

# The Relationship between the Consumer Spending Behaviour with Credit Card Incentives

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## Abstract

**Purpose:** To study the relationship between the consumer spending behaviour with credit card incentives in Malaysia.

**Design/methodology/approach:** All data analyzed by using SPSS and methods of analysis are correlations analysis and regression analysis.

**Findings:** The empirical results shows installment plan, good bank reputation, gift or rewards have relationship with consumer spending behavior.

**Research limitations/implications:** not applicable.

**Practical implications:** not applicable

**Originality/value:** This study thus implies that shows installment plan, good bank reputation, gift or rewards have relationship with consumer spending behavior.

**Keywords:** consumer spending behavior, installment plan, good bank reputation, Gift or rewards

## Introduction

Spending behavior is dynamic and may always change from various customers. Kotler (2018) found that consumer spending behavior studies about how individuals, groups, and organizations select, buy, use and dispose of goods, services, ideas, or experiences to satisfy their needs and desire. Study on spending behavior focused on perceptions of quality, customer satisfaction, the company marketing activities, promotional effects, and customer behavior (Shmueli, 2014).

Credit cards are an important instrument to enable buyers or consumers to buy goods and services. Laroche, (1993) and Soman, (2002). Financial institutions provide credit cards with incentive programs to increase electronic payment. (Mwende, 2017) and (Ishaq, 2017). Andaleeb (2016) indicated that an installment plan, good bank reputation, and gift or reward are the three significant intangible factors that drive consumer-spending behavior. The customer is more likely to select card credit based on financial benefits. Dospinescu, (2019) The credit card is an installment card issued to clients as an arrangement of an installment and all banks in Malaysia will offer their customers incentive packages. In Malaysia, every bank offered a credit cards with some incentive packages to their consumer. The credit card is easy to purchase any goods and services without use cash. The banker gives some incentive package to increase the level of consumer borrowing. The consumer has difficulty choosing the packages which banks offer. Therefore, my research is to determine the relationship between the credit card and incentive packages with consumer borrowing behavior.

1) To study the relationship between consumers spending behavior with the credit card incentives.

2) To investigate the impact between consumers spending behavior with the credit card incentives.

**Literature Review**

Robb & Sharpe, (2009), credit card debt behavior was measured through the specific behavior; revolving credit card use, and petty installment credit use. Stavins J. (2017) found that good bank reputation has a significant relationship with consumer borrowing behavior. Hayashi, F. (2008) investigates the incentives packages as installments plans and gift or reward affected the borrowing behavior in the United States. The use of credit cards depends not only on legal contracts but on the trust based on bank reputation. (Lauer, 2020). Bhatti (2017) observed that brand image and bank reputation have an impact on consumer spending behavior and customer satisfaction.

Research is done by Mwendu, (2017) examines the relationship between credit card incentives with spending behavior on a sample of 218 commercial banks offering credit card services in Kenya. The study found a significant relation between the credit card incentives (installment plan,, design card, and gift) with spending behavior using correlation and regression analysis. According to Dospinescu (2019) using regression claimed that good bank reputation and reward incentives have a relationship with spending behavior in Romania. Banks in developing countries are providing benefits such as good bank reputation, design of the card, and gift suggested by Dusuki (2007) and Perez (2014).

**Method**

The objective of this paper is to determine the relationship between consumers spending behavior with the credit card incentives. This study used questionnaire survey and data will distribute to a random sample 150 cardholders in Klang Valley

INDEPENDENT VARIABLE

- Installment plan
- Good bank reputation
- Gift or rewards
- Design of Card
- Others



DEPENDENT VARIABLE

- Consumers spending behavior

This research study is tested the relationship between consumers spending behavior with the credit card incentives. The multiple regression equations that will be use is:

$$Y=a +B1 X1 +B2 X2 + B3 X3 + B4 X4 +B5 X5 +e$$

Whereby;

Y = consumers spending behavior

a = constant

B = independent

e = error

## HIPOTESIS

Hypothesis 1

H1: There is a significantly relationship between consumers spending behavior with the credit card incentives.

Hypothesis 2

H1: There is a significantly the impact between consumers spending behavior with the credit card incentives.

## Findings

Table 1: Descriptive statistics

Criteria	Category	Number	Percentage
Gender	Male	75	50%
	Female	75	50%
Income	RM 2,000-RM 5,000	59	39.3
	RM 5,000-RM 8,000	41	27.3
	RM 8,000-RM 11,000	36	24.0
	RM 11,000-RM 14,000	14	9.3
	RM 2,000-RM 5,000	59	39.3
	RM 5,000-RM 8,000	41	27.3
Type Cards	gold card	18	12.0
	classic card	26	17.3
	platinum card	18	12.0
	visa card	46	30.7
	master card	42	28.0
Incentive Packages	Installment plan	56	37.3
	Design of card	28	18.7
	Good bank reputation	29	19.3
	Reward of Gift	23	15.3
	Other	14	9.3

Table 2: Reliability.

Cronbach's Alpha	N of Items
0.875	6

The reliability test is a significant level. The cronbach's alpha shows 0.875 with 6 items included the consumer borrowing behavior, installment plan, design of card, have good bank reputation, gift and rewards and others.

### Correlation test

Table 3: correlation coffecient

	Consumer spending	Installment Plan	Design of card	Good bank reputation	Reward	Other
Consumer spending	1	0.643**	0.424**	0.611**	0.540**	0.433**
Installment Plan	0.643**	1	0.329**	0.419**	0.706**	0.650**
Design of card	0.424**	0.329**	1	0.546**	0.648**	0.446**
Good bank reputation	0.611**	0.419**	0.546**	1	0.540**	0.459**
Gift/reward	0.540**	0.706**	0.648**	0.540**	1	0.549**
Other	0.433**	0.650**	0.446**	0.459**	0.549**	1

**\*\*.** Correlation is significant at the 0.01 level (2-tailed).

The correlation test between independent variables shows that installment plan, good bank reputation, gift or rewards have significant positive relationship with consumer spending behavior. This result supported by Hayashi (2008).

### Regression Analysis

Table 4: Coefficient of Regression

Model	Unstandardized Coefficients		Stardardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.248	.877		1.423	0.157
Installment Plan	0.253	.232	0.080	1.093	0.276
Design of Card	0.701	0.191	0.234	3.667	0.000**
Good bank Gift	0.532	0.080	0.501	6.614	0.000**
Others	0.237	0.115	0.145	2.050	0.042*
	0.105	0.092	0.083	1.139	0.256
R-squared	0.696				
Adjusted R-squared	0.683				
<b>F-statistic</b>	<b>54.554</b>				
Probability	<b>.000</b>				

**Notes: \*\* denotes significant at 0.01**

**\* denotes significant at 0.05**

Refer to table 4, since p value=0.276> 0.01, it was found that the installment plan to consumer spending is no impact. Next p-value =0.000< 0.01, it was found that design card to consumer spending has an impact relationship to consumer spending. While for good bank reputation, p-value = 0.000< 0.01, there has an impact relationship to consumer spending. Next, for Gift, p-value = 0.042< 0.05, there are have impact relationship to consumer spending, Lastly, there no

impact others to consumer spending since  $p \text{ value} = 0.256 > 0.01$ . This result supported by (Choudhury, 2013). Therefore,  $H_02$  are accepted for consumers spending behavior with the credit card incentives such as the design of the card, good reputation, and gift/reward. This result supported by Ishaq (2017).

### Discussion and Conclusion

This study showed that there is a significant relationship between consumers spending behavior with credit card incentives. The correlation test between independent variables shows that an installment plan, good bank reputation, gift, or rewards have a significant positive relationship with consumer spending behavior. This result supported by Hayashi (2008) and Ishaq (2017). Apart from that, there is no significant impact between consumer behavior spending with an installment plan supported by Choudhury, (2013). There is a substantial impact between consumer behavior spending with credit card design, good reputation, and gift/reward supported by Mwende, (2017). The customer used a credit card as a payment because the bank good reputation as benefits provider such as the transaction speed, convenience, security, record-keeping ease, and float. According to Choudhury (2013), the benefits derived from gifts or rewards and attractive card design can enticed customers to continue using credit cards.

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