



A Study On Financial Awareness and Credit Usage Behavior Among Urban Consumers

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Abstract – Financial awareness has emerged as a critical determinant of individual financial behaviour, particularly in urban economies characterized by increasing access to formal and digital credit systems. This study investigates the relationship between financial awareness and credit usage behaviour among urban consumers, with a focus on understanding how knowledge, attitudes, and socio-economic factors influence borrowing and repayment decisions. The research adopts a descriptive and analytical design, utilizing primary data collected through structured questionnaires administered to urban respondents. The study examines key dimensions of financial awareness, including budgeting practices, saving behaviour, knowledge of interest rates, and awareness of financial products, alongside credit usage patterns such as frequency of borrowing, purpose of credit, and repayment discipline. Statistical tools such as percentage analysis and Chi-square tests are employed to evaluate the significance of relationships between variables. The findings indicate that financial awareness significantly influences credit behaviour, with higher awareness levels associated with responsible borrowing, timely repayment, and reduced reliance on unnecessary credit. This aligns with existing literature suggesting that financial literacy positively impacts financial decision-making and reduces the likelihood of debt mismanagement. However, the study also identifies a persistent gap between basic awareness and comprehensive financial understanding, particularly in areas such as interest rate calculation, credit terms, and long-term financial planning. Additionally, the study highlights the role of demographic and behavioural factors—such as income, education, and financial attitudes—in shaping credit usage patterns. Prior research indicates that psychological factors, ease of credit access, and perceived utility also significantly influence credit behaviour, sometimes leading to excessive borrowing or materialistic consumption patterns. The study concludes that while urban consumers demonstrate moderate financial awareness, there is a strong need for targeted financial literacy initiatives to bridge knowledge gaps and promote sustainable financial behaviour. Enhancing financial education can contribute to improved credit management, reduced financial vulnerability, and overall economic well-being.

Keywords – Financial Awareness, Financial Literacy, Credit Usage Behaviour, Urban Consumers, Borrowing Behaviour, Repayment Discipline, Financial Decision-Making, Credit Management, Consumer Finance, Debt Management, Financial Education, Socio-Economic Factors, Interest Rate Awareness, Financial Planning, Responsible Borrowing, Consumer Behaviour, Urban Economy, Financial Well-Being.

I. INTRODUCTION

In recent years, the financial landscape has undergone significant transformation due to rapid urbanization, technological advancements, and increased access to formal financial services. Urban consumers today are exposed to a wide range of financial products such as credit cards, personal loans, consumer finance, and digital lending platforms. While these developments have improved financial inclusion and convenience, they have also increased the complexity of financial decision-making.

Financial awareness refers to the knowledge, understanding, and application of financial concepts such as budgeting, saving, investing, interest rates, inflation, risk management, and credit utilization. It plays a crucial role in enabling individuals to make informed and rational financial decisions. A financially aware individual is better equipped to evaluate different financial options, understand the cost of borrowing, and manage financial risks effectively.

At the same time, credit has become an integral part of modern financial systems. Credit facilities allow individuals to meet immediate financial needs, manage emergencies, invest in education, purchase durable goods, and improve their standard of living. However, easy access to credit without adequate financial knowledge can lead to excessive borrowing, poor repayment behaviour, accumulation of debt, and long-term financial instability.

Credit usage behaviour refers to how individuals utilize borrowed funds, including the frequency of borrowing, purpose of credit, repayment patterns, and overall credit management practices. It is influenced by several factors such as income level, education, financial literacy, attitudes toward money, and social influences. In urban areas, where lifestyle aspirations and consumption patterns are constantly evolving, credit usage behaviour becomes even more significant.

Despite the availability of financial information and digital tools, a considerable gap exists between financial awareness and actual financial behaviour. Many individuals may possess basic knowledge about financial concepts but fail to apply it effectively in real-life



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situations. For example, individuals may be aware of interest rates but still engage in high-cost borrowing or delay repayments due to poor financial planning.

The growing penetration of digital financial services, including mobile banking, online lending, and fintech platforms, has further amplified the need for financial awareness.

This study focuses on understanding the level of financial awareness among urban consumers and analyzing its impact on their credit usage behaviour. It aims to explore whether financially aware individuals demonstrate more responsible borrowing and repayment practices compared to those with limited financial knowledge. The study also examines the factors influencing credit decisions and identifies gaps between awareness and behaviour.

The significance of this study lies in its contribution to understanding how financial literacy can promote responsible financial behaviour and improve overall financial well-being. The findings can be useful for policymakers, financial institutions, educators, and researchers in designing effective financial education programs and promoting sustainable financial practices among urban consumers.

II. REVIEW OF LITERATURE

Mandell (2007)

Lewis Mandell (2007) examined the level of financial literacy among young consumers and concluded that lack of financial awareness leads to poor financial planning and excessive dependence on credit facilities. The study highlighted the importance of financial education programs in improving responsible financial behaviour among consumers.

Lusardi and Mitchell (2008)

Another study by Annamaria Lusardi and Olivia S. Mitchell (2008) emphasized that knowledge of interest rates, inflation, and risk diversification significantly improves financial decision-making ability. Their research showed that financially aware individuals are more careful while using credit facilities and are less likely to fall into debt traps.

Agarwal et al. (2009)

Sumit Agarwal and his colleagues (2009) studied financial mistakes made by consumers in borrowing decisions. Their research concluded that many individuals fail to evaluate loan conditions properly due to lack of financial awareness, which leads to higher borrowing costs and financial difficulties.

Remund (2010)

David L. Remund (2010) defined financial literacy as the understanding of key financial concepts and the ability to manage personal finances effectively. According to his study, financial awareness helps individuals make

informed financial decisions related to savings, investments, and credit usage. The study emphasized that financially literate consumers are more capable of controlling unnecessary borrowing.

Atkinson and Messy (2012)

Adele Atkinson and Flore-Anne Messy (2012) conducted a study under the OECD framework to measure financial literacy levels among individuals across different countries. Their study explained that financial literacy includes financial knowledge, attitudes, and behaviour.

Gathergood (2012)

John Gathergood (2012) examined the relationship between financial literacy and debt behaviour. The study found that individuals with low financial literacy are more likely to accumulate excessive debt and face repayment difficulties. The research highlighted the importance of financial education in reducing unnecessary borrowing.

Lusardi and Mitchell (2014)

Annamaria Lusardi and Olivia S. Mitchell (2014) studied the importance of financial literacy in improving individuals' financial decision-making ability. Their research explained that financial awareness plays a significant role in helping individuals understand financial concepts such as interest rates, inflation, and risk diversification. The study found that people with higher financial knowledge are more likely to plan for retirement, manage debt efficiently, and avoid financial mistakes.

III. RESEARCH METHODOLOGY

The present study adopts a descriptive and analytical research design to examine the level of financial awareness and its impact on credit usage behaviour among urban consumers. A descriptive approach is considered appropriate as it helps in providing a systematic and factual understanding of the financial knowledge, attitudes, and practices of individuals without manipulating any variables.

Sampling Method

A sampling method of simple random sampling has been used to select respondents from the urban population.

Sample Size

Sampling method: Random Sampling

Sample size: 100 salaried employees

The sample size consists of approximately 100 respondents, including students, working professionals, and business individuals. This ensures diversity in responses and helps in obtaining a comprehensive understanding of financial behaviour across different income and occupational groups.

Data collection tools

- **Percentage Method** – Used to present responses in percentage form.
- **Tables** – Used for systematic presentation of data.



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- **Bar Charts and Pie Charts** – Used for graphical representation of findings.

Scope of the study

- The study focuses on the level of financial awareness among urban consumers regarding savings, investments, and credit facilities.
- It examines the credit usage behaviour of urban consumers such as the use of credit cards, personal loans, home loans, vehicle loans, and digital lending apps.
- The study analysis the relationship between financial awareness and borrowing decisions.

Limitations of the study

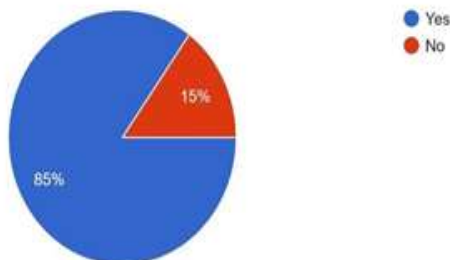
- The study is limited to urban consumers only, so the findings may not apply to rural populations.
- The study is based on a limited sample size, which may affect the accuracy and generalization of results.
- The research depends on primary data collected through questionnaires, and responses may be biased or inaccurate.

IV. DATA ANALYSIS & INTERPRETATION

1. Do You Prepare a Monthly Budget?

Do you have Prepare a monthly budget?	No of People
Yes	85%
No	15%

Do you prepare a monthly budget?
100 responses



Interpretation

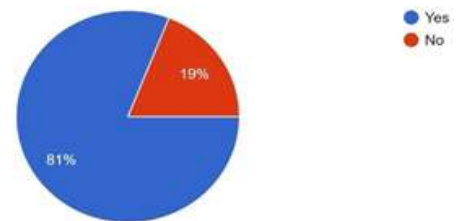
The pie chart shows that 85% of respondents prepare a monthly budget, while only 15% do not. This indicates that the majority of individuals follow planned financial practices. Preparing a budget helps in controlling expenses and managing income effectively. It also reflects a high level of financial awareness among respondents. Those who prepare budgets are likely to have better saving and credit management habits. On the other hand, the small percentage who do not budget may face difficulty in

managing their finances. Overall, the data highlights positive financial discipline among urban consumers.

2. Are you aware of interest rates on loans/credit cards?

Are you aware of interest rate on Loans/credit cards?	No of People
Yes	81%
No	19%

Are you aware of interest rates on loans/credit cards?
100 responses



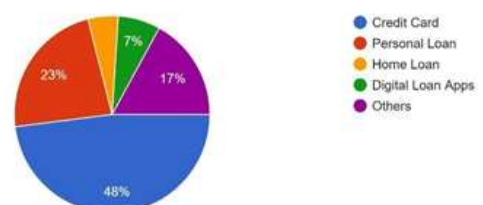
Interpretation

The pie chart shows that 81% of respondents are aware of interest rates on loans and credit cards, while 19% are not aware. This indicates a relatively high level of financial awareness among the respondents. Awareness of interest rates is important for making informed borrowing decisions and avoiding unnecessary financial burden. Respondents who are aware are more likely to compare options and manage credit effectively. However, the 19% who are unaware may be at risk of poor financial decisions and higher debt costs. This highlights the need for improving financial education among a section of consumers. Overall, the data reflects good awareness but scope for further improvement.

3. Which credit facility do you use?

Which credit facility do you use?	No of People
Credit card	48%
Personal loan	23%
Home loan	5%
Digital loan apps	7%
Others	17%

Which credit facility do you use?
100 responses





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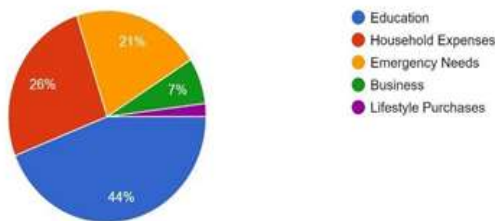
Interpretation

The pie chart shows the types of credit facilities used by respondents. The majority (48%) use credit cards, making it the most preferred form of credit. This indicates a strong reliance on convenient and short-term credit options for daily expenses. 23% of respondents use personal loans, suggesting a need for larger funds for personal purposes. A smaller portion (17%) falls under other credit facilities, showing some diversity in borrowing options. Only 7% use digital loan apps, indicating moderate adoption of fintech-based credit. Home loans are the least used (5%), likely due to their long-term commitment and eligibility requirements. Overall, the data highlights that urban consumers prefer flexible and easily accessible credit options like credit cards.

4. Purpose of using credit?

Purpose of using credit?	No of People
Education	44%
Household Expenses	26%
Emergency needs	21%
Business	7%
Lifestyle Purchases	2%

Purpose of using credit
100 responses



Interpretation

The pie chart shows the purpose of using credit among respondents. The majority (44%) use credit for education, indicating that borrowing is mainly for investment in future growth and development. 26% of respondents use credit for household expenses, showing dependence on credit for managing daily financial needs. 21% use credit for emergency needs, highlighting its importance as a financial safety support. A smaller proportion (7%) use credit for business purposes, suggesting limited entrepreneurial borrowing. Only 2% use credit for lifestyle purchases, indicating that most respondents avoid unnecessary or luxury spending through credit. Overall, the data shows that credit is mainly used for essential and productive purposes rather than non-essential spending.

V. CONCLUSION

The present study concludes that financial awareness plays a crucial role in influencing credit usage behaviour among urban consumers. In the context of increasing access to financial products and digital lending platforms, individuals are required to make informed financial

decisions to maintain financial stability and avoid unnecessary debt. At the same time, the study reveals that although a significant proportion of respondents possess basic financial knowledge, there exists a gap between awareness and actual financial practices. Many individuals are aware of financial concepts but fail to apply them effectively due to factors such as lifestyle influences, peer pressure, lack of planning, and easy availability of credit. This gap highlights the importance of not only spreading financial awareness but also encouraging behavioural change.

Overall, the study highlights that financial awareness is a key driver of responsible credit usage and financial well-being. Enhancing financial literacy through education, awareness programs, and policy initiatives can help individuals make better financial decisions, reduce dependence on unnecessary credit, and achieve long-term financial stability. In conclusion, promoting financial awareness is essential for building a financially responsible society, particularly in urban areas where access to credit is high and financial decisions have a significant impact on individual and economic well-being.

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