The Influence of EMI Payment Options on Consumer Spending Behaviour: A Study in Kozhikode District, Kerala

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Abstract- **The increasing prevalence of Equated Monthly Instalment (EMI) payment systems has significantly reshaped consumer spending behaviour, particularly in urban and semi-urban regions such as Kozhikode District in Kerala, India. This study explores the impact of EMI options on consumer purchasing decisions, with a particular focus on the variations across demographic segments. By examining the adoption and utilization of EMI schemes across diverse product categories—including electronics, home appliances, furniture, and services—the research identifies key factors influencing consumers' preference for EMI over traditional payment methods.**

A mixed-methods approach was employed, combining qualitative insights with quantitative data collected through structured surveys administered to 100 consumers in Kozhikode who had used EMI options within the past year. The study investigates psychological determinants such as perceived affordability, financial planning behaviour, and aspirational buying tendencies. It also evaluates the role of promotional strategies by retailers and financial institutions, such as zero-interest offers, minimal down payments, and extended repayment terms, in encouraging EMI adoption.

The findings reveal a strong correlation between the availability of EMI facilities and increased consumer spending, particularly among younger consumers (aged 18–35) and those within the middle-income group. EMI schemes appear to enhance perceived financial flexibility, enabling consumers to acquire products that might otherwise be out of reach. However, concerns related to long-term financial obligations, interest burdens, and the potential risk of indebtedness were also evident. Despite these risks, EMI options are often perceived as a practical tool for managing short-term liquidity amid rising living costs and income volatility.
This research contributes to the broader discourse on consumer behaviour in the digital payment ecosystem and offers actionable insights for businesses, financial institutions, and policymakers. The study underscores the necessity of transparent EMI policies and advocates for enhanced financial literacy initiatives to support responsible borrowing. Furthermore, it highlights the dual nature of EMI schemes—as facilitators of consumer access and as potential financial liabilities—thus calling for a balanced approach to EMI promotion and regulation.

Keywords- **EMI (Equated Monthly Instalment), Consumer Behaviour, Kozhikode District, Financial Planning**

I. INTRODUCTION

In recent years, Equated Monthly Instalment (EMI) payment options have emerged as transformative tools within the consumer finance landscape, particularly in developing economies such as India. These schemes allow consumers to purchase high-value products through manageable monthly payments, making them increasingly attractive in regions experiencing rapid urbanization and rising consumer aspirations.

Kozhikode District, a commercial hub in the southern state of Kerala, exemplifies this trend. With its blend of urban and semi-urban populations, increasing disposable incomes, and a growing appetite for consumer electronics, household appliances, and other durables, Kozhikode offers a representative setting for understanding the effects of EMI-based financing. EMI options have become a popular choice among consumers looking to access desired products without the burden of large upfront payments.

This study investigates how EMI payment options are shaping consumer purchasing behaviour in

Kozhikode District. It focuses on demographic influences, product category preferences, psychological motivations, and the role of retailers and financial institutions in popularizing EMI schemes. The research aims to provide a comprehensive analysis that benefits businesses, policy designers, and financial service providers alike.

Significance of the Study

This study on EMI payment options and consumer spending behaviour in Kozhikode District holds considerable academic and practical relevance. Academically, it contributes to the evolving literature on consumer finance by examining how flexible payment systems influence purchasing behaviour within a localized context. It provides valuable insights into the psychological, economic, and social dynamics that drive consumers to prefer EMI options.

Practically, the findings can guide businesses in optimizing their EMI offerings, tailoring marketing strategies, and targeting key consumer segments more effectively. Policymakers can use the insights to develop regulations that safeguard consumer interests and promote responsible lending practices. Additionally, the study underscores the importance of financial literacy initiatives in empowering consumers to make informed decisions and avoid the pitfalls of debt accumulation. Socially, by facilitating access to essential and aspirational goods, EMI schemes can improve living standards and contribute to regional economic development.

Objectives

- To assess the relationship between demographic variables and EMI usage.
- To examine the adoption rate of EMI payment options in the electronics market.
- To identify the factors influencing consumers' preference for EMI over other payment methods.

These objectives aim to provide a detailed understanding of how EMI schemes influence consumer decisions and market dynamics in the local context.

II. RESEARCH METHODOLOGY

Research Design: The study adopts a descriptive and analytical research design. The descriptive component involves summarizing patterns in consumer behaviour, while the analytical aspect uses statistical tools to explore relationships among variables.

Sample Design: The target population comprises consumers in Kozhikode District who have used EMI schemes. A sample of 100 respondents was selected using convenience random sampling. While this approach allows efficient data collection, it may limit generalizability due to sampling bias.

- Target Population: Consumers utilizing EMI schemes
- Sample Size: 100 respondents
- Sampling Method: Convenience random sampling

Data Collection

Primary data were collected through structured questionnaires and interviews conducted with both consumers and retailers in the Kozhikode District. These instruments captured a wide range of information, including demographic characteristics, product preferences, EMI usage patterns, and attitudes toward financial planning.

Data Analysis Tools

Descriptive statistics were used to summarize consumer profiles and behaviour patterns. The Kruskal-Wallis Test assessed variations in spending behaviour by age, while the Chi-square Test examined associations between categorical variables such as income level and interest rate preference, and gender and high-value purchases via EMI.

Hypotheses

H1: There is a significant relationship between age and EMI spending behaviour.

H2: There is a significant association between income range and interest rate preference.

H3: Gender significantly influences the decision to purchase high-value items using EMI options.

III. DISCUSSION ON FINDINGS

The statistical analysis reveals meaningful correlations between demographic variables and EMI-related behaviour. Younger consumers, particularly those aged 18–35, show a higher inclination to use EMI schemes, driven by aspirations and constrained liquidity. Income levels significantly impact interest rate sensitivity, with middle-income consumers being more selective about financing costs. Gender-based analysis indicates that male consumers are marginally more likely to make high-value purchases using EMI, though the gap is narrowing.

EMI options have fostered greater access to goods and services, enabling consumers to make larger purchases without immediate financial strain. This sense of financial flexibility is a key driver of EMI adoption. However, concerns regarding long-term debt, cumulative interest, and repayment challenges persist. These insights highlight the dual-edged nature of EMI schemes: while they democratize access to goods, they also introduce financial risks if not managed wisely.

Test No: A – Kruskal-Wallis test for Age and EMI Spending Behaviour

Hypothesis (H□): There is a significant relationship between age and EMI spending behaviour.

Test Statistics[a,b]	
	EMI_SPENDING
Kruskal-Wallis H	7.650
df	3
Asymp. Sig.	.054
a. Kruskal Wallis Test	
b. Grouping Variable: Age Group	

(Source: Primary data)

To assess the influence of age on EMI spending behaviour, the Kruskal-Wallis test was employed, as the data did not meet the assumptions of normality. This non-parametric test is appropriate for comparing more than two independent groups when the distribution is skewed or ordinal data is used.

The test yielded a Kruskal-Wallis H statistic of 7.650 with 3 degrees of freedom, and a corresponding p-value of 0.054. As the p-value exceeds the commonly accepted threshold of 0.05, the result is not statistically significant. Hence, the null hypothesis (H□)—that there is no difference in EMI spending behaviour across age groups—cannot be rejected.

To supplement the statistical findings, a combined mean analysis of EMI usage across age groups was conducted. Although descriptive data indicated a relatively higher engagement with EMI options among younger consumers (particularly those aged 18–25), this trend did not reach statistical significance in the formal test. This suggests that age alone may not be a determining factor in EMI adoption.

Inference:

While younger consumers appear more inclined to use EMI options, age does not exhibit a statistically significant impact on EMI spending behaviour in this study. This outcome implies that other factors—such as income level, employment status, or financial literacy—may have a more substantial influence on consumers' decisions to utilize EMI plans.

Test No: B – Chi-Square Test: Income Range and Interest Rate Preference

Hypothesis (H□): There is a significant association between income range and interest rate preference.

Chi-Square Tests	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	23.120[a]	32	.874
Likelihood Ratio	23.661	32	.856
Linear-by-Linear Association	2.724	1	.099
N of Valid Cases	100		
a. 40 cells (88.9%) have expected count less than 5. The minimum expected count is .01.			

(Source: Primary data)

To evaluate whether consumer income levels influence their preference for low-interest EMI (Equated Monthly Instalment) plans, a Chi-square test of independence was conducted. This test is suitable for assessing the relationship between two categorical variables: income range and EMI interest rate preference.

The test yielded a Pearson Chi-Square value of 23.120 with 32 degrees of freedom, and an associated p-value of 0.874, which is well above the standard significance threshold of 0.05. As a result, the null hypothesis (H□)—stating that no association exists between income range and interest rate preference—cannot be rejected.

Furthermore, the Likelihood Ratio Test also supports this finding (p = 0.856), and the Linear-by-Linear Association was not statistically significant (p = 0.099). These outcomes collectively affirm the lack of a meaningful statistical relationship between the variables under study.

Inference:

The analysis suggests that income range does not significantly influence consumers' preference for low-interest EMI plans. Consumers across all income groups, regardless of financial standing, tend to Favor EMI options with reduced interest rates. This may reflect a universal tendency to minimize financial burden and enhance affordability, reinforcing the appeal of low-interest EMIs as a broad-based consumer preference rather than one segmented by income.

Test No: C – Chi-Square Test: Income Range and Interest Rate Preference

Hypothesis (H□): Gender has a significant influence on the decision to purchase high-value items based on the availability of EMI options.

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	5.314[a]	4	.257
Likelihood Ratio	5.894	4	.207
Linear-by-Linear Association	.417	1	.519
N of Valid Cases	100		

a. 4 cells (40.0%) have expected count less than 5. The minimum expected count is .44.

(Source: Primary data)

To determine whether gender plays a significant role in consumers' decisions to purchase high-value products when EMI (Equated Monthly Instalment) options are available, a Chi-square test of independence was performed. This test assessed the association between gender and EMI usage for high-value purchases.

The results showed a Pearson Chi-Square value of 5.314 with 4 degrees of freedom, and a p-value of 0.257, which exceeds the conventional significance level of 0.05. Consequently, the null hypothesis (H□)—stating that there is no association between gender and EMI-driven high-value purchases—cannot be rejected.

Additional tests, including the Likelihood Ratio Test (p = 0.207) and Linear-by-Linear Association (p = 0.519), further support the conclusion that there is no statistically significant relationship between gender and the influence of EMI options on purchasing decisions for high-value items.

Inference:

The findings indicate that gender does not have a significant influence on the use of EMI options for high-value purchases. Both male and female consumers appear equally likely to utilize EMI facilities, suggesting that EMI usage is a broadly accepted financial tool across gender lines. The decision to opt for EMI may be more closely related to practical considerations such as financial capacity, product affordability, or marketing incentives, rather than gender-based preferences.

IV. MAJOR FINDINGS

- No significant relationship between age and EMI spending behaviour
  → The Kruskal-Wallis test indicated that age groups do not differ significantly in their use of EMI for purchases (p = 0.054).
- No significant association between income range and preference for low-interest EMI plans
  → The Chi-square test revealed that consumers across income levels show similar preferences for low-interest EMI schemes (p = 0.874).

- No significant influence of gender on the decision to use EMI for high-value purchases → The Chi-square analysis found that male and female consumers are equally likely to utilize EMI for high-value items ($p = 0.257$).
- EMI is widely accepted as a practical tool for purchasing high-value goods
→ Consumers perceive EMI as a method that enhances affordability and eases financial burden, regardless of demographic differences.

V. IMPLICATIONS

- Broad-based marketing strategies
→ Since EMI usage is not significantly influenced by age, income, or gender, businesses and financial institutions can market EMI options to a wide audience without demographic segmentation.
- Focus on affordability and transparency → Consumers prioritize low-interest and flexible repayment terms; clear communication of these features can increase EMI adoption.
- Enhance financial literacy programs → Although demographic factors are not decisive, factors like financial planning and awareness may still influence responsible EMI usage. Financial literacy campaigns can support informed decision-making.
- Opportunities for policy intervention → Policymakers should consider establishing clearer guidelines and consumer protections for EMI schemes to prevent misuse and over-indebtedness, especially in emerging markets.

VI. CONCLUSION

The findings of this study demonstrate that age, income range, and gender do not have a statistically significant impact on EMI spending behaviour. Despite initial assumptions, demographic variables do not appear to play a decisive role in influencing consumer decisions regarding the use of Equated Monthly Instalment (EMI) options. Instead, the results underscore the broad appeal and functional value of EMI schemes across diverse consumer segments, particularly for facilitating high-value purchases.

The universal preference for low-interest and flexible EMI plans suggests that affordability and ease of access are more influential than demographic traits in shaping consumer behaviour. This insight holds important implications for retailers and financial institutions: EMI offerings can be effectively promoted across a wide audience without the need for narrow demographic targeting, thereby maximizing outreach and impact.

Looking ahead, future research should consider integrating additional variables such as financial literacy, credit history, debt tolerance, and psychological attitudes toward borrowing, to develop a more comprehensive understanding of the motivations and constraints influencing EMI adoption. Such perspectives would provide richer insights for designing more responsible and consumer-aligned credit solutions.

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