## ABSTRACT

Absence of cash in hand is no longer a problem in consuming commodities at present. Consumers can resort to wide variety of credit or financing options such as credit cards, bank loans, salary loans, hire purchasing and etc. It is not rare to see consumers deviate from rationality when initiating decisions pertaining to consumer credit. Despite the financial literacy, individuals may tend to choose high cost consumer credit forms such as credit card as a mean of financing consumer goods and services. This study has investigated the determinants of consumer credit choice. The research finds that financial literacy and social comparison significantly influence the consumer credit choice. Further consumers with high financial literacy is less likely to choose high cost credit card relative to low cost bank loans. This behaviour advocates a rational behaviour thus it is in line with the rationality suggested in Expected Utility Theory. Moreover consumers with high social comparison are also found to choose low cost credit alternatives. The findings of the research does not support the hypotheses on the influence of locus of control and self-control towards credit choice. Even though the results suggest that individual who lack self-control or having external locus of control chooses high cost credit card as means of financing consumption, the relationship was not statistically significant. Further this study has investigated whether life events and income moderate the relationship between financial literacy and credit choice. Study finds that life events do not significantly moderate the relationship. However, the income of the individuals is found to be a significant moderator. Accordingly the income of reduces the negative relationship between the financial literacy and choice of credit card. This suggests that when individuals move to higher levels of income they are vulnerable choose high cost credit alternatives despite the financial literacy. This is a deviation from rationality which is advocated in prospect theory. Accordingly this research also support the prospect theory. Thus the research advocates that individuals take consumer financing decisions rationally but some situational factors lead them also to deviate from rationality. The findings imply the need of theories and models that count both rationality and irrationality in making decisions. The findings of the research also has important implications managers specially those who work in financial institutions. Moreover policy developers have a special role to inculcate programmes that addresses personal financing education to the existing educational curriculums since the research find that financially illiterate individuals tend to take sub optimal decisions to finance the consumption.

**Key words:** Consumer**,** Consumer credit, Consumer financing, Rationality, Choice, Expected utility, Prospect theory, Financial literacy, Personal factors, Situational factors