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BANK SERVICE TOWARDS CREDIT CARD

(With special reference to Chennai city)

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ABSTRACT

Banking in India has come a long way from the pre liberalisation days when it was a sellers' market to the post liberalization era, where it has become a buyers' market. Banking just as in the FMCG sector or the consumer durables goods sector has evolved into a marketing game. For decades, banks in India have been offering mass banking products, most common products being Savings Bank, Recurring Account, Fixed Deposits and lending products being Cash Credit, Overdraft facilities and Term Loans. An innovation in consumer banking is the introduction of 'Plastic Money' to facilitate electronic payment. One of the forms of plastic money is credit cards. A credit card is a plastic card with a magnetic strip on which the required vital information of identity like the name of the card holder, Account number, Credit limit, Date of validity, Issuing organization, specimen signature of the card holder etc. is enclosed. A credit card enables the holder to the cashless purchase of goods and services at selected places. Credit card can be called as an equivalent of a loan sanctioned by the bank to the customer. Credit card facilitates and makes it possible to 'use first and pay later'¹.

Key words: Banking, Banking services and Credit Card

¹ Norvilitis, J. M. & Santa Maria, Credit card debt on college campuses: causes, consequences, and solutions. *College Student Journal*, 36, 357-364.

1. INTRODUCTION

The stock market boom in the early 90s, the negative ramification on certain banks notwithstanding and the financial sector reforms brought about a drastic change in the way they structure their portfolios. As consumerism took root, banks opened their purses to aid customers upscale their lifestyle. Today the customer has a choice of products available to them; one such product is the cards provided for their customers².

Credit card scheme, an individual can get a credit card from a bank with a specified credit limit as determined by the bank based on his income, the bank in turn will enter into a contract with different shopping establishments all over the country, covering almost every aspect of human necessity, right from hotels and restaurants to departmental stores, petrol retail outlets, cloth shops, rail and air travel agencies and jewellery shops to sell goods on the basis of the credit card; the cardholders can buy goods from the affiliated member merchant establishments by producing his card and signing sales bills/charge-slips produced before him; the charge bills / sales bills, evidencing purchases made by the cardholders are transmitted by the shopping establishments to the banks which pays it, the cost of purchases by the cardholder directly after deducting in commission and the bank in due course, collects the amount from the cardholders; they have the option to settle the monthly statement in full or take credit and pay a specified minimum every month³.

2. STATEMENT OF THE PROBLEM

“The wide acceptability of credit cards the world over can be gauged by the growing interest demonstrated by various governments. Legislative laws are being enacted in a number of countries to protect the interest of the credit cards consumers.” The banking sector too plays a significant role in shaping the economy of a nation. The Indian banking sector too is contributing to the development of the nation by offering innovative payment mechanisms and thus bringing about a sea change in the life styles of the people. Traditional services are gradually paving the way for better and newer products and services. There is already a “debate to move into a chequeless and cashless society”. Dealing of money in the traditional way is undergoing a revolutionary change with ECS and ‘plastic money’ is the only way to transact on the internet. For purchases of higher values plastic money has displaced traditional currency notes in most of the metro

² Pinto, M. Parente, D. H., & Palmer, Credit card solicitation policies in higher education: Does “protecting our students make a difference? *Journal of College Student Development*,

³ Ausubel, L., *The failure of competition in the credit card market. American Economic Review*, 81(1), 50-81.

areas. People are using credit cards, debit cards, ATM cards and Merchant cards, so much so “the BEST bus services have launched Smartcards in Mumbai” that eliminate the need to pay the bus fare in coins and rupee notes⁴.

3. NEED OF THE STUDY

Today Indian consumers are using bank credit cards more than ever before. There are at least ten major banks that provide credit cards to their customers and there are a number of non-banking companies that operate their own credit card variations in India. As the number of credit cards users is on the rise it constitutes an important area of research for better understanding of consumers, this can also help bankers to formulate better marketing strategies. The modern banking sector is advancing at a tremendous speed and is trying to change the life styles of people all over the world, especially through this single product, namely the credit card, which is gaining universal acceptance. National and international credit cards have given a great boost to the tourism industry all over the world. No economy today can shut its eyes to the extensive use of credit cards⁵.

4. REVIEW OF LITERATURE

Zinman (2019) supplements this study by investigating how consumers' choices between credit and debit cards respond to the prices of payment instruments. Debit cards offer similar attributes to credit cards like acceptance, security, portability and time costs. The pecuniary cost of a marginal credit card charge is the key economic difference between debit and credit for many households. The data were taken from 1995-2004 Surveys of Consumer Finance which represents a cross-section of over 2000 US households. The estimate shows that credit card revolvers are at least 21% more likely to use debit cards than convenience users, conditional on a rich set of proxies for transaction demand and preferences. Moreover, other implicit prices on credit card payments lead to the more debit card use for credit card revolvers who are facing relatively high marginal cost on marginal credit card charges or binding credit limit constraint⁶.

Bernthal (2020) suggest that credit cards have the capacity to propel customers towards a lifestyle. The credit cards convey certain values and lifestyle patterns about the users. The study revealed that credit card use enable customers to attain desired lifestyle. An individual's controlled and uncontrolled use of credit card

⁴ Joo, S., Grable, J. E., & Bagwell, D. C., *Credit card attitudes and behaviors of college students*. *College Student Journal*

⁵ Steidle, R. E. P., *Determinants of bank and retail card revolvers: An application using the life-cycle income hypothesis*. *Consumer Interests Annual*, 40, 170-177.

⁶ Zinman (2019) supplements this study by investigating how consumers' choices between credit and debit cards respond to the prices of payment instruments, *Knight Ridder Tribune Business News*, 27 August, 1.

depends on “internationalizing of ideologies of entitlement and frugality”. The credit card use involves aspiring to become someone or adopting a certain lifestyle⁷.

5. OBJECTIVES OF THE STUDY

- To study the Awareness level of respondents towards credit card services provided by banks.
- To know the use of credit card for card holders in the study area.
- To understand the perception of respondents towards the satisfaction level of credit cards usage.
- To find out the opinion towards the problems faced by credit card holders.

6. RESEARCH METHODOLOGY

- ✓ Sample size - 250
- ✓ Respondents – Credit card holders
- ✓ Sampling Method - Stratified random sampling method
- ✓ Sample Plan - Interview schedule (Google form)
- ✓ Study area – Chennai city
- ✓ Data analysis - SPSS (IBM 25.0)

Table 1
Distribution on Sample Size

Sl.no	Category	MASTER	VISA	DINERS	MERCARD	CANCARD	Total
1	ICICI	10	10	10	10	10	50
2	AXIS	10	10	10	10	10	50
3	HDFC	10	10	10	10	10	50
4	Indian Bank	10	10	10	10	10	50
5	State Bank	10	10	10	10	10	50
Total		50	50	50	50	50	250

Source: Primary Data

7. LIMITATIONS OF THE STUDY

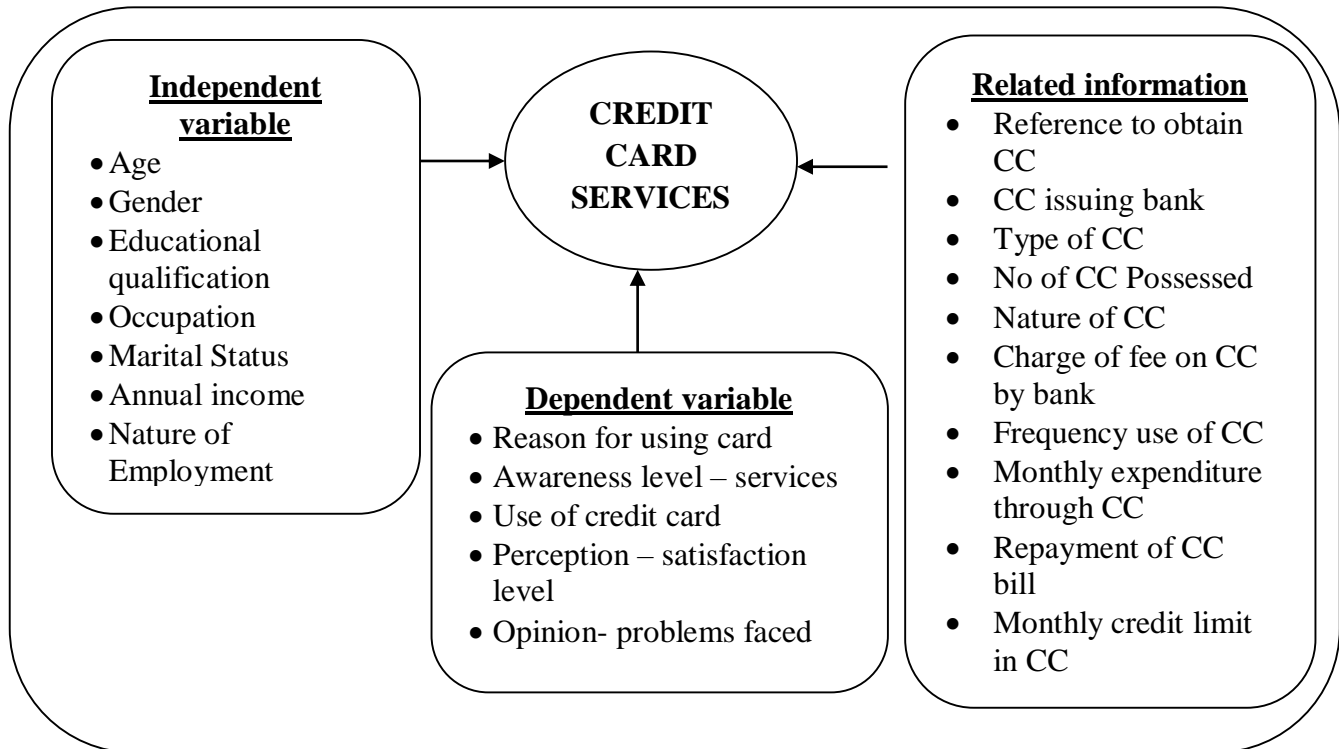
- ❖ The study is confined to the respondents of Chennai city only.
- ❖ Due to time constrain , the research period was limited so only 5 banks were taken for the study
- ❖ The primary data were collected through interview method which is subjected to recall bias.

8. FRAMED HYPOTHESIS

Ho: There is no significant relationship between the independent variables of respondents and dependent variables of respondents.

⁷ Bernthal (2020), An analysis of personal financial literacy among college students. *Financial Services Review*, 7(2), 107-128.

9. FRAMEWORK OF ANALYSIS



10. ANALYSIS OF DATA

Profile of respondents

Table 2
Distribution on demographic profile of the respondents (Majority)

Sl.no	Particulars	Majority	Number of respondents	Percentage
1.	Age	36-45 years	130	52
2.	Gender	Male	145	58
3.	Educational qualification	Postgraduate	120	48
4.	Occupation	Professionals Employees	75 75	30 30
5.	Marital status	Married	155	62
6.	Annual income	9L and above	123	49
7.	Nature of employment	Permanent	133	53

Source: Primary Data

ANALYSIS ON RELATED INFORMATION**Table 3****Distribution on Related information of the respondents (Majority)**

Sl.no	Particulars	Majority	Number of respondents	Percentage
1.	Reference to obtain CC	Bank employee/Agent	128	51
2.	CC issuing bank	ICICI AXIS HDFC Indian Bank State Bank	50 50 50 50 50	20 20 20 20 20
3.	Type of CC	MASTER VISA DINERS MERCARD CANCARD	50 50 50 50 50	20 20 20 20 20
4.	No of CC Possessed	2	160	64
5.	Nature of CC	Premium (Gold/Platinum)	123	49
6.	Charge of fee on CC by bank	Upto 900	150	60
7.	Frequency use of CC	It is varied in nature	146	59
8.	Monthly expenditure through CC	10000-30000	143	57
9.	Monthly credit limit in CC	Above 30000	158	63
10.	Repayment of CC bill	Entire balance	168	67

Source: Primary Data**ANALYSIS ON DEPENDENT DATA****Reason for using credit card****Table 4****Distribution on Use of credit cards**

Sl.no	Uses	Mean	SD	Rank
1.	To avoid carrying cash	4.40	1.19	IV
2.	To purchase more	1.89	1.79	I
3.	To pay later	1.94	1.55	II
4.	To avail the offers given in cards	2.18	1.19	V
5.	It is a status symbol	1.97	1.45	IV
6.	Easy shopping	1.94	1.55	II

Source: Computed Data

Table 5.a

Distribution on Awareness level of respondents towards the services provided by the Banks

Sl.no	Awareness Level	FA	A	NU	NA	FNA
Brands of Credit Cards						
1.	BoB Card	49	149	16	31	5
2.	Can Card	53	166	15	12	5
3.	HDFC Card	46	154	31	16	3
4.	ICICI Card	70	142	25	9	5
5.	SBI Card	38	126	31	43	12
Conditions, Charges And Services						
6.	Credit limit granted is based on income / financial status / repaying capacity	55	36	93	34	33
7.	Annual fee is to be paid	31	143	67	6	3
8.	Charges are imposed on services	44	114	40	35	16
9.	Cash withdrawal facility of allowed within a given limit	47	84	80	28	10
10.	Interest free credit period is Allowed	111	89	33	10	7
Benefits of Credit Cards						
11.	Credit card is convenient mode of Payment	18	101	61	37	34
12.	It reduces the risk of carrying cash	58	168	19	2	3
13.	It has wide acceptance	43	92	50	34	31
14.	Free accident insurance is there, for the cardholders	28	95	37	77	13
15.	ATM facility is available for cash Withdrawal	55	83	64	30	19

Source: Computed Data

Table 5.b
Distribution on Rank

Sl.no	5	4	3	2	1	Total	WAS	Rank
1.	244	598	49	62	5	957	64	VI
2.	266	663	44	24	5	1001	67	IV
3.	229	615	93	33	3	973	65	V
4.	348	568	75	18	5	1013	68	II
5.	192	503	93	86	12	886	59	VIII
6.	274	142	280	68	33	796	53	XIII
7.	155	574	200	12	3	944	63	VII
8.	222	456	120	71	16	884	59	VIII
9.	237	338	240	56	10	881	59	VIII
10.	555	355	98	21	7	1035	69	I
11.	89	402	182	74	34	781	52	XV
12.	289	674	58	3	3	1026	68	II
13.	215	367	151	68	31	831	55	XII
14.	141	379	111	154	13	798	53	XIII
15.	274	331	191	59	19	874	58	IX

Source: Computed Data

Table 6
Distribution on Use of credit cards

Sl.no	Uses	Mean	SD	Rank
1.	Bulk purchases	1.98	2.43	I
2.	Small purchases	4.81	1.45	IX
3.	Groceries	3.72	1.81	V
4.	Durable goods	2.54	2.20	II
5.	Clothing	3.45	1.88	IV
6.	Personal Belongings	4.33	1.73	VII
7.	Fuels	3.17	2.17	III
8.	Payment of utilities (Electricity, Phone, etc.)	4.88	1.20	X
9.	Valuables	3.93	1.76	VI
10.	Entertainments	4.99	0.62	XII
11.	Electronic Goods	4.51	1.62	VIII
12.	Travel and Food	4.88	1.20	X

Source: Computed Data

Table 7.a

Distribution on the perception statements related to your satisfaction level of using credit card

Sl.no	Perception	SA	A	NA	DA	SDA
1.	The credit card issued to me is visually appealing	128	88	29	3	2
2.	The card issued to me is modern looking	96	81	56	13	4
3.	Every time I need a service from bank, it is delivered correctly	68	100	44	30	8
4.	The staff of the bank is knowledgeable and Upto-date	77	94	43	21	15
5.	The staff of the bank is always willing to help	116	84	35	10	6
6.	Behavior of the bank staff is polite	60	85	75	23	7
7.	The staff gives individual attention to my needs	176	68	4	2	1
8.	The bank has operating hours convenient for me	118	103	16	9	5

Source: Computed Data

Table 7.b
Distribution on Rank

Sl.no	5	4	3	2	1	Total	WAS	Rank
1.	642	352	86	6	2	1088	73	II
2.	480	322	168	26	4	1000	67	V
3.	338	400	132	60	8	938	63	VI
4.	386	374	130	42	15	947	63	VI
5.	578	334	106	20	6	1044	70	IV
6.	302	338	226	46	7	919	61	VIII
7.	878	270	12	4	1	1165	78	I
8.	588	410	48	18	5	1069	71	III

Source: Computed Data

Table 8.a
Opinions of the Respondents about the Problems faced by Use of Credit Cards

Sl.no	Opinion (Problems)	SA	A	NA	DA	SDA
1.	Undue Completion among Banks	128	88	28	2	3
2.	Increase in Unnecessary Consumption	116	84	36	8	7
3.	Decline in Savings	68	100	44	30	9
4.	Conditions are not Transparent	77	94	44	21	15
5.	Interest Rate is too High	96	81	56	13	5
6.	Penal Charges are too High	60	85	75	23	6
7.	Unable to Control Consumption	175	68	4	2	1
8.	Minimum Purchase Level is Unnecessary	118	102	16	9	5
9.	Commission for Card Use in Unnecessary	111	89	33	11	6
10.	Credit Card Market is not Regulated	120	102	19	6	2

Source: Computed Data

Table 8.b
Distribution on Rank

Sl.no	5	4	3	2	1	Total	WAS	Rank
1.	642	351	85	5	3	1086	72	II
2.	578	335	107	16	7	1043	70	V
3.	338	400	133	59	9	938	63	VIII
4.	386	375	131	42	15	948	63	VIII
5.	479	323	167	26	5	1000	67	VII
6.	302	339	226	47	6	920	61	X
7.	877	270	11	3	1	1164	78	I
8.	588	409	47	19	5	1068	71	IV
9.	554	356	100	21	6	1037	69	VI
10.	602	409	56	13	2	1082	72	II

Source: Computed Data

TESTING OF HYPOTHESIS

Table 9
Distribution on Chi-square @ 5% and 1% level of significance

Dependent variables	Independent variables	Chi-square value	Result
Reason for using credit card	Age	12.62	Significant
	Gender	11.37	Significant
	Educational qualification	13.24	Significant
	Occupation	11.37	Significant
	Marital status	13.99	Significant
	Annual income	12.62	Significant
	Nature of employment	12.00	Significant

Source: Computed Data

Table 10
Distribution on (Rotated Factor Analysis)

Opinion/Perception	P-S:1	P-S:2	P-S:3	P-S:4	P-S:5	P-S:6	P-S:7	P-S:8	h ²
O-P:1	0.425	0.665	0.316	0.655	0.684	0.613	0.677	0.581	0.747
O-P:2	0.925	0.373	0.941	0.574	0.051	0.210	0.082	0.121	0.928
O-P:3	0.858	0.358	0.970	0.523	0.082	0.073	0.161	0.250	0.915
O-P:4	0.694	0.078	0.909	0.521	0.071	0.358	0.102	0.760	0.703
O-P:5	0.058	0.694	0.330	0.073	0.147	0.263	0.061	0.241	0.674
O-P:6	0.909	0.330	0.373	0.065	0.650	0.106	0.186	0.128	0.903
O-P:7	0.888	0.246	0.979	0.145	0.650	0.060	0.063	0.159	0.911
O-P:8	0.783	0.512	0.964	0.447	0.471	0.570	0.130	0.134	0.492
O-P:9	0.065	0.327	0.265	0.366	0.383	0.585	0.152	0.073	0.499
O-P:10	0.894	0.275	0.980	0.123	0.060	0.080	0.066	0.052	0.763
Eigen Value	4.073	2.147	3.263	4.160	3.548	3.648	2.003	2.108	
Percentage of variation	7.008	7.007	7.045	19.525	8.199	7.864	17.207	7.001	
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalisation, A Rotation converged in 12 iterations									

Source: Computed Data

11. FINDINGS OF THE STUDY

Profile of respondent: To study the profile of respondents the following questions was asked as follows Age, Gender, Educational qualification, Occupation, Marital status, Annual income and Nature of employment. It was found that under the category Age, 36-45 years showed the majority of 130 (52%) respondents, followed by under Gender Male 145(58%), Educational qualification Postgraduate 120(48%), Occupation Professionals and Employees 75 (30%) each, Marital status Married 155(62%), Annual income 9L and above 123 (49%) and Nature of employment Permanent 133 (53%).

Related information: To understand related information for the study a few questions were asked. It was identified that under the category Reference to obtain CC the respondents have answered majority towards Bank employee/Agent which is 128 (51%) of respondents, followed by CC issuing bank ICICI, AXIS, HDFC, Indian Bank and State Bank 50(20%) each, Type of CC MASTER, VISA, DINERS, MERCARD and CANCARD 50(20%) each,

No of CC Possessed 2160 (64%), Nature of CC Premium (Gold/Platinum) 123(49%), Charge of fee on CC by bank Upto 900 150(60%), Frequency use of CC It is varied in nature 146(59%), Monthly expenditure through CC 10000-30000 143(57%), Monthly credit limit in CC Above 30000 158(63%) and Repayment of CC bill Entire balance 168(67%).

Ranking

Weighted Average:

Awareness level – To understand the awareness level of respondents it was sub categorised as Brands of Credit Cards, Conditions, Charges and Services and Benefits of Credit Cards. It was found that Interest free credit period is allowed was ranked first followed by ICICI Card

It reduces the risk of carrying cash. Thus it can be concluded that respondents have a good awareness level on all aspect except the level changes.

Satisfaction level – To know the satisfaction level towards the perception of respondents on the services provided by the banks it was identified that The staff gives individual attention to my needs was ranked first followed by The credit card issued to me is visually appealing and The bank has operating hours convenient for me. Thus it is very clear that banks are providing a satisfied level of service to their credit card holders.

Opinion towards problems faced – To find out the problems faced by credit card holders it was found that Unable to Control Consumption was ranked first followed by Undue Completion among Banks, Credit Card Market is not Regulated and Minimum Purchase Level is Unnecessary. Thus it can be concluded that in spite of bank taking steps for credit card holders there are few problems and it was also found that these problems are just opinion.

Simple Ranking:

Reason for using credit card – Under this it was found that To purchase more was ranked first followed by Easy shopping and To pay later.

Use of credit cards – It was found that Bulk purchases was ranked first followed by Durable goods, Fuels and Clothing.

Testing of Hypothesis

Chi-square: The value of the chi-square statistics for independent variables and dependent variables is that the p value is less than the designated alpha level (0.05), therefore the null hypothesis is rejected and the alternative hypothesis accepted [H_a : There is significant relationship between independent variables and dependent variables] is accepted. It is concluded that there is a significant relationship between independent variables and dependent variables in the study area.

Factor Analysis: For depicting the correlation matrix between dependent variables, It is found that the highest absolute loading (h^2) is observed as 0.928 which is **O-P:2**, it is also found that the Eigen value showed highest value of 4.160 on **P-S:4** which means that this factor has stronger association with the variable compared to the other variables, it is also noted that there are only positive loading between the variables.

12. SUGGESTIONS and RECOMMENDATIONS

- The rate of interest levied normally range 2.5% to 5% or Rs.75 that can be reduced in order to increase the number of cardholders to the bank.
- It is suggested that Photo Card can be provided to the cardholders. Hence it can avoid many fraudulent activities and it would be helped in case of loss of Credit Cards.
- Many of the cardholders are attracted with the insurance coverage provided in the Credit Card. It is found that there exists delay in the insurance coverage payment to the cardholders. Therefore, this term may be proper consideration to avoid misattitude of the cardholders.
- The service centers are now a day increased in many areas to attract the customers. This is an appreciable one. Still, there are many cardholders who don't receive the service properly. This is to be noted for such the customers' satisfaction is the boon to the marketing.
- It is found that Additional Card introduced by the Banks in India attracted many customers. This is an appreciable one. Still, there are many cardholders who hesitate to get Additional Card due to the card fee, which is Rs.250 or Rs.500. To increase the number of cardholders to the bank the card fee to be reduced.
- In the study we found that most of the customers hold Credit Card for the withdrawal of cash. They do not use the card for the booking of railway ticket, this is due to the surcharge levied which runs to Rs.30 + 2.5%. So the Banks should try to reduce the charge.
- The credit period can be extended from 50 days and cash limit can also be extended from Rs.12, 000 which help the business people to utilize the Credit Card.

13. CONCLUSION

Credit Card has performed well to the needs of the people. At the time of introduction the people does not welcome it, because it is mostly used for particular activities only, but today it is boon to all the mankind. In India the entry of Credit Card is success due to the join hand of GE Capital and State Bank of India, no doubt but still Credit Card consciousness is lacking among many people. This is mainly due to the card fee and interest charges. So the immediate need is to take more effective measures so as to make Credit Card attractive. Such an attempt will enable Credit Card to achieve greater heights in banking sectors. Majority of the respondents hesitated to comment on the statement “Plastic money leads to debt trap”.⁸

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⁸ Boot John C.G. and Cox Edwin.B., *Statistical Analysis of Managerial decisions, Mcgraw Hill Publishing Co. Ltd.*