

**Executive Summary of Minor Research Project entitled
Problems and Assessment of Credit Card Users: A Conceptual Study**

Chapter 1 - Introduction to Banking Industry

Credit cards today have become the most preferred way of payments the world over. It has been indicated that the original purpose of a credit card is no longer in use...The increased usage of credit cards for routine, daily purchases has lead to abuse of over usage by consumers and abuse by credit card companies through differing interest rates, reducing credit limits and other hidden fees. In spite of rising gasoline prices, slump in housing industry, it seems that charge cards are more in demand than ever before. Nowadays, credit cards are preferred to both cash as well as cheques.

As the credit cards are finding their way in every purse and wallet the researcher wants to delve into the psyche of the credit card users and learn about the experiences of the card holders, his preference for credit cards, usage habits, satisfaction levels, awareness about the credit cards, the fears and doubts that surround him, their susceptibility to frauds and the remedies that are available to them. In short, how to get maximum benefits from their credit cards without incurring any losses. With regularity we get to hear of cases of frauds related to the usage of credit cards. Credit cards are pilfered, stolen, cloned and misused in a number of ways that leads to losses to the user as well as to the issuer.

Looking at the rampant use of credit cards amongst the educated class the researcher believes that the average user of cards needs to be educated about the different types of credit cards available. This study proposes to examine the experiences of the credit card users, the benefits that accrue to

them as well as the problems they face. The difficulties that they encounter in it's day to day usage. The precautions to be taken by the card users while using the credit cards. The remedies and the redressal that is available to them in case of loss or theft of their cards. It will provide insight to the commercial banks and the financial institutions about the expectations and the apprehensions of its credit card users.

Retail Banking is however quite broad in nature which refers to the dealing of commercial banks with individual customers both on liabilities and assets side of the balance sheet. Fixed Deposit, Current, Saving account on the liability side and mortgages, various types of loans, credit card on the assets side are most important products offered by banks. This concept is not new to bank but is now viewed as an important and attractive market segment that offer opportunities for growth and profits. In India, all the retail banking segments are expected to witness a tremendous growth owing to the low cost of borrowing, changing customer attitudes towards borrowing and optimism regarding economic growth. Retail banking has immense opportunities in a growing economy like India. As the growth story gets unfolded in India, retail banking is going to emerge as a major driver.

The banking sector has witness a quantum jump in the availability of technological solutions for delivery of financial services. Reserve Bank of India also launched several payment system products for improving the efficiency of the payment system. ATM and Credit Card facility are the elements of technological upgradation in banking sector.

Chapter 2 - Banking Facilities

Retail Banker provides many facilities to their customers. Now a days it is necessary to each and every bank to retain customer because number of banks introducing year by year providing better services. So that retail banking try to provide as much as better service, the technological help in this regard is definitely notable. In this modern age technology helping each and every sector, So that banking sector also benefited by the technology. The various banking facility with the help of technology provided to retaining the customers. Some important facilities discussed in this chapter such as ATM, Credit Card, Electronic Fixed Deposit, Demat and Online Trading Account and Mutual Fund.

A Banker is one who in the ordinary course of his business, honours cheque drawn upon him by persons from and for whom he receives money on current account .No person or body corporate or otherwise can be a banker. Bankers have nowadays, to deal with a large number of services. They serve in many ways ranging from that of acting as the custodians of stock share and valuables to that of getting involved in the import –export business of a country. The bankers also advance money on securities, and issue letters of credit, travelers cheques. Credit cards and circular notes to customers wishing to travel abroad, as also to affect purchases and shipment of goods. Banks are often required to countersign indemnities and guarantees given by their customers, and they undertake the administration of esstates, thus assuming the prostitution of trustees.

A credit card is a payment card issued to users as a system of payment. It allows the cardholder to pay for goods and services based on the holder's promise to pay for them. The issuer of the card creates a revolving account

and grants a line of credit to the consumer from which the user can borrow money for payment to a merchant or as a cash advance to the user. This is the age of plastic cards with the rapidly growing upwardly mobile middle class. Plastic money culture being drawn in India in this Age. Plastic money is perceived to protect the user from the risks of carrying cash and in certain cases vast amount of it. Since it is the exclusive property of the card holder it means that can be used only by him. The principle parties to a plastic money transaction are the card user, cardholder the designated merchant establishment, and the franchiser who brings several card issues under one roof like the Master Card International and Visa International.

The principle issuers of the card are the banks. There are a number of banks offering plastic money in the Indian market with city bank leading the pack followed by Bank of Baroda, SBI, HDFC Bank, Standard Chartered Bank etc. The card holders include both salaried individuals and business organizations. The eligibility criteria for individuals to acquire plastic money are predicted on the gross and net annual incomes.

Chapter 3 - Literature Review

Sonam et. al. (2002), explained the Effects of Credit on Spending Decisions: The Role of the Credit Limit and credibility. The researchers established that the credit limit impacted the propensity to spend, as the general perception was that those having higher credit limit had potential to higher future earning hence was willing to spend more and take advantage of then enhanced credit offer, whereas those with lower credit limits are cautious while spending.

Sougata Kerr & Lucia Dunn (2002), investigated whether search costs inhibit consumer search for lower credit card interest rates. The results provide evidence contrary to the existing hypothesis that a high likelihood of

rejection for large-balance consumers adversely impacts their search behavior. There is propensity to search and their probability of being denied credit simultaneously and find that large credit card balances induce cardholders to search more even though they face a higher probability of rejection.

The author concluded that credit card debt has been the fastest growing segment of the U.S. consumer loan market in the last two decades. One line of research in this area has focused on cardholder search behavior as a factor behind the phenomenon of high and downwardly sticky credit card interest rates. In recent years, however, the environment in this market has changed significantly, and many aspects of consumer behavior uncovered in earlier research are no longer in evidence.

Michael Staten and John Barron (2002), studied benchmark measures of prominent attributes of college student credit card usage by utilizing a pooled sample of credit card accounts randomly selected from the portfolios of five of the top 15 general-purpose credit card issuers in the U.S. Discussions of college student card usage in both the policy arena and the popular press have mostly been based on anecdotes and self-reported survey evidence. To our knowledge this project represents the first time account-level information has been pooled across major issuers to create a statistically reliable database for examining the actual usage and performance of credit cards marketed to college students. Consequently, the results should be helpful in grounding the subsequent debate on facts rather than anecdotes.

The study concluded that after utilize random samples of account-level data from a number of large credit card issuers to compare the activity and performance of student-marketed credit card accounts to other types of

accounts. All comparisons involve accounts that have been opened less than three years. The data indicate that, in general, student-marketed accounts have smaller balances, lower credit limits, and lower utilization rates than accounts of similar age that were opened by young adults.

Chakravorti (2003), studied the theory of Credit Card Networks: A Survey of the Literature. He discusses the benefits and costs that accrue to various parties involved in online transactions carried out using Credit cards, viz. credit card users, merchants, issuers, acquirers and the networks on which the credit cards are used. They also studied the economic models affecting the inter-related bilateral relationships and offered some guidelines to policy makers.

Bhatla et. al. (2003), discussed Understanding Credit Card Frauds. It describes the various ways in which a credit card holder may be a victim of fraud, the impact of frauds on the Credit cardholders, the merchants and the issuer banks. It also discusses in details the various fraud prevention technologies and suggests innovative methods to be adopted to make them smart cards to curb frauds.

Monika Mehrotra (2011), expressed that this age of plastic cards with the rapidly growing upwardly mobile middle class in India being drawn to the plastic money culture. Plastic money is perceived to protect the user from the risks of carrying cash and in certain cases vast amount of it. The author concluded that it is exclusive property of the cardholder it means that it can be used only by him.

Abha Singh (2012), discussed about Internet banking as it means any user with a personal computer and a browser can get connected to bank website to

perform any of the virtual banking functions. Also explained the credit card facility, advantages, operating usages and other related product. She further explained the traditional branch model of bank and ATM network. She provides deep insight into various dimensions of issues relating to banking segments.

Hari Shankar (2012), attempted to study the multi dimensional problems related to the marketing of banking services. Author excelled the face of competition, banking sector needs excellence in services that will help it to make itself competent enough. The forces of globalization, liberalization and the revolution in information technology have shattered many a myth hitherto held sacrosanct about to improvement in the banking sector.

Taking overall technological revolution and environment the author provided depth into various components like behavioural management, marketing segments, marketing information system, marketing planning and strategies, formulation of a sound marketing mix for the banking organisations, rationale behind the use of technologies in the Indian perspective, development of efficient and value based banking system.

Jawed Akhtar and Shabbir Alam (2011), provided that banking system is an important constituent of overall economic system. It plays a crucial role in the attainment of macro economic objectives. The author expressed that banking reforms is an important element of the overall economic reforms in the country. The study provided depth into the overall growth of the banking system in India such as Pre-nationalization period growth, post-nationalization period growth and liberalization period growth. The author discussed the changing scenario of Indian Banking system which is a witness of process of economic change.

Phylis Mansfield et. al. (2012), conducted research study in the area of consumer credit card abundance of literature in the business, psychology, and public policy fields. In the 1960s, the work revolved around descriptive characteristics and evolved as scholars probed deeper by investigating relationships between credit cards and psychological constructs, and the need for consumer policy. While the scope of credit card research has broadened, there is a need to pause and reflect on what we actually know about the phenomenon, given its proclivity in society.

The author identifies the empirical research conducted over the past four decades in order to provide insights and recommendations for additional research. A total of 537 refereed journal articles from 8 databases were reviewed and evaluate to credit cards. Emerging trends are identified and suggestions for future research are provided.

Chapter 4 - Research Methodology

Although the number of credit cards in circulation has fallen, the amount spent per swipe is on the rise. The average swipe in 2007– 08 was of Rs. 2540.90 which has increased to Rs. 2685.97 per transaction in the year 2009 –10. Therefore this study proposes to illuminate the problems, impact, experiences, benefits of credit card users and their assessment.

Objectives of the Study:

- ❖ To evaluate the problems of Credit card users.
- ❖ To assess the growth of Credit Card in India.
- ❖ To interact with Card users and have their review.
- ❖ To analyses on growing Banking Sector in India.
- ❖ To review the Problems and Assessment of Credit Card users.

❖ To define the benefits, facilities and accessibility of Credit Card.

Hypothesis of the Study:

H1: There is a strong association among various demographic factors like Education, Age and Income with the Awareness Level of the customers regarding Credit Card Usages.

H2: There is a strong association among various demographic factors like Education, Age and Income with the Agreement Level of the customers regarding Credit Card Benefits.

H3: Time Saving and Cost is highly significant in the development of Credit Card.

The study is restricted to analysis responses of 500 respondents from different concerns of Dhule District, operating Credit Card Facility. Convenience samples are drawn from Dhule District and its four Tehsils which is Dhule itself, Shinkheda, Shirpur and Sakri. Definition of convenience samples includes only dimension that is easy access to the sample units otherwise it was random selection of individuals from large number of respondents. The data will collect using a structured questionnaire. In addition to that thorough analysis was done for each filled-in questionnaire to see the consistency of data provided by respondent.

The geographical area to be covered in the research will be Dhule District in the State of Maharashtra, India. This area has been selected primarily due to drought conditions of the district and absence of major industrial growth. The researcher opinion that the development of banking facility helps to the growth of Dhule district.

Chapter 5 - Analysis of Survey

This topic throws light on the sample distribution and the research approach considered in this work. It also specifies analysis of problem under the study and presentation of data. Processing or organising means the collected data is edited and all efforts are made to increase the quality of data is organised as per requirement by classification and tabulation. This is a consideration process and the result is few tables as per requirement of methods of analysis. After processing to reveal some important characteristics, if required, the data is presented with the help of figures and graphs. Pictorial presentation creates easy, quick, everlasting and understanding impressions. The collected data has been tabulated in both the forms like Simple Tabulation with one variable and Cross Tabulation having two variables. The tabulated data has been analysed by using SPSS 17.0 consisting of the following statistical techniques.

Chapter 6 - Findings and Conclusion

The present research work is the study on the “Problems and Assessment of Credit Card Users: A Conceptual Study”. The analysed information has been summarized for the purpose of drawing valid conclusion. So in this chapter, I present, in brief basic findings of the study mentioned, major findings of the study above highlighted, an attempt has also been made to find out the overall result of the study.

In the modern global e-business environment, the banks in India provide the wide range of card services offered to their customers. With the advancement of technology, banking has become easier, fast, accurate, safe and also time saving. Technology gives more opportunity to the customers as well as the banker for their convenience of electronic banking but customer may or may not be aware of the latest technological Electronic banking products like credit card and its services.

Credit card also differs from a cash card, which can be used like currency by the owner of the card. Credit card differs from a charge card also in that a credit card typically involves a third-party entity that pays the seller and is reimbursed by the buyer, whereas a charge card simply defers payment by the buyer until a later date. Although advantages, disadvantages and facility from credit card has increased the use of Credit Card in India.

Chapter 7 - Recommendations and Suggestions

The investigation done on credit card users and their assessment regarding credit card usages since last five years which reflected positive attitude towards credit card. Therefore study provides following major recommendations on the basis of findings and conclusions of the research study.

- ❖ The ratio of credit card users and debit cards users is reducing trend, therefore retail bankers should give some attractive schemes on credit card and provides some extra benefits.
- ❖ The credit card users facing problem regarding connectivity and awareness, therefore it should be measure as for better development of credit card segments.
- ❖ The credit card users required limit facility as they demanded therefore retail bankers should concentrate in this matter and increased the limit as they demanded which effect the development of banking transactions using credit card.
- ❖ The education policy adopted the awareness among the customers for modern banking facilities and credit card.
- ❖ The government should motivate the customers for wide range of services of modern banking and credit card facility.

- ❖ Once the banking sector boom, it definitely affect the economy of the country, therefore it should be understand.

The overall assessment of customers regarding credit card resulted number of requirements and facilities improvements. Which has been reflected at this recommendation point therefore it should be considered as self learning material for the development of retail bankers regarding credit card improvement and other banking facilities.

The study provided an attempt into the depth of customers regarding credit card facilities. It should be motivated all over through advertise campaigning and schemes modification. The following suggestions may effects the overall results from credit card and shows the significant growth in this regards.

- ❖ The retail bankers should attract their saving account holders to gone through the benefits of credit card and join the schemes.
- ❖ It is suggested that attractive joining benefits should be provided to new customers.
- ❖ The benefits of credit card and application scheme should be modified for better understanding of customers.
- ❖ The productive advantages of credit card should be provided to the customers for lifelong connectivity.
- ❖ There is much more competition in retail bankers and credit card schemes. Therefore it is suggested that retaining customers is necessary for bankers. The appropriate modification should be done in this regards.
- ❖ It is suggested that online shopping discount, schemes should be attractive for new customers and retaining old customers.

Therefore it is clear from the study that there are so many suggestions arrived regarding credit card after proper assessment done on 500 customers of credit card of Dhule District. The results, recommendation and suggestions in this regards should be taken as self learning documents by the retail bankers for overall development of credit card facility.

