

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

At present, a credit card is another alternative for cash. It is becoming popular because of its convenience which allows its holders to not carry a large amount of cash, to purchase expensive merchandise and to receive other privileges. However, if the cardholder consumes credit carelessly, they will accumulate a huge debt to the issuing banks. According to a report from the Bank of Thailand, until now all banks and non-banks have already issued 9,977,384 credit cards. This number shows that the number of credit cards in January 2006 increased 14.44% compared with the number of them in the same period of the past year. The amount of money spent on credit cards in January 2006 was about 63,854.65 million baht.

Credit cards have both advantages and disadvantages. If they are used in the right way, it is an advantage to the cardholders themselves. On the other hand, they may have disadvantages if the cardholders use them carelessly. This is because the credit cards are like invisible money or future money. When the cardholders use them without careful thoughts, personal financial problems follow, such as debts with the issuing bank, no discipline in using money and a lack of saving money. These problems may become bigger problems such as financial problems and social problems within the country. Financial problems can occur when the cardholders are unable to pay for their own debt, which causes NPL's (Non Performance Loans). If Thailand has a lot of NPL's, it will make the country deficient and insecure. According to a report from the Bank of Thailand, the outstanding balance of credit cards in January 2006 increased 21.13% compared to the amount for the same period in the previous year. The total outstanding balance was about 45,927.15 million baht. And another financial problem is that when people use money without care by spending more than they actually earn, it would make them find other sources of money to borrow, which are sometimes illegal. For social problems caused by the cardholder's bad behaviors, they would occur when the people with the money problem cannot solve their own problems. Then, they would finally commit crimes or commit suicide.

1.2 STATEMENT OF THE PROBLEM

1.2.1 Main Question

- How do working people in the Aree area use their credit cards?

1.2.2 Sub-Questions

1. What are the credit card usage behaviors of people in the Aree area?
2. What percentage of respondents cannot repay money used on their credit cards?
3. What is the amount of debt?
4. What do the respondents do when they have money problems caused by their credit card usage?

1.3 OBJECTIVE OF THE STUDY

1. To reveal the credit cardholder's usage behaviors of people working in the Aree Area.
2. To find out the problems encountered by people working in the Aree Area relating to credit card usage.

1.4 DEFINITION OF TERMS / VARIABLES AND DEFINITIONS

Credit Card means a plastic card used as a medium of cash for exchanging merchandise or services, withdrawing cash from ATM's or from financial institutions.

Credit Card Issuer means all banks and non-banks that allow people to hold a credit card with their brand, responsible for all transactions made through a credit card.

Consumer Behavior on Credit Card usage means the behaviors on exchanging merchandise or services of the credit cardholders instead of cash in order to meet the cardholder's satisfactions.

Working People means employed people, both men and women, aged between 22 and 50 years.

Aree Area means the area of Aree or Phaholyothin Soi 7, on Phaholyothin Road, Phayathai District, Bangkok, nearby Aree BTS station surrounded by office buildings such as IBM Building, Kasikornbank, Phaholyothin Place and others.

Credit cardholder means all the people who hold one or more credit cards.

Credit card problems mean the problems in terms of debt of a credit cardholder caused by using a credit card carelessly and accumulating a huge debt to the issuers.

Debt means the amount of money that a cardholder owes an issuing bank because he or she is unable to repay monies owing on their credit card on the due date.

1.5 SCOPE OF THE STUDY

This research focuses on the usage behaviors of the working people in the Aree area of Bangkok. The subjects of this research were limited to people working in the Aree area.

1.6 SIGNIFICANCE OF THE STUDY

1.6.1 To study the behaviors of the working people in their credit card usage

1.6.2 To find out the problems of credit cardholders who cannot repay monies owed on their credit cards

1.6.3 To develop strategies to help people understand about debts caused by credit cards leading to better development of the country

1.7 LIMITATION OF THE STUDY

The study was scoped on the behaviors of people working in the Aree area including the reasons for their using credit card, the average expense that the respondents pay with their credit card (per month, in Thai Baht), the highest expense that the respondents have ever used on their credit card (per month, in Thai Baht), the lowest expense that the respondents have ever used on their credit card (per month, in Thai Baht), the type of the products and services that the respondents purchase with credit cards, the ways to repay their credit card debts, the debts caused by their credit card usage and the ways to solve these problems. However, the study does not include other problems of credit card usage such as fraud and chargeback transactions. The

respondents are also limited to people working in the Aree area which is only a small part of Bangkok. Moreover, 150 questionnaires were distributed to Aree working people. However, only 80 respondents returned the completed questionnaires while the others were reluctant to give information about their financial status.

1.8 ORGANIZATION OF THE STUDY

This study is divided into five chapters. The first chapter is an introduction which consists of background, statement of the problem, objectives of the study, definition of terms, scope of study, significance of the study, limitation of the study, and organization of the study. The second chapter is the review of literature. The third chapter is the methodology consisting of subjects, materials, procedures, and data analysis. The fourth chapter presents the results and tables of the survey. Finally, the last chapter will provide a summary, conclusion, discussion, and recommendations for further research.