

## **CHAPTER VII**

### **ROLE OF MERCHANT ESTABLISHMENTS IN CREDIT CARD ACCEPTANCE AND BANKERS' APPROACH IN ISSUANCE OF CREDIT CARDS**

The credit card acceptance process includes three participants, namely-the cardholder, the merchant establishment and the banker. Chapters four, five and six have presented the cardholders profile, purchase and usage of the cards, the respondents' benefits, level of satisfaction and their problems. The role of merchant establishments in credit card acceptance and the bankers approach in the issuance of credit card is focused in this chapter in two sections. Section I deals with the merchant establishments' acceptance of credit card and section II deals with the role of bankers in the issue of credit cards.

Merchant Establishments are the business firms which act as the link between credit cardholders and credit card issuing banks. Banks issuing credit cards claim wide acceptance of their cards from thousands of Merchant Establishments, shops and restaurants displaying the Master Card logo or Visa card logo or Maestro logo.

Hence, there is a need to study the Merchant Establishments' nature of business, their level of acceptance, various reasons for accepting the credit card, relationship with the bankers and the problems faced. Among the merchant establishments, who accept credit cards 100 were selected at convenient random sampling, from ten business categories in Coimbatore such as textile business, medical stores, jewelers, restaurants, departmental stores, travel agencies, hotels, bookshops, hospitals and petrol bunks. Since 100 merchant establishments were taken for the study, the number of respondents and percentage will be the same. Hence, the tables shown are given in percentages in most of the places except where the numbers are needed.

#### **SECTION I**

Percentage Analysis, Chi-square Analysis and Kendall's co-efficient of concordance were performed to analyse the views of the Merchant Establishments in accepting credit cards.

## Percentage Analysis

Percentage Analysis is performed to analyse the area of operation, the year of establishment, nature of their business, the method of acceptance, commission paid to the bank, problems faced by the establishments, the relationship between sales volume with the transactions and the additional service rendered. The various reasons for acceptance have been ranked. The following observations are made based on the data collected from the merchant establishments.

## Profile of the Merchant Establishments

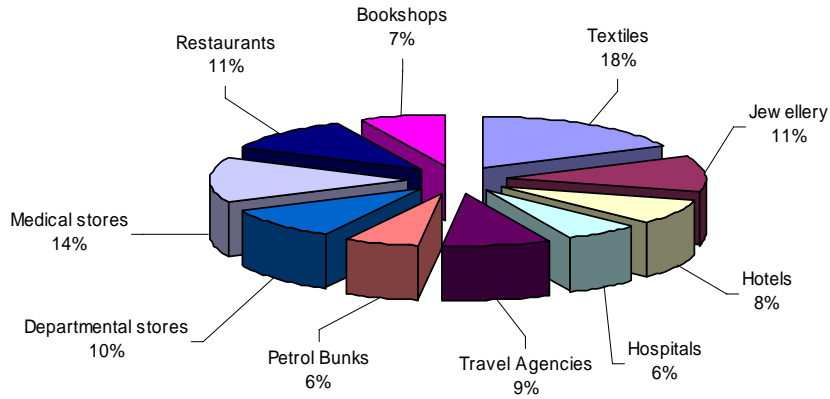
Table 7.1 shows the nature of business categories and the number of shops chosen.

**Table 7.1**  
**Profile of the Merchant Establishments**

| <b>Business Categories</b> | <b>Number of Establishments</b> |
|----------------------------|---------------------------------|
| Textiles                   | 18                              |
| Jewellery                  | 11                              |
| Hotels                     | 8                               |
| Hospitals                  | 6                               |
| Travel Agencies            | 9                               |
| Petrol Bunks               | 6                               |
| Departmental stores        | 10                              |
| Medical stores             | 14                              |
| Restaurants                | 11                              |
| Bookshops                  | 7                               |
| Total                      | 100                             |

In the sample taken for study, 18 percent of the establishments are textile shops, 14 percent of them are medical stores, 11 percent are jewellery shops and restaurants, 10 percent of them are departmental stores, 9 percent are travel agencies, 8 percent are hotels, 7 percent of them are bookshops and 6 percent comprises of hospitals and petrol bunks.

**Exhibit 7.1 Business category of Merchant establishments**



**Operation of the Merchant Establishments**

Table 7.2 describes the nature of operation of business by the establishments.

**Table 7.2**

**Operation of the Merchant Establishments**

| Details of the establishments               |                            | Number of establishments |
|---|----------------------------|--------------------------|
| Form of organisation                        | Joint stock company        | 7                        |
|   | Sole proprietorship        | 41                       |
|   | Family establishments      | 10                       |
|   | Partnership                | 42                       |
| Year of Establishment                       | 1975 or before             | 13                       |
|   | 1976-2000                  | 64                       |
|   | After 2000                 | 23                       |
| Area of operation                           | North                      | 36                       |
|   | South                      | 28                       |
|   | East                       | 21                       |
|   | West                       | 15                       |
| Regular mode of dealing with your customers | Dealing only in cash       | 3                        |
|   | Sales through credit cards | 1                        |
|   | Both the above             | 96                       |
| The appropriate customer's turnover per day | Less than 100              | 58                       |
|   | 101-200                    | 14                       |
|   | 201-300                    | 16                       |
|   | Above 300                  | 12                       |

Among the 100 merchant establishments taken for study, 42 percent of them are partnership firms, 41 percent are sole proprietorship, 10 percent are family establishments and only 7 percent are joint stock companies.

About 64 percent of the shops that accept credit cards were established between 1976 and 2000, 23 percent of them were established after 2000 and only 13 percent of them were established on or before 1975.

Establishments accepting credit cards are not equitably distributed. Thirty six percent of them are located in the North Zone of Coimbatore city because of the higher population. Location of the Railway Station and Bus stand is the main reason for the maximum acceptance in the North Zone. Twenty eight percent are located in the South Zone, 21 percent are located in the East Zone and the remaining 15 percent only in the West Zone of the city.

From the sample Merchant Establishments taken for study, 96 percent deal in both cash and in credit cards.

Fifty eight percent of the Merchant Establishments accept credit cards from less than 100 customers per day, 16 percent of them accept approximately from 201-300 customers per day, 14 percent of them transact with 101-200 customers per day and 12 percent deal with more than 300 customers per day.

### **Aspects considered for card Acceptance**

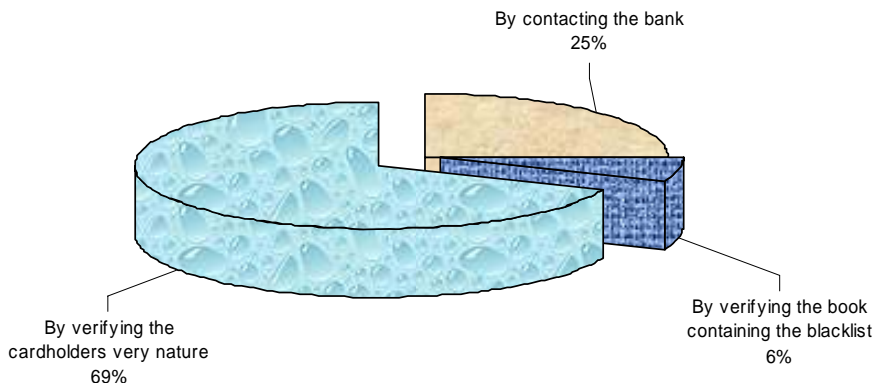
Table 7.3 shows the business profile of the merchant establishments, displaying of card acceptance in their establishments, types of cards accepted regularly, the approximate monthly turnover through credit cards and the method of assessing the customers have been discussed.

**Table 7.3****Aspects considered for card Acceptance**

| <b>Aspects considered for card Acceptance</b>                  |  | <b>Percentage</b> |
|--|--|-------------------|
| Display the credit card acceptance                             | Yes  | 84                |
|  | No   | 16                |
| Type of card* accepted   | Master card                                    | 84                |
|  | Visa card                                      | 96                |
|  | Diners card                                    | 31                |
| Approximate monthly turnover through credit cards              | Up to Rs 1 lakh                                | 41                |
|  | Rs 1 lakh-Rs 5 lakhs                           | 35                |
|  | Rs 5 lakh-Rs 10 lakhs                          | 10                |
|  | Above Rs 10 lakhs                              | 14                |
| Increased sales through the use of credit cards                | Yes  | 86                |
|  | No   | 14                |
| Approximate sales volume through credit cards                  | Up to 10%                                      | 55                |
|  | 11-20%   | 23                |
|  | 21-30%   | 11                |
|  | Above 30%                                      | 11                |
| The method used for assessing the genuineness of the customers | By contacting the bank                         | 25                |
|  | By verifying the book containing the blacklist | 6                 |
|  | By verifying the cardholders very nature       | 69                |

\* Multiple Response

## Exhibit 7.2 Methods of assessing the genuineness of the card holders



Out of the 100 establishments taken for study, the table illustrates that 84 percent of the Merchant establishments display the acceptance of credit cards in their shop, while 16 percent of them do not display the card acceptance. Merchant Establishments display the board for credit card acceptance in their shop to attract customers and to face stiff competition.

Ninety six percent of the Merchant Establishments accept Visa card, 84 percent accept Master card and only 31 percent accept Diners card. Multiple responses indicate the combination of acceptance of Master and Visa or Master and Diners or Visa and Diners.

About 41 percent of the Merchant Establishments have an approximate monthly turnover of one lakh rupees through credit cards, 35 percent have a turnover of Rs 5 lakhs, 10 percent make a turnover of Rs 10 lakhs and 14 percent of the Merchant establishments' monthly turnover is more than Rs 10 lakhs. About 41 percent of the Merchant Establishments monthly turnover is Rs 1 lakh depicting that the cardholders have increased the use of plastic money.

While 86 percent of them have stated that the sales have increased through the acceptance of credit cards, 14 percent of the merchant establishments stated that their sales have not increased through the acceptance of credit cards.

About 55 percent of them have more than 10 percent of their sales through credit cards, 23 percent are able to have 11%-20% sales through credit cards. Only those category falling under above 30% of the merchant establishments has 11% sales volume through credit cards.

Sixty nine percent of the merchant establishments assess the genuineness of the credit cardholders by verifying the credibility of the cardholders, 25 percent of them contact the banks and 6 percent of them verify the book containing the blacklist. Majority of the merchant establishments verify the nature of cardholders by looking at their reputation.

Thus, it is inferred that 84 percent of the merchant establishments display the acceptance of card in their shop, 86 percent of the Merchant establishments' sales has increased through the acceptance of credit cards with a monthly turnover of upto rupees one lakh and the customers are assessed based on the credit worthiness of the cardholders.

### **Credit Card Acceptance**

Table 7.4 explains Merchant Establishments views for credit card as a better mode of acceptance, patronization of any particular bank card and the reasons for such preference.

**Table 7.4**  
**Credit Card Acceptance**

| Details of The Card Acceptance                                 | Percentage          |    |
|--|---------------------|----|
| Credit cards as a better mode of payment                       | Yes                 | 73 |
|  | No                  | 27 |
| Merchant establishment patronize the card of a particular bank | Yes                 | 30 |
|  | No                  | 70 |
| If Yes, the name of the bank                                   | Citibank            | 20 |
|  | HDFC                | 16 |
|  | ICICI               | 37 |
|  | Other banks         | 27 |
| Reasons for accepting the same                                 | Prompt service      | 33 |
|  | Reputation          | 7  |
|  | Correct information | 10 |
|  | Good service        | 50 |

Out of 100 merchant establishments taken for study, 73 percent of them felt credit cards as a better mode of payment, whereas 27 percent of them do not feel credit cards as a better mode of acceptance. A greater proportion of the establishments accept credit cards as a better mode of acceptance.

Thirty percent of them patronize a particular bank's card, while 70 percent of them do not patronize a particular bank's card. Majority of them do not patronize any particular bank's card or do not discriminate between different bank cards.

Thirty seven percent of the merchant establishments out of 30 patronize only ICICI bank's card, 27 percent of them patronize other bank's card, 20 percent of them patronize Citi bank card and 16 percent of them patronize HDFC bank's card. Among the banks patronized by merchant establishments, ICICI hold majority share (37 percent). The category "others" will include Bank of India, Andhra Bank Card, Indian Overseas Card, ABN Amro card, Centurion Bank Card, Central Bank Card, HSBC card and Vijaya Bank Card which together constitutes only 27 percent.

Out of 30, 50 percent of the merchant establishments have stated that they patronize a particular bank's card due to good service provided by them, 33 percent of them for prompt services, 10 percent of them for giving correct information and 7 percent of them for good reputation. Most of the Merchant Establishments accept a particular bank's card for the good service rendered.

It is concluded that majority of them accept credit cards as a better mode of acceptance but they do not patronize any particular bank's card. Merchant Establishments patronize card acceptance of particular bank due to good and prompt service.

### **Motivation Given To Customers**

Table 7.5 describes the encouragement given by the merchant establishments to its customers and specification of purchase limit for credit card acceptance



**Table 7.5**

**Motivation Given To Customers**

| <b>Motivation Given To Customers</b>                              |              | <b>Percentage</b> |
|---|--------------|-------------------|
| Motivate customers to purchase using the credit cards             | Yes          | 68                |
|   | No           | 32                |
| Specifying the minimum limit for purchases to accept credit cards | Yes          | 59                |
|   | No           | 41                |
| If Yes, the minimum limit specified                               | Up to Rs 250 | 62.7              |
|   | Rs 251-500   | 23.7              |
|   | Above Rs 501 | 13.6              |

Out of the 100 merchant establishments taken for the study, Table 7.5 depicts that 68 percent of them encourage the customers to purchase using credit cards. About 59 percent of them have specified a minimum limit of purchases for accepting the credit cards. Out of 59 Merchant Establishments who motivate their customers to purchase using credit cards, 62.7 percent of them have specified Rs 250 as the minimum limit of purchases for accepting the credit cards, 23.7 percent have specified Rs 251-Rs 500 as the minimum limit and 13.6 percent have fixed more than Rs 50 as their minimum limit of purchases for accepting credit cards.

It is inferred that nearly 68 percent of the Merchant Establishments encourage use of credit card and impose condition of a minimum purchase of Rs 250 for using credit cards.

**Ranking the Reasons for Card Acceptance**

Table 7.6 describes the ranking of the reasons for accepting credit cards as a mode of payment. The most preferred reason was given as I rank, and the next preferred reason was given as II rank and the likewise. The least preferred reason was given IV rank. Increase in sales volume, to withstand competition, to participate in the modern form of acceptance and finally to satisfy the customers were the reasons considered for ranking. Kendall's coefficient was used to find out the mean rank.

**Table 7.6**

**Reasons for Card Acceptance as a Mode of Payment**

| <b>Reasons for Accepting Card as a Mode of Payment</b> | <b>Rank I</b>      | <b>Rank II</b> | <b>Rank III</b> | <b>Rank IV</b> | <b>Mean Rank</b> |
|--|--------------------|----------------|-----------------|----------------|------------------|
|  | <b>Percentages</b> |                |                 |                |                  |
| To increase the sales                                  | 28                 | 51             | 16              | 5              | 1.98             |
| To withstand competition                               | 2                  | 12             | 41              | 45             | 3.29             |
| As a modern form of acceptance                         | 6                  | 14             | 35              | 45             | 3.19             |
| To satisfy the customers                               | 64                 | 23             | 8               | 5              | 1.54             |
| <b>Kendall's W</b>                                     |                    |                |                 |                | 0.458            |

From the above table, it is clear that among the reasons stated by the respondents, 64 percent of them have ranked “to satisfy the customers” as first rank. “To increase the sales volume” have been ranked as second by 51 percent of the respondents. About 41 percent of the respondents have ranked “to withstand competition” as third and 45 percent of the respondents have ranked “to withstand competition” and “to participate in the modern form of money” as IV. The mean ranks were found out for each item. It is seen that the item “to satisfy customers” is given the highest rank (Mean rank 1.54) followed by “to increase the sales volume” (Mean rank 1.98). The least rank was given to “withstand competition” (3.29).

The Kendall's coefficient was found to be 0.458 and it suggests that the agreement among the respondents is moderate as the concordance value is around 0.5. Generally, the agreement will be considered to be moderate when the concordance value is between 0.5 and 0.75 and the agreement is good when the concordance value is above 0.75. Therefore, it is concluded that the merchant establishments accept credit cards to satisfy their customers.

## Collection of Service Charge

Table 7.7 describes the collection of service charge and the percentage of service charges

**Table 7.7**

### Collection of Service Charges

| Collection of Service Charges                   |              | Percentages |
|---|--------------|-------------|
| Collect Service Charge                          | Yes          | 31          |
|   | No           | 69          |
| If Yes, the percent of service charge           | Less than 5% | 96.8        |
|   | 5 to 10%     | 3.2         |
| Informed the customers about the service charge | Yes          | 35.5        |
|   | No           | 64.5        |

Among the 100 Merchant establishments taken for the study, table 7.7 shows that 69 percent of the Merchant establishments do not demand service charge for the purchases made by their customers, while 31 percent collect service charge.

Out of 31 percent of the Merchant establishments who collect service charges, 96.8 percent of the establishments charge less than 5% as service charge for the sales and 3.2 percent of them charge 5 to 10 percent. Nearly 64.5 percent establishments have not informed their customers about service charge, whereas only 35.5 percent of them have informed their customers about the services.

It is concluded that most of the merchant establishments do not collect service charge from their customers, 64.5 percent of them out of 31 merchant establishments, do not inform their customers about the service charges.

## Payment of Commission to the Bank

Table 7.8 describes the time taken by the banks to settle the claims of the merchant establishments and payment of commission by the Merchant Establishments to the banks.

It is clear from the table that out of 100 merchant establishments taken for study, 76 percent of them pay commission to the bank and 24 percent of them do not pay commission to the bank.

**Table 7.8**  
**Payment of Commission to the Bank**

| Payment of Commission                                  |               | Percentages |
|--|---------------|-------------|
| The Merchant Establishments pay commission to the bank | Yes           | 76          |
|  | No            | 24          |
| If Yes, the percentage                                 | 1-2%          | 71.1        |
|  | 2-2.5 %       | 23.6        |
|  | 2.5-3%        | 5.3         |
| Time taken by the bank to settle the claim             | Immediately   | 23          |
|  | 24 hours      | 55          |
|  | Within 3 days | 22          |

Among those who pay commission, 71.1 percent of them pay 1-2% commission, 23.6 percent of them pay 2-2.5% commission and 5.3 percent of them pay 2.5-3% commission to the bank.

Fifty five percent of them have stated that the banks take 24 hours time to settle the claim, 23 percent of them have stated that the banks settle their claim immediately and 22 percent of them have stated that the bank's settle the claim within 3 days.

It is inferred that majority of the banks settle the claims of the Merchant Establishments within 24 hours and the merchant establishments pay 1-2% commission which is very reasonable to earn a profit percentage and to develop their business.

**Exhibit 7.3. Time taken by the bank to settle the claim**



### **Problems Faced by the Merchant Establishments– Multiple Response**

Table 7.9 describes the various problems faced by the merchant establishments like delay in settlement by banks, high rate of commission to be paid, indifferent attitude shown by the bankers, difference of opinion in signature verification, lack of authorized agencies at local centers for collection, heavy deposit to be maintained, quality of the machine, problems with the system and no prompt delivery of the printing roll and cheque book.

**Table 7.9**  
**Problems– Multiple Response**

| <b>Problems Faced by the Merchant Establishments</b>        | <b>Number of Response</b> |
|---|---------------------------|
| Delay in settlement by the banks                            | 55                        |
| High rate of commission to be paid                          | 60                        |
| Indifferent attitude shown by the bankers                   | 58                        |
| Difference of opinion on signature verification             | 30                        |
| Lack of authorized agencies at local centers for collection | 25                        |
| Heavy deposit to be maintained                              | 40                        |
| Quality of the machine                                      | 32                        |
| Problems with the system                                    | 20                        |
| No prompt delivery of the printing roll                     | 14                        |

It is clear from Table 7.9 that out of the 100 Merchant Establishments, 60 have stated that they pay a high rate of commission and 58 have stated that they have an indifferent attitude shown by the bankers. About 55 of them have stated that there is a delay in the settlement by banks and 40 of them have stated that they have to maintain a balance with the bankers. Thirty of them have stated that there is difference of opinion on signature verification, 32 have stated that the quality of the machine is not good and cheque book is not issued and delivered on time. About 25 of them have stated that there is lack of authorized agencies at local centers for collection, 20 of them have problems with the system and 14 of them have stated that the printing roll is not properly delivered. .

It is inferred that the merchant establishments pay a high rate of commission to the bank and they face an indifferent attitude by the bankers.

The forthcoming analysis is based on the business categories of the Merchant Establishments.

### **The Most Commonly Accepted Credit Card and Patronizing of a Particular Credit Card**

Table 7.10 describes the types of business categories which accept the most common type of credit cards, namely -the Master & Visa and patronizing any particular bank card.

**Table 7.10**

### **The Most Commonly Accepted Credit Card and Patronizing of a Particular Credit Card**

| Business Categories | Most Commonly Accepted Credit Card |      |           |      |               |      | Patronizing a Particular Credit Card |      |     |      |
|---------------------|------------------------------------|------|-----------|------|---------------|------|--------------------------------------|------|-----|------|
|                     | Master card                        |      | Visa card |      | Master & Visa |      | Yes                                  |      | No  |      |
|                     | No.                                | %    | No.       | %    | No.           | %    | No.                                  | %    | No. | %    |
| Textiles shops      | 3                                  | 16.7 | 8         | 44.4 | 7             | 38.9 | 6                                    | 33.3 | 12  | 66.7 |
| Jewellery shops     | 3                                  | 27.3 | 6         | 54.5 | 2             | 18.2 | 6                                    | 54.5 | 5   | 45.5 |
| Hotels              | 1                                  | 12.5 | 6         | 75   | 1             | 12.5 | 3                                    | 37.5 | 5   | 62.5 |
| Hospitals           | 1                                  | 16.7 | 2         | 33.3 | 3             | 50   | 1                                    | 16.7 | 5   | 83.3 |
| Travel agencies     | 1                                  | 11.1 | 5         | 55.6 | 3             | 33.3 | 2                                    | 22.2 | 7   | 77.8 |
| Petrol bunks        | 1                                  | 16.7 | 3         | 50   | 2             | 33.3 | ---                                  | ---  | 6   | 100  |
| Departmental stores | 1                                  | 10   | 6         | 60   | 3             | 30   | 1                                    | 10   | 9   | 90   |
| Medical store       | ---                                | ---  | 7         | 50   | 7             | 50   | 3                                    | 21.4 | 11  | 78.6 |
| Restaurant          | 1                                  | 9.1  | 7         | 63.6 | 3             | 27.3 | 4                                    | 36.4 | 7   | 63.6 |
| Bookshops           | 1                                  | 14.3 | 2         | 28.6 | 4             | 57.1 | 4                                    | 57.1 | 3   | 42.9 |

Out of the 100 merchant establishments taken for study, it is clear from the above table, that Master cards are commonly accepted by petrol bunks, textile shops and hospitals at 16.7 percent. Only 9.1 percent of the restaurant accepts Master card. Seventy five percent of the hotels are accepting Visa card and followed by the acceptance in restaurants at 63.6 percent. About 28.6 percent of the book shops accept Visa cards as the common. About 57.1 percent of the bookshops accept both master and visa card, followed by the acceptance of hospitals and medical stores at 50 percent. Hotel has the lowest level of acceptance of credit cards.

About 57.1 percent of bookshops have patronized the credit card of a particular bank, followed by the Jewellery shop (54.5 percent) and the Hotels (37.5 percent). The petrol bunks (100 percent) and the departmental stores (90 percent) do not patronize the card of any particular bank.

It is concluded that most of the hotels accept Visa card and the petrol bunks and departmental stores do not patronize any particular card.

### **Including the Acceptance of Credit Cards While Advertising and the Increase in Sales**

Table 7.11 describes the increase in sales shown by different establishments due to the acceptance of credit cards.

**Table 7.11**

### **Including the Acceptance of Credit Cards While Advertising and the Increase in Sales**

| <b>Business Categories</b> | <b>Including the Acceptance of Credit Card While Advertising</b> |          |            |          | <b>The Increase in Sales</b> |          |            |          |
|----------------------------|--|----------|------------|----------|------------------------------|----------|------------|----------|
|                            | <b>Yes</b>   |          | <b>No</b>  |          | <b>Yes</b>                   |          | <b>No</b>  |          |
|                            | <b>No.</b>   | <b>%</b> | <b>No.</b> | <b>%</b> | <b>No.</b>                   | <b>%</b> | <b>No.</b> | <b>%</b> |
| Textiles shops             | 13   | 72.2     | 5          | 27.8     | 16                           | 88.9     | 2          | 11.1     |
| Jewellery shops            | 8  | 72.7     | 3          | 27.3     | 8                            | 72.7     | 3          | 27.3     |
| Hotels                     | 4  | 50       | 4          | 50       | 7                            | 87.5     | 1          | 12.5     |
| Hospitals                  | 2  | 33.3     | 4          | 66.7     | 5                            | 83.3     | 1          | 16.7     |
| Travel agencies            | 8  | 88.9     | 1          | 11.1     | 7                            | 77.8     | 2          | 22.2     |
| Petrol bunks               | 3  | 50       | 3          | 50       | 6                            | 100      | ---        | ---      |
| Departmental stores        | 6  | 60       | 4          | 40       | 10                           | 100      | ---        | ---      |
| Medical store              | 12   | 85.7     | 2          | 14.3     | 12                           | 85.7     | 2          | 14.3     |
| Restaurant                 | 9  | 81.8     | 2          | 18.2     | 10                           | 90.9     | 1          | 9.1      |
| Bookshops                  | 4  | 57.1     | 3          | 42.9     | 5                            | 71.4     | 2          | 28.6     |

The above Table reveals that out of 100 merchant establishments taken as sample, 88.9 percent of the travel agencies, 85.7 percent of the medical stores and 81.8 percent of the restaurants have included in their advertisements as “acceptance of credit cards”.

About 66.7 percent of the hospitals and 50 percent of the petrol bunks and hotels have not included the acceptance of credit cards while advertising.

In the sample taken for study, all the Petrol Bunks and Departmental Stores (100 percent) have increased their sales through the acceptance of credit cards, while 28.6 percent of the book shops have increased their sales through book shops, 27.3 percent of the Jewellery shops and 22.2 percent of the travel agencies have not increased the sales through the acceptance of credit cards.

It is concluded that majority of the travel agencies, medical stores and restaurants have included the acceptance of credit cards in their advertisements and majority of the petrol bunks and departmental stores have increased the sales through the acceptance of credit cards.

### **Card Acceptance and the Approximate Sales Volume through Credit Cards**

The table 7.12 depicts the acceptance of credit cards and the approximate sales volume through credit cards

**Table 7.12**

#### **Card Acceptance and the Approximate Sales Volume through Credit Cards**

| Business Categories | Acceptance of Credit Cards as a Better Mode |      |     |      | The Approximate Sales Volume Through Credit Cards |      |        |      |        |      |           |      |
|---------------------|---|------|-----|------|---|------|--------|------|--------|------|-----------|------|
|                     | Yes   |      | No  |      | Up to 10%   |      | 11-20% |      | 21-30% |      | Above 31% |      |
|                     | No.   | %    | No. | %    | No.   | %    | No.    | %    | No.    | %    | No.       | %    |
| Textiles shops      | 15  | 83.3 | 3   | 16.7 | 8   | 44.4 | 4      | 22.2 | 1      | 5.6  | 5         | 27.8 |
| Jewellery shops     | 7   | 63.6 | 4   | 36.4 | 9   | 81.8 | 1      | 9.1  | 1      | 9.1  | ---       | ---  |
| Hotels              | 4   | 50.0 | 4   | 50   | 4   | 50   | 2      | 25   | 1      | 12.5 | 1         | 12.5 |
| Hospitals           | 6   | 100  | --- | ---  | 4   | 66.7 | 2      | 33.3 | ---    | ---  | ---       | ---  |
| Travel agencies     | 8   | 88.9 | 1   | 11.1 | 3   | 33.3 | 2      | 22.2 | 2      | 22.2 | 2         | 22.2 |
| Petrol bunks        | 2   | 33.3 | 4   | 66.7 | 2   | 33.3 | 1      | 16.7 | 2      | 33.3 | 1         | 16.7 |
| Departmental stores | 9   | 90   | 1   | 10   | 5   | 50   | 4      | 40   | 1      | 10   | ---       | ---  |
| Medical store       | 7   | 50   | 7   | 50   | 11  | 78.6 | 2      | 14.3 | 1      | 7.1  | ---       | ---  |
| Restaurant          | 10  | 90.9 | 1   | 9.1  | 4   | 36.3 | 4      | 36.4 | 1      | 9.1  | 2         | 18.2 |
| Bookshops           | 5   | 71.4 | 2   | 28.6 | 5   | 71.4 | 1      | 14.3 | 1      | 14.3 | ---       | ---  |

In the sample taken for study, all the hospitals (100 percent) accept credit cards as a better mode of acceptance, restaurants (90.9 percent) and departmental stores (90 percent) have stated that credit cards as a better mode of acceptance, whereas 66.7 percent of the petrol bunks, 50 percent of the hotels and medical stores and 36.4 percent of the Jewellery shops feel that it is not a better mode of acceptance.



About 81.8 percent of the Jewellery shops have up to 10% sales through credit cards, 36.3 percent of the restaurants have 11-20% sales through credit cards, 33.3 percent of the petrol bunks have 21-30% sales and 27.8 percent of the textiles shops have more than 30 percent of the sales through credit cards.

Majority of the Merchant Establishments felt that a credit card is a better mode of acceptance and it has increased the sales up to 10 percent.

### **Motivating the Cardholders to Purchase through Credit Card and Fixing a Minimum Limit**

The table 7.13 describes the motivation given to the cardholders to purchase using credit cards by fixing the minimum limit.

**Table 7.13**

#### **Motivating the Cardholders to Purchase through Credit Card and Fixing a Minimum Limit**

| Business Categories | Motivating the Cardholders to Purchase Using Credit Cards |      |     |      | Fixing Minimum Limit for the Purchases to Accept Credit Cards |      |     |      |
|---------------------|---|------|-----|------|---|------|-----|------|
|                     | Yes   |      | No  |      | Yes   |      | No  |      |
|                     | No.   | %    | No. | %    | No.   | %    | No. | %    |
| Textiles shops      | 15  | 83.3 | 3   | 16.7 | 12  | 66.7 | 6   | 33.3 |
| Jewellery shops     | 8   | 72.7 | 3   | 27.3 | 5   | 45.5 | 6   | 54.5 |
| Hotels              | 5   | 62.5 | 3   | 37.5 | 4   | 50   | 4   | 50   |
| Hospitals           | 5   | 83.3 | 1   | 16.7 | 2   | 33.3 | 4   | 66.7 |
| Travel agencies     | 4   | 44.4 | 5   | 55.6 | 1   | 11.1 | 8   | 88.9 |
| Petrol bunks        | 4   | 66.7 | 2   | 33.3 | 4   | 66.7 | 2   | 33.3 |
| Departmental stores | 6   | 60   | 4   | 40   | 7   | 70   | 3   | 30   |
| Medical store       | 7   | 50   | 7   | 50   | 14  | 100  | --- | ---  |
| Restaurant          | 10  | 90.9 | 1   | 9.1  | 7   | 63.6 | 4   | 36.4 |
| Bookshops           | 4   | 57.1 | 3   | 42.9 | 3   | 42.9 | 4   | 57.1 |

It is clear from the table 7.13 that among the 100 merchant establishments taken for the study, 90.9 percent of the restaurants, 83.3 percent of the textiles shops and hospitals and 72.7 percent of the Jewellery shops encourage the customers to purchase using credit cards.

About 55.6 percent of the travel agencies, 50 percent of the medical stores and 42.9 percent of the book shops do not encourage the customers to purchase using credit cards.

In the sample taken for the study, all the medical stores, 70 percent of the departmental stores and 66.7 percent of the textiles and petrol bunks have fixed a minimum limit for the purchases made by the cardholders.

About 88.9 percent of the travel agencies, 57.1 percent of the bookshops and 54.5 percent of the Jewellery shops have stated that they do not fix any minimum limit for the purchases to accept the credit cards.

It is concluded that majority of the Merchant Establishments encourage their customers to purchase using credit cards and all the medical stores have fixed the minimum limit for their services to accept credit cards.

### **Collecting Service Charge and Informing the Cardholders**

Table 7.14 describes the collecting of service charge for the purchases made by the credit card holders and informing them about the service charges.

**Table 7.14**

### **Collecting Service Charge for the Purchases and Informing the Cardholders About Service Charges**

| Business Categories | Collecting Service Charge for the Purchase |      |     |      | Informing the Cardholders About the Service Charges |      |     |      |
|---------------------|--|------|-----|------|---|------|-----|------|
|                     | Yes  |      | No  |      | Yes   |      | No  |      |
|                     | No.  | %    | No. | %    | No.   | %    | No. | %    |
| Textiles shops      | 1  | 5.6  | 17  | 94.4 | 2   | 11.1 | 16  | 88.9 |
| Jewellery shops     | 5  | 45.5 | 6   | 54.5 | 6   | 54.5 | 5   | 45.5 |
| Hotels              | 1  | 12.5 | 7   | 87.5 | 4   | 50   | 4   | 50   |
| Hospitals           | 3  | 50   | 3   | 50   | 4   | 66.7 | 2   | 33.3 |
| Travel agencies     | 5  | 55.6 | 4   | 44.4 | 6   | 66.7 | 3   | 33.3 |
| Petrol bunks        | ---  | ---  | 6   | 100  | ---   | ---  | 6   | 100  |
| Departmental stores | 3  | 30   | 7   | 70   | 4   | 40   | 6   | 60   |
| Medical store       | 6  | 42.9 | 8   | 57.1 | 1   | 7.1  | 13  | 92.9 |
| Restaurant          | 5  | 45.5 | 6   | 54.5 | 7   | 63.6 | 4   | 36.4 |
| Bookshops           | 2  | 28.6 | 5   | 71.4 | 3   | 42.9 | 4   | 57.1 |

Among the 100 merchant establishments taken for the study, the above table reveals that 55.6 percent of the travel agencies, 50 percent of the hospitals and 45.5 percent of the Jewellery shops and restaurants collect service charges for the purchases made by the cardholders.

In the sample taken for study, all the petrol bunks (100 percent), 94.4 percent of the textiles and 87.5 percent of the hotels have stated that they do not collect service charge for their sales through the acceptance of credit cards.

About 66.7 percent of the hospitals and travel agencies, 63.6 percent of the restaurants and 54.5 percent of the Jewellery shops have all informed their customers about the service charges.

In the sample taken for study, the petrol bunks (100 percent), 92.9 percent of the medical stores and 88.9 percent of the textile shops have not informed the customers about the service charges.

It is concluded that the Merchant Establishments do not collect service charge for the purchases made by the cardholders. Among those who collect service charge, medical stores have not informed their customers about the service charges.

### Commission Paid to the Bank

The table 7.15 describes the rate of commission paid to the bank

**Table 7.15**  
**Commission Paid to the Bank**

| Business Categories | Payment of Commission to the Bank |      |     |      | Rate of Commission Paid to the Banks |      |        |      |        |      |
|---------------------|-----------------------------------|------|-----|------|--------------------------------------|------|--------|------|--------|------|
|                     | Yes                               |      | No  |      | 1-2%                                 |      | 2-2.5% |      | 2.5-3% |      |
|                     | No.                               | %    | No. | %    | No.                                  | %    | No.    | %    | No.    | %    |
| Textiles shops      | 13                                | 72.2 | 5   | 27.8 | 10                                   | 76.9 | 2      | 15.4 | 1      | 7.7  |
| Jewellery shops     | 9                                 | 81.8 | 2   | 18.2 | 6                                    | 66.7 | 2      | 22.2 | 1      | 11.1 |
| Hotels              | 6                                 | 75   | 2   | 25   | 3                                    | 50   | 3      | 50   | --     | ---  |
| Hospitals           | 5                                 | 83.3 | 1   | 16.7 | 5                                    | 100  | ---    | ---  | ---    | ---  |
| Travel agencies     | 8                                 | 88.9 | 1   | 11.1 | 5                                    | 62.5 | 2      | 25   | 1      | 12.5 |
| Petrol bunks        | 1                                 | 16.7 | 5   | 83.3 | ---                                  | ---  | 1      | 100  | ---    | ---  |
| Departmental stores | 8                                 | 80   | 2   | 20   | 6                                    | 75   | 1      | 12.5 | 1      | 12.5 |
| Medical store       | 14                                | 100  | --  | ---  | 12                                   | 85.7 | 2      | 14.3 | ---    | ---  |
| Restaurant          | 7                                 | 63.6 | 4   | 36.4 | 4                                    | 85.7 | 3      | 14.  | ---    | ---  |
| Bookshops           | 5                                 | 71.4 | 2   | 28.6 | 3                                    | 60   | 2      | 40   |        | ---  |

The above Table reveals that out of the 100 establishments taken for the study 88.9 percent of the travel agencies, 83.3 percent of the hospitals and 81.8 percent of the Jewelers shops pay commission to the bank, whereas 83.3 percent of the petrol bunks, 36.4 percent of the restaurants and 28.6 percent of the bookshops have stated that they do not pay commission to the bank.

Among the hospitals taken for the study, all of them are paying 1-2% commission to the banks, petrol bunks are paying 2-2.5% commission to the bank (100 percent) and 12.5 percent of the travel agencies and departmental stores pay 2.5% – 3% commission to the bank.

It is concluded that the medical stores (100 percent) and travel agencies (88.9 percent) pay 1-2.5% commission to the bank.

**Display of the acceptance of credit cards in the shops & Expectations of Any Additional Services From the Banker**

The table 7.16 describes the business categories and the display of the acceptance of credit cards and the expectations of any additional services from the banker.

**Table 7.16**  
**Display of the acceptance of credit cards in the shops & Expectations of Any Additional Services From the Banker**

| Business Categories | Display of the acceptance of credit card in the shop |      |          |       | Expectations of Any Additional Services from the Banker |      |          |      |
|---------------------|--|------|----------|-------|---|------|----------|------|
|                     | Yes  |      | No       |       | Yes   |      | No       |      |
|                     | Response   | %    | Response | %     | Response  | %    | Response | %    |
| Textiles shops      | 18   | 100  | ----     | ---   | 8   | 44.4 | 10       | 55.6 |
| Jewellery shops     | 11   | 100  | ----     | ---   | 6   | 54.5 | 5        | 45.5 |
| Hotels              | 7  | 87.5 | 1        | 12.5  | 3   | 37.5 | 5        | 62.5 |
| Hospitals           | 3  | 50   | 3        | 50    | 2   | 33.3 | 4        | 66.7 |
| Travel agencies     | 3  | 33.3 | 6        | 66.7  | 4   | 44.4 | 5        | 55.6 |
| Petrol bunks        | 6  | 100  | ---      | ---   | 4   | 66.7 | 2        | 33.3 |
| Departmental stores | 8  | 80   | 2        | 20    | 3   | 30   | 7        | 70   |
| Medical store       | 14   | 100  | ---      | ----- | 6   | 42.9 | 8        | 57.1 |
| Restaurant          | 8  | 72.7 | 3        | 27.3  | 5   | 45.5 | 6        | 54.5 |
| Bookshops           | 6  | 85.7 | 1        | 14.3  | 3   | 42.9 | 4        | 57.1 |

The table 7.16 reveals that in the sample taken for study, all the textiles shops, jewellery, petrol bunks and medical stores have displayed the acceptance of credit cards in their shops. About 66.7 percent of the travel agencies, 50 percent of the hospitals and 12.5 percent of the hotels have not displayed the acceptance of credit card payments in their shops.

It is seen that all the textile showroom, jewellery shops and petrol bunks display the acceptance of credit card payments in the shop.

It is evident from the above table that petrol bunks (66.7 percent), Jewellery (54.5 percent) and restaurants (45.5 percent) expect additional services from the bankers, while the departmental stores (70 percent), hospitals (66.7 percent) and hotels (62.5 percent) do not expect any additional services from the bankers.

It may be derived that majority of the merchant establishments do not expect any additional service from the bankers.

### **Chi-square Analysis**

The Chi square test is employed to test the relationship of one factor over the other. In order to employ chi square test, the factors are classified under two groups. One group comprising of nature of business categories and the other group comprising of study factors. Each of the factors in group one, is compared with the factors of the study group in order to test the relationship of one factor over other.

The study factors considered are

- Mode of acceptance
- Patronizing of a particular card
- Including the acceptance of credit cards while Advertising
- Increase in sales
- Acceptance of credit cards as a better mode
- The appropriate sales volume through credit cards.
- Encouraging the cardholders to purchase using credit cards.

- Fixing minimum limit for the purchases to accept credit cards
- Collecting service charge for the purchases made by the credit cardholders
- Informing the cardholders about service charges
- Payment of commission to the bank
- Rate of commission paid to the banks
- Expectation of any additional services from the banker
- Display of the acceptance of credit cards in the shops

Table 7.17 shows the relationship between the nature of business and the Merchant Establishments' response in the acceptance of credit cards.

**Table 7.17**  
**Chi-square Results Showing Relationship Between Nature of Business Categories and the Merchant Establishments' response**

| S.No | Merchant Establishments' Response  | Business Categories |             |              |
|------|--|---------------------|-------------|--------------|
|      |  | Chi-square          | Table value | Significance |
| 1    | Widely accepted  | 11.362              | 28.869      | NS           |
| 2    | Patronizing of a particular card   | 11.866              | 16.919      | NS           |
| 3    | Including acceptance of credit card while Advertising                      | 11.267              | 16.919      | NS           |
| 4    | Increase in sales  | 6.350               | 16.919      | NS           |
| 5    | Acceptance of credit cards as a better mode                                | 18.796              | 16.919      | *            |
| 6    | The appropriate sales volume through credit cards                          | 26.776              | 40.113      | NS           |
| 7    | Encouraging the cardholders to purchase using credit cards                 | 10.528              | 16.919      | NS           |
| 8    | Fixing minimum limit for the purchases to accept credit cards              | 22.933              | 21.666      | **           |
| 9    | Collecting service charge for the purchases made by the credit cardholders | 16.067              | 16.919      | NS           |
| 10   | Informing the cardholders about the service charges                        | 25.239              | 21.666      | **           |
| 11   | Payment of commission to the bank  | 18.437              | 16.919      | *            |
| 12   | Rate of commission paid to the banks                                       | 15.267              | 28.869      | NS           |
| 13   | Expectation of any additional service from the banker                      | 2.980               | 16.919      | NS           |
| 14   | Display of the acceptance of credit cards in the shops                     | 32.932              | 21.666      | **           |

\*\* 1% level

\* 5% level

NS- Not Significant

Table 7.17 gives the results of the chi-square test, table value and significance. These results are discussed below with suitable hypothesis.

**Hypothesis :** The Nature of Business Categories have no significant relationship with the above mentioned study factors.

The table no 7.17 indicates that the nature of business categories have a significant relationship at 5% level with acceptance of credit cards as a better mode and fixing minimum limit for the purchases to accept credit cards at 1% level. It also indicates that the nature of business categories have a significant relationship at 1% level with informing the customers about the service charges. It is further revealed that the nature of business categories have a significant relationship at 5% with payment of commission to the bank and at 1% with the display of the acceptance of credit cards in the shop. Hence, the hypothesis is rejected.

There is no significant relationship between the nature of business categories and the wide acceptance of credit cards, patronizing a particular banks card, including acceptance of credit cards while advertising, the increase in sales due to the acceptance of credit cards, the appropriate volume of sales through credit cards, encouraging the cardholders to purchase using credit cards, collecting service charge for the purchase made by the credit card holders, rate of commission paid to the banks, and the expectation of any additional services from the banker. Hence the hypothesis is accepted.

#### **Collect Service Charge from the Customers and Payment of Commission to the Bank**

The table 7.18 describes the acceptance of service charge for the purchases made by the cardholders and payment of commission to the bank. The commission may vary from 1 percent to 3 percent.

**Table 7.18**

#### **Collect Service Charge from the Customers and Payment of Commission to the Bank**

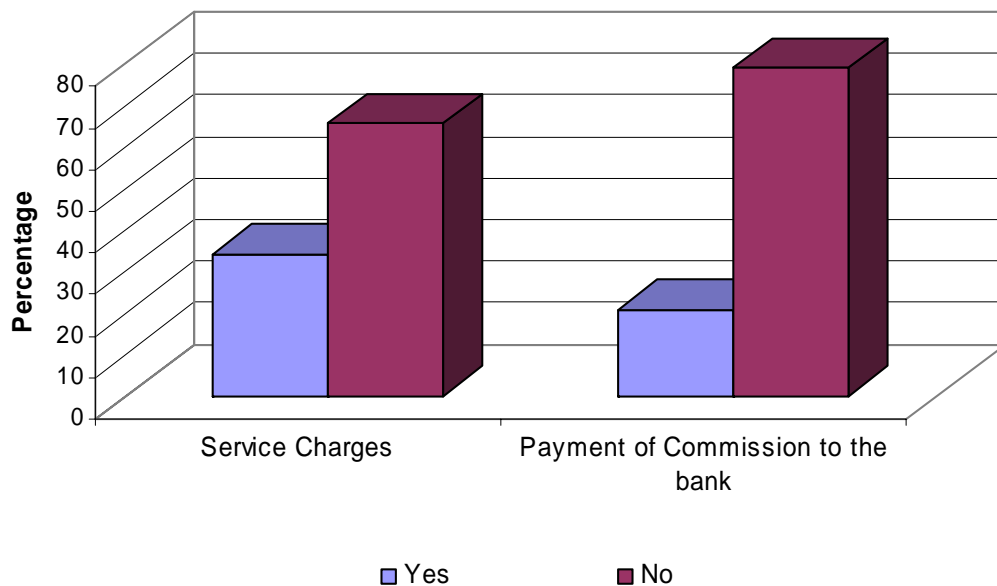
| Collect Service Charge for the Purchases | Payment of Commission to the Bank |      |                 |      | If Yes, the Percentage of Commission |      |                 |      |                 |      |
|--|-----------------------------------|------|-----------------|------|--------------------------------------|------|-----------------|------|-----------------|------|
|  | Yes                               |      | No              |      | 1-2%                                 |      | 2-2.5%          |      | 2.5-3%          |      |
|  | No. Of Response                   | %    | No. Of Response | %    | No. Of Response                      | %    | No. Of Response | %    | No. Of Response | %    |
| Yes                                      | 26                                | 34.2 | 5               | 20.8 | 18                                   | 33.3 | 6               | 33.3 | 2               | 50.0 |
| No                                       | 50                                | 65.8 | 19              | 79.2 | 36                                   | 66.7 | 12              | 66.7 | 2               | 50.0 |

It is clear from the above Table that 34.2 percent of the merchant establishments collect service charge from their customers and they also pay commission to the bank, 65.8 percent of them pay commission to the bank but they do not collect service charge from the customers. About 79.2 percent of them neither pay commission nor collect service charge, while 20.8 percent of them do not pay commission to the bank but they collect service charge from their customers.

It is concluded that most of them do not pay either commission or collect service charge. 33.3 percent of them pay 1-2.5% commission and collect service charge, while 66.7 percent of them do not pay either commission nor collect service charge. About 50 percent of them pay 2.5%-3% commission and collect service charge from their customers while another 50 percent of them pay commission but do not collect service charge.

It is inferred that 79.2 percent of the merchant establishments neither collect service charge nor pay commission to the bank.

**Exhibit 7.4 Collection of service charge and Payment of Commission to the bank**





**Collecting Service Charge for the Sales and the Percentage of Appropriate Increase in Sales Volume Through Credit Cards**

The table 7.19 describes collecting of service charge for the sales and the percentage of increase in sales volume through credit cards.

**Table 7.19**

**Collecting Service Charge for the Sales and the Percentage of Appropriate Increase in sales Volume Through Credit Cards**

| Collecting Service Charge for the Sales | Appropriate Increase in Sales Volume Through Credit Cards |      |                |      |                |     |                |      |
|---|---|------|----------------|------|----------------|-----|----------------|------|
|   | Below 10%   |      | 11-20%         |      | 21-30%         |     | above 30%      |      |
|   | No of response  | %    | No of response | %    | No of response | %   | No of response | %    |
| Yes                                     | 22  | 71   | 7              | 22.5 | 2              | 6.5 | ---            | ---  |
| No                                      | 33  | 47.7 | 16             | 23.5 | 9              | 13  | 11             | 15.8 |

It is clear from the Table 7.19 that 71 percent of the merchant establishments have less than 10 percent of their sales through credit cards and they also collect service charge, whereas 47.8 percent of them do not collect service charge for the sales. About 22.5 percent of them have 11-20 percent sales through credit cards and collect service charge but 23.5 percent of them do not collect service charge but they have 11-20 percent increase in sales. Six point five percent of them have 21-30 percent sales through credit cards and they collect service charge for the sales, while 13 percent of them do not collect service charge even though they have 21-30 percent sales through credit cards. About 15.8 percent of them have more than 30 percent sales but they do not collect service charge for the sales.

It is inferred that 47.7 percent of the respondents have less than 10 percent of their sales through credit cards and they are collecting service charge.

## Chi-square Analysis

Table 7.20 shows the relationship between the sales volume and the percentage of commission.

**Table 7.20**

**Chi-square results showing the Relationship between Service charges collected and the percentage of commission to the bank and the Sales**

| <b>Service charges with other variables</b>       | <b>Chi-square value</b> | <b>Table value</b> | <b>Sig</b> |
|---|-------------------------|--------------------|------------|
| Payment of Commission                             | .965                    | 5.991              | NS         |
| The Percentage Of Commission Paid To The Bank     | .468                    | 5.991              | NS         |
| The Appropriate Sales Volume Through Credit Cards | 7.873                   | 7.815              | *          |

\*5% level of significance

NS-Not Significant

**Hypothesis:** There is no significant relationship between the service charges collected from their customers and

- i) payment of commission to the bank.
- ii) the percentage of commission paid to the bank.
- iii) the appropriate sales volume through credit cards.

From the table 7.20, it could be seen that there is significant relationship between the service charges collected from their customers and the appropriate sales volume through credit cards. Hence, the hypothesis is rejected.

There is no significant relationship between the service charges collected and payment of commission and percentage of commission paid to the bank. Hence, the hypothesis is accepted.

## **SECTION II**

### **This section deals with the opinion of the bankers regarding the credit card Issue**

The issuing banks have tie-up with a number of establishments viz., hotels, hospitals, shops, and departmental stores which will honor the credit cards. Usually, the facility of credit card is available to those customers who have a regular monthly income, credit worthiness etc., The issuing bank first judges the income of the intending customer.

Banks income from credit cards can be divided mainly into four components, namely- annual fee, revolving fee, interchange fee, and other fees. The area of revolving facilities is expected to increase due to decrease in the interest rate charged.

The business men and merchants who transact high volume of business through credit cards have already been acquired by the existing players. New banks, breaking into this business and convincing a merchant to accept their cards is not easy. Now, the number of patronizing merchants is increasing because the banks are shifting towards lower end merchants. The foreign banks have a dominant share due to various reasons like having been in the field for decades, sound operational and financial strength and strong brand recognition. They are catering to the upper segments and charge high annual fees. Later, with the aggressive entry of SBI, ICICI bank and HDFC bank, the rules of the game changed. The cards are positioned in a manner which gave an impression that the cards can be acquired by people not only from the upper class, but also from the middle income categories.

Though credit cards are a low – margin, high-volume business, most of the banks have ventured into the segment especially in the backdrop of success achieved by international banks in credit card business. In terms of collaborating with the merchants providing ATM's and up dating the technology, in the venture into credit card business, the banks succeed only when higher volumes of cards are issued.

Every bank is trying to gain a market share with aggressive promotional activities and additional value-added services. Though some banks offer international levels of service and credit support to the card-holders to make an impression in the market, due to lack of awareness and low-key advertising, they are not successful. Realizing the mistakes done by others, banks are not leaving any stone unturned to compete in the market.

Banks are trying to lure the customers with a number of innovative schemes. Today, cards come with a special tag attached to it, perhaps a discount on joining fees or sometimes without any joining fees and discounts in annual fees. In some instances, card issuers are offering structured reward programs, probes, affinity and co-branded cards and more leading card issuers like Citi Bank, Standard Chartered, HSBC and Amex all have some rewards or promo-offers. The underlying intention in the promotional activities is improving card – spends on and the contribution of this business to the bank’s bottom lines. In order to improve the volumes, banks are also encouraging the concept of multiple cards among the cardholders

To ensure the prompt repayment commitments, some banks offer mobile and e-mail alerts that will keep informed about the outstanding balance after every transaction. Thus, the opinion of the bankers are analysed to find out the relationship of the occupation of the respondents and purchase of credit cards. Relationship between the reasons considered while issuing the credit card and the income levels, frequent users of the credit cardholders and ranking of the various facilities have also been analysed. Information regarding the time taken for processing, sending reminders for the defaulters, the problems faced and the basis of selection of the merchant establishments has also been analysed.

The views of the bankers were collected from 20 banks issuing credit cards in Coimbatore city and analysed using Percentage analysis, Cochran’s Q test and Ranking the facilities and problems by Kendall’s W test.

### **Occupation of the Cardholders-Multiple Response**

The table 7.21 (a) describes the types of occupation of the cardholders who were issued credit cards by the selected banks.

**Table 7.21 (a)**  
**Occupation of the Cardholders -Multiple Response**

| <b>Occupation of the Cardholders to Whom Card Has Been Issued</b> | <b>No of Bankers</b> | <b>Percentage</b> |
|---|----------------------|-------------------|
| Farmers   | 16                   | 80                |
| Self-employed   | 20                   | 100               |
| Salaried  | 20                   | 100               |
| House wife  | 16                   | 80                |
| Student   | 13                   | 65                |
| Pensioner   | 17                   | 85                |

The above Table 7.21 (a) describes the occupation of the cardholders to whom the cards are issued. All the banks taken for the study, issue cards to the self employed and salaried, 17 banks to the pensioners, 16 banks issue to the farmers and housewives and 13 banks to students.

It is concluded that most of the banks issue credit cards to the self-employed and salaried.

### **Cochran's Q Test- Occupation of the cardholders**

Table 7.21 (b) explains that Cochran's Q test was applied to find whether the credit cards are issued to the respondents of different occupations having same probability.

**Table 7.21 (b)**  
**Cochran's Q test**

| <b>Test Statistics</b> |        |
|------------------------|--------|
| N                      | 20     |
| Cochran's Q            | 22.950 |
| Sig                    | **     |
| Table value            | 16.812 |

\*\* 1% level of significance

It is seen from the above table 7.21(b) that the calculated value of Cochran's Q was found to be 22.950 which is higher than the table value of chi-square (400) at 1% level of significance. This indicates that the probability of the credit cards issued to different respondents differ significantly based on occupation.

### **The Frequent Users of Credit Cards-Multiple Response**

The table 7.22 (a) describes the frequent users of credit cards-multiple response.

**Table 7.22 (a)**

**The Frequent Users of Credit Cards-Multiple Response**

| <b>Frequent Users of Credit Cards</b> | <b>Number of Bankers</b> | <b>Percentage</b> |
|---------------------------------------|--------------------------|-------------------|
| Farmers                               | 1                        | 5                 |
| Self employed                         | 13                       | 65                |
| Salaried                              | 17                       | 85                |
| House wife                            | 1                        | 5                 |
| Student                               | 3                        | 15                |
| Pensioner                             | 6                        | 30                |

The above table illustrates that 85 percent of the bankers feel that their frequent users of credit cards belong to salaried class. However, 65 percent of bankers admitted that the self employed also used credit cards and only 5 percent of the banks agreed that credit cards are frequently used by housewives and farmers.

**Cochran's Q Test**

Table 7.22 (b) explains that Cochran's Q test was applied to find whether the probability of frequent users varies significantly or not.

**Table 7.22 (b)**

**Cochran's Q Test-Frequency of Usage**

| <b>Test statistics</b> |        |
|------------------------|--------|
| N                      | 20     |
| Cochran's Q            | 67.511 |
| Sig                    | **     |
| Table value            | 18.475 |

\*\* 1% level of significance

Table 7.22 (b) states that the calculated value of Cochran's Q was found to be 67.511 which is higher than the table value of chi-square (18.475) at 1% level of significance. This indicates that the probability of the frequent users of different occupations varies significantly.

### The Mode of Selection of the Prospective Customers-Multiple Response

The Table 7.23 (a) depicts the mode of selection of the cardholders.

**Table 7.23 (a)**

#### The Mode of Selection of the Prospective Customers-Multiple Response

| Mode of Selection       | Number of Bankers | Percentage |
|-------------------------|-------------------|------------|
| Magazine subscription   | 9                 | 45         |
| Telephone directories   | 12                | 60         |
| Tax payer list          | 6                 | 30         |
| Internet                | 2                 | 10         |
| Cellular service agents | 2                 | 10         |

The table given above describes the details of the mode of selection of the prospective customers by the banks. Sixty percent of them have been selected by referring the telephone directory, 45 percent of them have been selected through magazine subscription, 30 percent through tax payers list and 10 percent through internet and cellular service agents.

It is concluded that majority of the bankers select the prospective customers through telephone directories.

### Cochran's Q Test – Mode of Selection of Prospective Customers

Table 7.23(b) Cochran's Q test was applied to find whether the probability of different modes of selection of prospective customers vary significantly or not.

**Table 7.23(b)**  
**Cochran's Q test**

| Test Statistics |         |
|-----------------|---------|
| N               | 20      |
| Cochran's Q     | 29.3101 |
| Sig             | **      |
| Table value     | 16.812  |

\*\* 1% level of significance

The calculated value of Cochran's Q was found to be 29.310 which is higher than the table value of chi-square (16.812) at 1% level of significance. This indicates that the probability of using different modes for selection of prospective customers vary significantly.

### Criteria Considered while Issuing the Card

Table 7.24 explains the reasons considered while issuing the card, the mode of creating awareness in using credit cards and the percentage of increase in sales.

**Table 7.24**  
**Criteria Considered While Issuing the Card**

| Criteria Considered                                  |                      | Number of Response | Percentage |
|--|----------------------|--------------------|------------|
| Factors considered* while Issuing the Credit Card    | Income               | 20                 | 100        |
|  | Status               | 12                 | 60         |
|  | Vintage of customers | 10                 | 50         |
| Creating Awareness about the* Media of Advertisement | Personal selling     | 17                 | 85         |
|  | Advertisement        | 13                 | 65         |
|  | Sales promotional    | 13                 | 65         |
| Help in the Increase of the Issue of the Card        | Yes                  | 19                 | 95         |
|  | No                   | 1                  | 5          |
| If Yes, the % of increase                            | 1-10%                | 1                  | 5.3        |
|  | 11-20%               | 10                 | 52.6       |
|  | 21-30%               | 2                  | 10.5       |
|  | Above 30%            | 6                  | 31.6       |

\*Multiple response

The Table given above illustrates that 100 percent of the banks considered the respondents income, 60 percent of the banks consider their status and 50 percent of the banks consider customer's reputation before issuing the credit card.



About 85 percent of the bankers create awareness about the credit cards through personal selling, and 65 percent of them were through advertisement or sales promotion.

Ninety five percent of the bankers have stated that the personal selling efforts taken by them have helped in the increase in the issue of credit cards, while 5 percent of them have not helped in the issue of the credit cards.

Nearly 52.6 percent of the banks have stated that there is 11-20% increase in the issue of cards due to awareness created by them for credit cards, 31.6 percent of them have stated that the card issue has increased above 30% and 10.5 percent of them have stated that the card issue has increased above 21-30% .

It is evident from the table that the banks consider respondent's income while issuing the card. Majority of them have created awareness about credit card facilities through personal selling and they could increase the issue of cards by 11-20% through advertisement.

### **Motivation given to the Credit Cardholders-Multiple Response**

The table 7.25 (a) details the multiple response of the motivation given to the credit cardholders for the purchase of credit cards.

**Table 7.25 (a)**

**Motivation given to the Credit Cardholders-Multiple Response**

| <b>Motivation</b>    | <b>Number of Response</b> | <b>Percentage</b> |
|----------------------|---------------------------|-------------------|
| Advertisement        | 19                        | 95                |
| Personal approach    | 17                        | 85                |
| Free gifts & coupons | 7                         | 35                |
| Pamphlets            | 14                        | 70                |

It is clear from the Table above that 95 percent of the banks motivate their customers through advertisement, 85 percent through personal approach, 70 percent through pamphlets and 35 percent through free gifts and coupons.

### **Cochran's Q Test- for Motivation**

Cochran's Q test was applied to find whether different types of motivation used by the banks have same probability or not.

**Table 7.25 (b)**  
**Cochran's Q Test for the Level of Motivation**

| Test Statistics |        |
|-----------------|--------|
| N               | 20     |
| Cochran's Q     | 19.471 |
| Sig             | **     |
| Table value     | 11.345 |

\*\* 1% level of significance

The above Table 7.25 (b) shows that the calculated value of Cochran's Q was found to be 19.471 which is higher than the table value of chi-square (11.345) at 1% level of significance. This indicates that the probability of motivational approaches used by the bankers differ significantly.

**Ranking of Purpose of usage and Kendall's Coefficient of Concordance (W)**

The table 7.26 describes the ranking of the purpose of usage offered by the bankers. Some of the facilities for which the credit cards are used are for Cash advance, Travel services, Discount at Hotel facilities, Hospitals, Department stores and Petrol Bunks. Banks were asked to rank the facilities offered while issuing credit cards. The most important of them was ranked as 1, and the least was ranked as 6.

**Table 7.26**  
**Ranking of Purpose of Usage and Kendall's Coefficient of Concordance**

| Usage Spots        |     | Rank 1 | Rank 2 | Rank 3 | Rank 4 | Rank 5 | Rank 6 | Mean Rank    |
|--------------------|-----|--------|--------|--------|--------|--------|--------|--------------|
| Cash Advance       | No. | 4      | 9      | 1      | 4      | 2      | ---    | 2.55         |
|                    | %   | 20     | 45     | 5      | 20     | 10     | ---    |              |
| Travel Services    | No. | 3      | 2      | 10     | 2      | 2      | 1      | 3.05         |
|                    | %   | 15     | 10     | 50     | 10     | 10     | 5      |              |
| Hotels             | No. | ---    | 5      | 4      | 4      | 4      | 3      | 3.80         |
|                    | %   | ---    | 25     | 20     | 20     | 20     | 15     |              |
| Hospitals          | No. | -      | 1      | 2      | 6      | 8      | 3      | 4.50         |
|                    | %   | ---    | 5      | 10     | 30     | 40     | 15     |              |
| Department stores  | No. | 13     | 3      | 2      | 1      | 1      | ---    | 1.70         |
|                    | %   | 65     | 15     | 10     | 5      | 5      | ---    |              |
| Petrol Bunks       | No. | ---    | ---    | 1      | 3      | 3      | 13     | 5.40         |
|                    | %   | ---    | ---    | 5      | 15     | 15     | 65     |              |
| <b>Kendall's W</b> |     |        |        |        |        |        |        | <b>0.517</b> |

The above Table depicts the ranking given to the various usage spots. Sixty five percent of them have ranked Billing at Department Stores as first, 45 percent of them have ranked Cash advance as second, 50 percent of them have ranked travel services as third, 30 percent of them have ranked payment at hospitals as fourth, 40 percent of them have ranked payment to hospitals as fifth, 65 percent of them have ranked Petrol Bunks as sixth.

It is concluded that billing at department stores has been ranked first among the various spots at which credit cards were used.

The mean ranks were found out for each item and is given in the above table. It is seen that the items “Billing at Departmental Stores” is given the highest rank (Mean rank 1.70) followed by the cash advance (Mean rank 2.55). The lowest rank was given to Petrol bunks. The Kendall’s coefficient was found to be 0.517 which is significant at 1% when it was tested by Chi - Square analysis. The Kendall’s coefficient suggests that the agreement among the respondents is low as the concordance value is less than 0.5. Generally, the agreement will be considered to be moderate when the concordance value is between 0.5 and 0.75 and the agreement is good when the concordance value is above 0.75. Thus, it can be concluded that Billing at Departmental Stores is ranked as first among all other facilities.

### **Application Process Time and the Issue of Statement of Accounts**

The table 7.27 describes the application process time and the issue of statement of accounts.

**Table 7.27**

### **Application Process Time and the Issue of Statement of Accounts**

| <b>Details of the Process Time and the Issue of Statement of Accounts</b> |                   | <b>Number of Response</b> | <b>Percentage</b> |
|---|-------------------|---------------------------|-------------------|
| Time taken to process the application                                     | 15-20 days        | 9                         | 45                |
|   | 21-30 days        | 10                        | 50                |
|   | More than a month | 1                         | 5                 |
| Time taken to issue the statement of the accounts                         | 1-20 days         | 7                         | 35                |
|   | 21-30 days        | 12                        | 60                |
|   | More than a month | 1                         | 5.0               |

The table 7.27 explains that 50 percent of the banks process the credit card application within 21-30 days, while 45 percent of them take 15-20 days and 5 percent of them take more than a month.

Sixty percent of the banks issue the statements within 30 days, 35 percent of them issue within 20 days, while 5 percent of them take more than a month to issue the statement of accounts.

It is inferred that the banks process the application within 20 to 30 days and they issue the statement of accounts within 30 days.

### **Method of Sending Reminders and Treating Defaulters**

The table 7.28 describes the method of sending reminders and treating defaulters.

**Table 7.28**  
**Method of Sending Reminders and Treating Defaulters**

| <b>Method of sending reminders and treating defaulters</b> | <b>Number of response</b>               | <b>Percentage</b> |    |
|--|---|-------------------|----|
| Sending a reminder to cardholders for nonpayment           | Yes                                     | 18                | 90 |
|  | No                                      | 2                 | 10 |
| Intimating about the black listing                         | Immediately                             | 18                | 90 |
|  | Within a week                           | 1                 | 5  |
|  | Do not intimate                         | 1                 | 5  |
| Time required to go in for black listing a card holder     | After 45 days                           | 8                 | 40 |
|  | After 60 days                           | 4                 | 20 |
|  | After 90 days                           | 2                 | 10 |
|  | A period longer than 90 days            | 6                 | 30 |
| The method of treating the defaulters                      | Cancellation                            | 16                | 80 |
|  | Entrusting the responsibility to Agents | 3                 | 15 |
|  | Initiating legal proceedings            | 1                 | 5  |

The above Table reveals that 90 percent of the banks send remainders to the cardholders for nonpayment of dues while 10 percent of them do not send remainders.

Ninety percent of the banks intimate to their Merchant Establishments about blacklisting immediately, while 5 percent of them either intimate within a week or do not intimate at all.

Forty percent of the banks go for blacklisting the cardholder only after 45 days of sending remainders, while 30 percent of them wait for a period longer than 90 days. Ten percent of them go for blacklisting after 90 days.

Eighty percent of the banks have stated that they cancel their defaulting customers from the customers list, 15 percent of them entrust the responsibility with the agents and 5 percent of them initiate with the legal proceedings.

It is concluded that most of banks send either remainders to their customers for the non payment of dues or intimate about black listing, 40 percent of them go for black listing only after 45 days after that they cancel the name of the defaulting customers.

**Availability of Customer Service and Training Employees**

Table 7.29 describes the availability of customer service department and the training given to the bank employees.

**Table 7.29**

**Availability of Customer Service Department and Training Employees**

| <b>Availability of Customer Service Department and Training Employees</b> |     | <b>Number of Response</b> | <b>Percentage</b> |
|---|-----|---------------------------|-------------------|
| Availability of Customer Service Department                               | Yes | 17                        | 85                |
|   | No  | 3                         | 15                |
| Training The Employees  | Yes | 17                        | 85                |
|   | No  | 3                         | 15                |

The Table 7.29 describes that majority of the banks (85 percent) have customer service departments in their banks and training facility for their employees, while 15 percent of the banks do not have either customer service department or do not provide training to the employees.

### Ranking of the Problems Faced by the Banks and Kendall's Coefficient of Concordance (W)

The table 7.30 describes the ranking of the problems faced by the banks. The bankers were asked to rank the problems, the most important as No. 1 and the next important as 2 and so on upto rank 6.

**Table 7.30**

#### Ranking Of The Problems Faced By The Banks And Kendall's Coefficient Of Concordance (W)

| Problems Faced By The Banks |     | Rank 1 | Rank 2 | Rank 3 | Rank 4 | Rank 5 | Rank 6 | Mean Rank    |
|-----------------------------|-----|--------|--------|--------|--------|--------|--------|--------------|
| Inadequate staff            | No. | ----   | 3      | 13     | 3      | 1      | ---    | 3.10         |
|                             | %   | ----   | 15     | 65     | 15     | 5      | ---    |              |
| Non payment of dues         | No. | 14     | 3      | 2      | ----   | 1      | ----   | 1.5          |
|                             | %   | 70     | 15     | 10     | ----   | 5      | ---    |              |
| Frequent claims by merchant | No. | 2      | ----   | 4      | 12     | 2      | ---    | 3.60         |
|                             | %   | 10     | ----   | 20     | 60     | 10     | ---    |              |
| Forgery of cards            | No. | 3      | 5      | ---    | 2      | 8      | 2      | 3.65         |
|                             | %   | 15     | 25     | ---    | 10     | 40     | 10     |              |
| Purchases beyond the limits | No. | 1      | 9      | 1      | 1      | 8      | ----   | 3.30         |
|                             | %   | 5      | 45     | 5      | 5      | 40     | ----   |              |
| Others                      | No. | ----   | -----  | ---    | 2      | - - -  | 18     | 5.80         |
|                             | %   | ----   | ----   | ---    | 10     | ----   | 90     |              |
| <b>Kendall's W</b>          |     |        |        |        |        |        |        | <b>0.533</b> |

The table shows ranking of the problems faced by the banks. Seventy percent of the respondents have ranked Non payment of dues as first. Forty five percent of them have ranked purchases beyond limit as second, 65 percent of them have ranked Inadequate staff as third, 60 percent of them have ranked frequent claims by merchant as fourth and 40 percent of them have ranked forgery of cards and purchase beyond the limits as fifth and 90 percent of them have some other problems.

It is concluded that the top most rank is given to non payment of dues.

The items “Non payment of dues” is given the highest rank (Mean rank 1.5) followed by the Inadequate staff (Mean rank 3.10). The least rank was given to the other problems. The Kendall’s coefficient was found to be 0.533. The Kendall’s coefficient suggests that the agreement among the respondents is low as the concordance value is less than 0.5. Generally, the agreement will be considered to be moderate when the concordance value is between 0.5 and 0.75 and the agreement is good when the concordance value is above 0.75. Thus, it is concluded that Non payment of dues is the major problem faced by the bankers.

### **Bankers’ Treatment to Defaulters**

The table 7.31 describes the Bankers’ treatment to defaulters about issuing the card and entertaining the defaulters.

**Table 7.31**  
**Bankers’ Treatment to Defaulters**

| <b>Bankers’ Treatment To Defaulters</b>                      | <b>No of Response</b> | <b>Percentage</b> |    |
|--|-----------------------|-------------------|----|
| Issuing of card to the person possessing another bank’s card | Yes                   | 15                | 75 |
|  | No                    | 5                 | 25 |
| Photo to be affixed  | Yes                   | 12                | 60 |
|  | No                    | 8                 | 40 |
| Entertaining the defaulter to issue a fresh card             | Yes                   | 1                 | 5  |
|  | No                    | 19                | 95 |

It is evident from the Table 7.31 that 75 percent of the banks prefer to issue cards to persons possessing another bank card, while 25 percent of them do not prefer to issue.

Sixty percent of the bankers issue cards with photo affixed in it while 40 percent of them do not have such an option.

Five percent of the bankers prefer to issue cards to defaulter, while 95 percent of them do not prefer to issue.

## Basis for Selection of Merchant Establishments- Multiple Response

Table 7.32 (a)

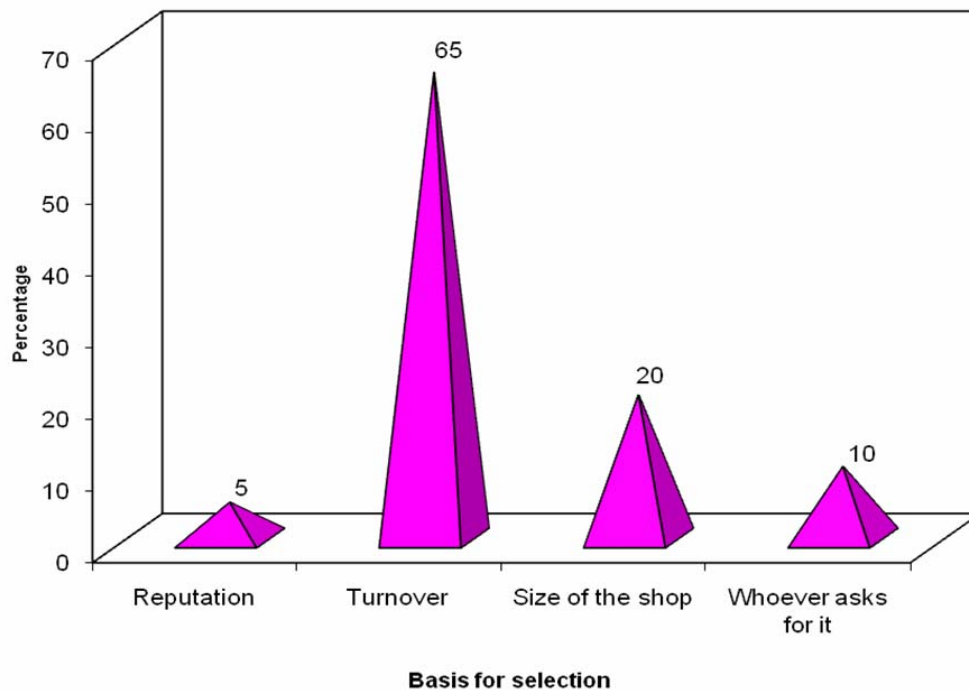
### Basis for Selection of Merchant Establishments

| Basis For Selection | No of response | Percentage |
|---------------------|----------------|------------|
| Reputation          | 1              | 5          |
| Turnover            | 13             | 65         |
| Size of the shop    | 4              | 20         |
| Whoever asks for it | 2              | 10         |

The table 7.32 (a) given above clearly details the basis of selection of the merchant establishments adopted by the bankers. Sixty five percent of the banks select on the basis of turnovers, 20 percent of them are selected on the size of the shop and 5 percent of them are selected on the basis of reputation.

It is concluded that majority of the banks select the merchant establishments on the basis of turnover.

### Exhibit 7.5. Basis of selection of merchant establishments by the banks





### **Cochran's Q Test- Basis of Selection of the Merchant Establishments**

Cochran's Q test was applied to find whether the basis of selection of the merchant establishments has the same probability or not

**Table 7.32 (b)**

#### **Cochran's Q Test- Basis of Selection of the Merchant Establishments**

| <b>Test Statistics</b> |        |
|------------------------|--------|
| N                      | 20     |
| Cochran's Q            | 16.452 |
| Sig                    | **     |
| Table value            | 11.345 |

\*\* 1% level of significance

The calculated value of Cochran's Q was found to be 16.452 which is higher than the table value of chi-square (11.345) at 1% level of significance. This indicates that the probability of basis of selection varies significantly.

### **Conclusion**

The findings of this chapter are presented as follows:

Most of the merchant establishments are located in the North Zone (64 percent) and they were established during the year 1976-2000. Most of them are (18 percent) textile showrooms (42 percent) and they display the mode of credit card payments in their shop (84 percent). Fifty two percent of them accept Visa card. Sixty nine percent of them have stated that they have included the acceptance of credit cards while advertising. A larger portion of the merchant establishments use only electronic machines for swiping (98 percent) and they do not patronize any particular bank's card (70 percent). Good and prompt service given by the banks have been patronized for card acceptance. Merchant establishments pay a high rate of commission to the bank and they also have an indifferent attitude of the bankers (50 percent). All the establishments deal in both cash and in credit. Sixty eight percent of them encourage their customers to purchase using credit cards and they specify a minimum limit of purchases for credit card acceptance.

There is significant influence at 1% level on displaying the acceptance of credit cards and the nature of business carried on by the merchant establishments. Majority of the merchant establishments are paying 1% -2.5 % commission to the bank and they have increased sales through the use of credit cards. Majority of the merchant establishments do not charge any service charge for the purchases made by the cardholders. More than half of the respondents collect service charge and they do not inform it to the customers. Seventy six percent of them have stated that the banks settle their claims within 24 hours and pay commission of 1-2%. Nearly 88.9 percent of the travel agencies, medical stores and restaurants have included the acceptance of credit cards in their advertisements. Majority of the petrol bunks and departmental stores have increased the sales through the usage of credit cards.

More than half of the Merchant Establishments do not expect any additional service from the bankers. Most of them do not pay either commission or collect service charge. Three fourths of them neither collect service charge nor pay commission to the bank. There is significant influence at 5% level between the approximate sales volume through credit cards and the collection of service charge by the Merchant establishments.

Analysis of the issue of credit cards for bankers revealed that majority of the respondents are either self employed or salaried. Majority of the respondents are motivated through advertisements. Eighty five percent of the salaried are frequent users of credit card. It is inferred that the banks issue credit cards to their customers based on their income status. Ranking of the facilities has revealed that department stores have been the priority for the facilities offered. Sixty percent of the banks issue the statements of accounts within 30 days. Ninety percent of the banks either issue remainders to their customers or the non payment of dues. Eighty five percent of the banks have customer service department and 85 percent of them train the employees. Seventy five percent of the banks prefer to issue cards to persons possessing another banks card. Sixty five percent of the banks select the merchant establishment on the basis of turnover.

The bankers are selective in issuing credit cards to the customers of certain occupations and use different motivational strategies to market their products. They select the merchant establishments also on certain basis like turnover.