' expenditure. Though people don't have enough money, they are buying expensive products through their credit card. Because immediately they need not make the payment of their purchase. They can take credit through their credit card very easily.

- **Credit Risk:**

Credit risk is the risk when credit card holder don't have the ability and enough financial aid to payback balance of his credit card on time. More usage of credit card is also increasing rate of consumers' credit risk.

- **Bankruptcy:**

Higher credit risk leads to the bankruptcy. Now people have easy access to credit through credit card increasing the rate of defaults and bankruptcy. Credit card can be considered to be one the significant determinants of bankruptcy in developed countries.

- **Unemployment rates and consumers' delinquency:**

A number of studies have shown that macroeconomic factors, specifically unemployment is a main determinant in a household's delinquency and bankruptcy decision. Several studies of researchers have found out that in spite of high economic

growth and credit card there has been a substantial rise in consumers' delinquency and personal bankruptcy filings.

- **Interest Rates:**

When the interest rate is low, consumer tend to take more credit. But increase in interest rate will discourage consumers to buy on credit. On the other hand, when interest rate increases, it could impact the way consumers and businesses access credit. Credit card holder will have higher monthly credit card payments as well as businesses will also face higher costs.

- **Inflation:**

Inflation is also a key factor in influencing credit card usage. Higher inflation rate means higher interest rates. As a result, banks will charge higher interest rates to offset the decline in purchasing power of the money which they get from borrowers.

- **Supply and Demand:**

Usage of credit card has very important effect on supply on demand. People having easy access to credit tend to have more purchasing power increasing the demand. On the other hand, manufactures also take extensive loan to increase their production and supply to meet the demand.

### *Advantages of providing credit card to the students:*

- ✚ There are many research findings available based on the credit card for students. These research suggest that initially students may not be at risk due to the credit card usage. In general, college students show enough responsibility in using credit card and debt. This responsibility allows them to learn about managing the credit and money efficiently at the early stage of their lives. At present, policy makers and consumer associations are devoted to help college students. They run various seminar to educate the students about how to manage credit effectively. (Robb, C. A., & Sharpe, D. L; 2009).

- ✚ Now-a-days, colleges have also accepted the notion of credit cards. The students can easily pay their tuition fees from their credit cards without wasting time and standing in a queue. The Education Resources Institution (TERI) conducted a study based on credit risk and credit worthy in 1998. According to this study, 59 % of students monthly pay back their credit card bills. On the other hand, many students use credit card with a view to establishing a good credit history and in emergency situations. (Norvilitis, J. M., & Maria, P. S., 2002).
- ✚ There is positive relationship exists between monetary know-how and credit card usage attitude. Students having financial knowledge usually do not get into credit card debt. So when they apply for credit card simultaneously they get involved themselves into financial knowledge. Credit card gives the college students various advantages such as establishment and easily accessible credit. Behavior is one the significant factors that influence credit card usage among the college students. To improve the credit usage behavior, students should be made aware about misuse of credit card and various cost associated with it. (Robb, C. A. (2011).
- ✚ So, we can say that if credit cards are used responsibly, it will have less harmful affect. Credit wellness significantly depends on the attitudes of college students regarding the management of their debt. Today most of the college students belongs to a different culture where spending is revered and saving is eschewed. Through the usage of credit card from college life they are getting used to use the credit sensibly. College students must develop healthy attitudes toward credit card debt and they must be saved from the dominance of excessive credit card marketing. We should promote responsible consumer behaviors to raise awareness among the college students. (Compton, J., & Pfau, M. 2004).
- ✚ It's a positive aspect that the average debt of credit card used by college students is declining. As a result, overall average balance is also decreasing. Through financial management programs on schools and colleges, raising awareness about the dangers of getting deeply in debt and making the students understand that economy is no longer at its peak we can conduce students to change their credit card habits. (Mae, N. (2002).
- ✚ In our society there are many unprivileged students who can't avail short time loan. They can take short term loan by using credit cards for the payment of basics like

school supplies, room and board and even tuition fees because they can't get financial support from elsewhere. (Wang, J., & Xiao, J. J. (2009).

### *Disadvantages of providing credit card to the students:*

- ✚ Today's generation has been raised in a credit card society. So money is an important aspect especially to the college students. From their childhood they are using debt and using it freely. Easy access to credit is considered to be one of the causes of overspending. There is a positive relationship between credit-card usage and compulsive buying. That means availability of credit card will provoke students toward compulsive buying behavior. Credit cards promote overspending by making the way of payment easy or by eliminating the emergency need for money. College students having a credit card purchase more, take purchase decision quickly and spend more compared to the students without having credit card exposing the same products. (Robert, J.A & Jones, 2001).
- ✚ The percentage of credit card usage among students has grown recently. It is a matter of fact that companies who provide credit cards are taking illogical advantage of them. Credit card companies try to make contract which is not fully understood by the students. As a result they are placed at the danger of overspending as well as they develop financial difficulties. (Robb, C. A., & Sharpe, D. L; 2009).
- ✚ Credit card debt is one of the thriving problems among the college students. There are many reasons behind it. Lack of financial knowledge and attitudes towards debt are the main reasons. Another reason is that some students believe that they will be able to pay their debt from their future earnings. As a result, they get used to a particular lifestyle which is full of debt. They also don't know how to overcome the debt in college life. (Norvilitis, J. M., & Maria, P. S. 2002).
- ✚ Sometimes students abuse the credit cards which has many negative aspects. Such as higher cost of debt in college life. They develop low credit score in their college life which badly affects their credibility in future life. (Robb, C. A. 2011).
- ✚ According to the study of Consumer Credit Counseling Service of America, about 50% students of schools and colleges do not pay off their credit card balances monthly and incur high interest rate monthly. These credit card debt leads them to

default on student loans. It also causes anxiety, mental stress, school dropout, bankruptcy, low credit score, unemployment and even suicide. (Compton, J., & Pfau, M. 2004).

- ✚ Many students are now becoming drug addicted and alcoholic. Moreover, credit card also contribute to this by providing credit. As a result, they are being exposed to drugs and alcohol. They also adopt unhealthy behaviors such as eating poorly, unsafe sex and reckless driving. More students are dropping out of school not because of academic failure but because of financial reasons, especially credit card debt (Hancock, A. M., Jorgensen, B. L., & Swanson, M. S. 2013).

### *Influential factors that contribute to the student credit card debt:*

In the developed countries, about 86% undergraduates have at least one credit card according to Sallie Mae National Study of Usage and Trends. They simple do not get the benefits of credit card rather they fall into huge debt because of their unhealthy overspending for entertainment purpose and other luxurious products. So there are many influential factors that provoke student credit card debt.

#### ❖ Easy access to credit:

Easy access to credit is the main reason for that students fall into credit card debt. Many credit card issuing companies tries to deceive the students because they know students will make only minimum payment but bear a huge deb so that they can obtain profit from them.

#### ❖ Financially independent:

When a student get his own credit card, he thinks himself as a financially independent person. Because he need not ask money from his parents anymore. He can spend money on everything he wishes without any accountability.

#### ❖ Familiarity with debt:

Students are now living in a society where debt is a normal aspect. They are getting familiar with debt because they have seen their parents and other companions also have

debt. Debt is not an alarming matter for them anymore. As a result, they fall into debt without knowing the consequences of it.

❖ **Financial education:**

A student who have financial know-how thinks that he will be able to handle the credit card debt after academic life. But he finishes his academic life with a huge credit card debt. When he enters into professional life he faces various difficulties regarding the debt of student life.

❖ **Social Identities:**

A student learn about credit card from his parents than any other entities. So parents play a significant role in credit card debt. There is a relation between credit card use and credit card information learned from parents. It has been examined that, students who have better understandings of credit card debt from their parents, will tend to have lower credit card balance.

❖ **Financial aid and family income:**

A student whose family income is low and don't have any financial aid easily fall into credit card debt. Because he doesn't have any financial source from which he could make payment of the credit card.

***The impact of credit card debt on college and university students:***

❖ **Academic performance:**

Acquiring debt at the student life, can greatly affect the academic performance of the students. Recent survey found that in USA each college student have \$1000 credit card balance on average. Being unable to pay monthly payments of credit card, students often try to take less course on a semester so that he can do a part-time job. As e result, his academic progress is badly hampered. It is said that students drop out of college due to study pressure, but now many students are dropping out because of their credit card debt.



❖ **Psychological illness:**

Students who have high levels of debt due to credit card, suffer from various psychological diseases. Realizing the cruelty and chronicity of their conditions, they face daily financial stress which decreases psychological well-being of them. It can lead them towards depression, anxiety, suicide, mental disorders and drug-addiction.

❖ **Physical impact:**

A study on the students found that 87% of respondents have some level of physical stress because of their debt. They did not able to sleep at night thinking about how they could pay their debt. As e result, they suffered from severe headache, muscle tension, gloominess, short-term memory loss, stomach problems, rapid heartbeat, difficulty in breathing etc.

❖ **Social impact:**

Credit card debt can also affect the students' future social life. Students who have credit card debt try to abstain from social relationships including friends and family. After entering into professional life, they can't start their family at the right time because of debt that they have to pay. Even they always try to hide their debt from their partner. As e result, most of them are dumped by their partner, spouse and family.

❖ **Occupational Impacts:**

After graduation, students try to find a suitable job that can secure his future life. They take various preparations for that such as creating CV, requesting recommendation and presenting themselves as an employee. They might have excellent academic career and recommendation from good sources. But their poor credit history can lead all of their effort in vain. How a employer would hire a person who can't handle his own financial affairs.

❖ **Financial Impacts:**

Now-a-days, students are becoming bankrupt than any other time in the history. Reason behind is the credit card debt. They face bankruptcy at the early stage of their life. On the other hand, their parents also get into financial distress.

### *Credit card and security issues:*

As the usages of credit card is increasing day by day, security issues and fraud related to credit card are also increasing. It means the fraudulent use of a credit card account through the theft of the account holder's card number, card details and personal information, through a wide variety of methods in order to perform unauthorized transactions from the compromised account. People are using credit card in their daily life. A huge amount of money is being trade off by credit card and electronic payments. So, computer hackers are now targeting the credit card market to embezzle the money.

First off all they set up a magnetic strip reader in ATM POS machine which collects the card's information and passwords as well as cardholder's information. After that, they make clone cards using those information and use those clone cards to withdraw money illegally. In this year, many commercial banks of Bangladesh such as Brac Bank, City Bank, EBL, UCBL, Bank Asia, DBBL etc. have also faced this kind of fraud.

Credit card issuers are now inventing new technologies to prevent this kind of fraud. Visa has announced their new Biometric Credit Card Technology for their customers. In this technology there will be a fingerprint sensor on credit card. Without the authorized finger print no one can't be able use or hack the information of these cards. A new computer chip has been introduced called EMV chip to prevent credit card fraud. EVM stands for Europay, MasterCard and Visa. The special feature of this chip is that it generates a new number for every transaction. So it is quite impossible to clone this type of cards. This type of card is inserted into instead of swiped through a credit card reader. An authorized signature of cardholder is required to make transactions.

### *Future challenges of credit card:*

The future of credit card is very challenging. Because recently people are getting used to mobile application payment system. Even they don't need to carry credit card. They can

make payment simply from their smart phones. In Bangladesh, Bkash is the pioneer of mobile banking. Now many credit card issuing companies and banks are also introducing mobile apps to their customer along with credit card. It has seen that the way cash is replaced by credit card, now credit card is being replaced by mobile banking and mobile apps in the similar way. Because mobile banking is more convenient and secure than credit cards.

### **Recommendations:**

After analyzing the various aspects of providing credit card to the students, we can come to the conclusion is that credit card should be provided to our country's students. But we also have to ensure that students are using their credit card for genuine reasons. They should be prevented from using credit card improperly. For this we have to take following initiatives:

- + Raising awareness about the demerits of compulsive buying among the students.**
- + Making the students understand about bad effects of debt.**
- + Excessive promotion of credit card should be restricted.**
- + Making the students learn about financial knowledge.**
- + Introducing the benefits of good credit history to the students.**
- + Organizing various programs and seminar that can contribute to the improvement of management of credit by the students.**
- + Making sure that credit card issuing company provide credit card to students after analyzing their financial background.**

After doing all this things we can expect that students will be benefited from the advantages of credit card in spite of having some disadvantages. Credit cards are a common purchasing tool in our consumer-driven society. Credit cards are convenient and provide quick access to money. Students should not be banned from access to credit cards, rather they should be encouraged to learn how to use them wisely.

## References:

- i. Robb, C. A., & Sharpe, D. L. (2009). Effect of personal financial knowledge on college students' credit card behavior.
- ii. Norvilitis, J. M., & Maria, P. S. (2002). Credit card debt on college campuses: Causes, consequences and solutions. *College Student Journal*, 36(3), 357-364.
- iii. Robb, C. A. (2011). Financial knowledge and credit card behavior of college students. *Journal of family and economic issues*, 32(4), 690-698.
- iv. Compton, J., & Pfau, M. (2004). Use of inoculation to foster resistance to credit card marketing targeting college students. *Journal of Applied Communication Research*, 32(4), 343-364.
- v. Mae, N. (2002). Undergraduate students and credit cards. Braintree, MA.
- vi. Wang, J., & Xiao, J. J. (2009). Buying behavior, social support and credit card indebtedness of college students. *International Journal of Consumer Studies*, 33(1), 2-10.
- vii. Roberts, J. A., & Jones, E. (2001). Money attitudes, credit card use, and compulsive buying among American college students. *Journal of consumer affairs*, 35(2), 213-240.
- viii. Hancock, A. M., Jorgensen, B. L., & Swanson, M. S. (2013). College students and credit card use: The role of parents, work experience, financial knowledge, and credit card attitudes. *Journal of family and economic issues*, 34(4), 369-381.
- ix. Kaynak, E., Kucukemiroglu, O., & Ozmen, A. (1995). Correlates of credit card acceptance and usage in an advanced developing Middle Eastern country. *Journal of Services Marketing*, 9(4), 52-63.
- x. Pinto, Mary B., Diane H. Parente and Phylis M. Mansfield. 2005. "Information Learned from Socialization Agents: Its Relationship to Credit Card Use." *Family and Consumer Sciences Research Journal* 33(4): 357-367.
- xi. Robb, Cliff A. and Deanna L. Sharpe. 2009. "Effect of Personal Financial Knowledge on College Students' Credit Card Behavior." *Journal of Financial Counseling & Planning* 20 (1): 25- 43.
- xii. Stanford, William E. 1999. "Dealing with Student Credit Card Debt." *About Campus* 4 (1): 12.

- xiii. Agarwal, S., & Liu, C. (2003). Determinants of credit card delinquency and bankruptcy: Macroeconomic factors. *Journal of Economics and Finance*, 27(1), 75-84.