

CHAPTER VIII

SUMMARY OF FINDINGS, SUGGESSTIONS AND CONCLUSION

INTRODUCTION

The absence of common medium of exchange was a very big constraint which affected trade and commerce in the distant past. Human efforts were on to create a common medium of exchange. The efforts were many and it could be inferred from these that the man's thirst for creating a viable, common medium of exchange went on and on unquenched for long. At last, printed currencies and coins came as a medium of exchange throughout the world. It has ensured stability in trading activities in the world. Along with the currencies, came the added trouble of carrying them. Change has become the order of the day. In the process of effort to minimize the burden of carrying cash, the financial institutions introduced financial instruments like cheques, demand drafts and travelers cheque. The increased rivalry from global competitors, over demanding customers and accelerating technology compelled the banking sectors to embark on the advent of the "plastic money" otherwise called as "credit card".

While other parts of the world adopted credit cards in 1950's, the credit card culture in India was formally introduced almost twenty five years ago. It is probably the most popular banking business in India today. Basically, the use of credit card enables one to take advantage of the transmission of payments and the granting of credit. The credit card has revolutionized the entire payment business. Credit card industry has been witnessing growth not only in metropolitan cities but also in smaller towns in India. A pre-requisite to credit card spend and issuance is its acceptance. Many cities and towns have witnessed the growth of acceptance mechanisms. Banks persuade customers to make their card as the preferred mode of payment over other cards. The credit card industry witnessed such furious competition, that most companies are offering discounts on purchase made through their cards. Customers also want to understand the value of a particular card before subscribing to it. In the above context, it was felt necessary to carry out an empirical study on "A Multidimensional Analysis of Credit Card Segment in Coimbatore City" and accordingly it was carried out.

The study was designed with multidimensional focus to cover the Credit Cardholders, Merchant Establishments and the Bankers with the following objectives:

1. to identify the profile of the credit cardholders, the factors which influence the customers in selection of credit cards, the purpose and frequency of usage of cards;
2. to assess the awareness of the cardholders about the various facilities offered by the banks;
3. to find out the benefits derived, the level of satisfaction attained with the services of card issuing banks and the problems faced by the card holders on the services rendered by the banks
4. to study the nature of the services provided by the merchant establishments and the banks.

To achieve the above objectives, 400 cardholders, 100 Merchant Establishments and 20 banks were selected using convenient random sampling technique. Statistical tools like Percentage Analysis, Mean and Standard Deviation, Chi-square Analysis, ANOVA Test, T-test, Regression Analysis, Kendal's Co-efficient of Concordance, Factor Analysis and Co-chrans Q test were used for analyzing the data.

The statistical tests were conducted at 0.05 and 0.01 levels of significance on primary data.

FINDINGS

Findings of the study from the analyses carried out in chapters IV, V, VI and VII, are presented below chapter wise.

Chapter IV has analysed the Cardholder's Profile, Factors important for selection and frequency of usage of credit cards.

Socio –Economic Profile of the Respondents

The personal factors considered in the study were Age, Sex, Marital status, Educational level, Occupational status, Monthly income level and Family size. About 40 percent of the respondents were in the age group of 41-50 years and 75 percent of the cardholders were male respondents. Out of the total cardholders, 83 percent of the respondents were married and 45 percent were graduates. With respect to occupation,

38.8 percent were employed either in the government or private sector and earning a monthly income between Rs.20,001 to Rs 50,000 (38.8 percent). Around 44 percent of the cardholder's family size consisted of four members.

Estimated Market Share of Credit Cards

Among the sample respondents, 21.5 percent of them owned SBI card, another 20.5 percent had ICICI bank card and rest of the cardholders chose from the remaining 18 banks. Indian banks consisting of Public and Private sector have dominated the market share of credit cards over Foreign banks. As per the venture infotek report of March 2010, the private banks occupy a major share of 51.2% of the Indian credit card industry.

Possession and Sector Wise Distribution of Credit Cards

Out of the number of cards possessed by the individual respondents, half of the credit card holder's own only one card (52.3 percent). Nearly 30 percent of them own two cards and the rest had three and more than three cards.

The sector wise distribution of credit cards issued by banks shows that nearly 47.7 percent of the credit card holders possess multiple cards. About 87 percent of the respondents were aware of the interest free credit period and nearly 73.5 percent were aware of the interest rate charged on the outstanding balances.

Attributes considered important for purchasing of cards

Around 62 percent of the respondents considered convenience in shopping and 60.5 percent considered credit facility as more important factor while purchasing the cards.

Factor Analysis was used to identify the important factors which influence the customers to purchase credit cards. All the factors were grouped into four factors, namely- Charge, Service, Credit and Brand factor. Analysis reveals that the respondents who are upto 30 years, unmarried and employed in the private sector consider Charge, Service, Credit and Brand factors as more important for the purchase of credit cards. The study conducted during 1990s has a similar approach to the present study and the similar tools were used to find out the factors considered important by the Greek cardholders while

selecting a card. It was suggested that more emphasis need be given to convenience, security and economy aspects of credit card usage which was factorised under the Service and Credit Factor.

ANOVA result shows that there is significant difference in the level of importance for Charge and Service factors at 5% and Brand factor at 1% for different age groups. There is significant difference in the level of importance for Charge factor at 5% under different occupational status.

T test result shows that there exists significant difference in the level of importance for Service and Credit factor at 5% and for Brand factor at 1% among married and unmarried respondents.

Purpose of usage

About 85 percent of the respondents use credit cards in the Departmental stores and nearly 74.2 percent use in Shopping Malls. Of the total, slightly higher than half (54 percent) of the respondents use credit cards for travel purpose and two fifths (39.7 percent) of them use on tour spots. Findings of this study is similar to that of the study conducted during 1990s. The time gap of fifteen years has not changed the purpose of usage of card by the cardholders.

Around 35 percent of the respondents use credit cards only during festival seasons. Nearly half of the respondents enquire through phone (45 percent) in case of any doubts in the statement of accounts.

ANOVA result for the **overall usage score** shows that there is significant difference in the level of overall usage score at 1% under different levels of education and at 5% with different levels of income and with the number of credit cards possessed.

T test result shows that there exist significant difference at 5% between the male and female respondents in their overall usage score.

Chi square analysis shows that there is significant relationship at 5% between gender and usage of credit cards. Similar relationship exists between ATM withdrawals and the age of the respondents, and also for special offer and incentives. The age and

occupational status of the respondents have significant influence at 1% for temptation of spot purchases.

The findings of the attributes considered important for selection of the card and its purpose for usage depend upon the extent of awareness about the facilities of the card which were discussed in the next chapter.

Chapter V has analysed the cardholders' awareness about the facilities offered by the banks.

Seventy eight percent of the respondents were aware of SBI card and 75.5 percent were aware of ICICI Cards. Fifty one percent of the credit card holders came to know about the credit cards through direct selling agents / teams and 36 percent were aware through advertisements. It is in accordance with the findings of the study conducted during 1980s which states that through advertising the customers have become aware of the credit card operations. Advertising had increased the consumers ability to choose the best card.

About 67.2 percent of them were aware of the interest - free - credit period and are using it. This findings are in contradictory to the result of the study conducted during 2004 which stated that the consumers have expressed a low level of awareness but a favourable attitude towards services. It was concluded that prior knowledge about supplementary services would help develop a positive response towards service. However, a study conducted during 2010 to analyse the awareness and satisfaction of credit cardholders revealed that satisfaction seems to be average when compared to the awareness. It was suggested that the banks should adopt suitable marketing strategies to create more product awareness among the existing cardholders otherwise they may lose their business growth through the card in future.

Awareness on usage

About 83.3 percent of the respondents have read the terms and conditions before purchasing the card. Seventy two percent were aware on the usage of the cards. About two thirds (64.5 percent) of them fully utilize their credit period, and 77.5 percent were aware of the reward points.

Enquiry about the service charge

Out of 257 respondents who have enquired about service charges, 41.6 percent enquired about the service charges on selected purchases only. A substantial number of respondents (82 percent) were informed about the safety procedures and limitations (75.7 percent). Marginally higher than one third of the multiple cardholders (39.8 percent) have stated that the interest free credit period is 35-40 days. Comparatively, a higher percentage of the public sector employees (28.3 percent) are of the opinion that the interest rate charged on the outstanding amount is 2.25%.

ANOVA result shows that there is significant difference at 5% level among the different age groups of the cardholders in the average score on overall awareness. There is significant difference at 1% level among the different income levels of the card holders in the average score on overall awareness factor.

T-test result reveals that there is significant difference at 1% between male and female respondents in their overall score on awareness level.

Chi square Analysis explains that there is significant influence at 5% level of age factor on the credit cardholders' thorough knowledge on the usage of the credit cards. There is significant relationship at 5% between the marital status, occupational status, income level, number of credit cards possessed and the credit cards owned and on the enquiry about reward points. There is significant relationship at 1% between the income level of the respondent and on the enquiry about add-on-facility.

The extent of awareness regarding the facilities offered by credit cards will decide the extent of benefit, the level of satisfaction and the problems faced by the cardholders were discussed in the 6th chapter.

Chapter VI analysed the benefits enjoyed by the cardholders, the level of satisfaction and the problems faced by the cardholders.

Benefits derived by the cardholders

Nearly fifty percent of the respondents have ranked “reduced risk of handling cash” as first benefit. This observation is similar to the result of the study conducted

during 1990s which revealed that the important reason for using credit cards is reduced risk in carrying cash. The present study supports the same.

The Kendall's coefficient suggests that there is moderate similarity among the respondents in assigning the order of ranks for the benefits derived by the respondents.

Level of Satisfaction on usage

Nearly 47.5 percent of the respondents are highly satisfied with the timely cash withdrawal.

Factor Analysis was used to identify the level of satisfaction of the cardholders in the usage of credit cards. All the factors were grouped into four factors, namely- Charge, Admin, Cash and Transaction factor.

The male respondents who are above 50 years age and whose monthly income is above Rs 50,000 were satisfied with respect to the Charge, Admin, Cash and Transaction factors while using the credit card.

t-test reveals that there is significant difference in the level of Satisfaction at 5% for Cash factor among the male and female respondents.

ANOVA explains that there is significant difference in the level of satisfaction at 1% for the Admin factor and 5% level for the Cash factor among the different levels of income.

Regression Analysis reveals that the effect of all predictor variables on the satisfaction score have moderate relationship and found to be significant at 1% level.

Sector wise views of the Respondents about card processing

Nearly half (52.8 percent) of the public sector bank cardholders are of the opinion that the banks take 15-20 days to process the application. Nearly two thirds (64.6 percent) of the foreign bank cardholders are of the opinion that they receive the account statement within 30 days. Most of the private sector bank cardholders (36.3 percent) are of the opinion that they do not pay service charge to the banks and to the shops where they make purchases.

Chi-square Analysis shows that there is significant influence at 5% between the ownership of credit cards and the processing time taken by the bank while purchasing the credit cards. There is significant influence at 1% between the ownership of credit cards

and the time taken by the cardholders to receive the account statement. This is similar to the findings of the study conducted during 2008 to find out the level of satisfaction among the credit card users. The cardholders have stated that they did not receive the monthly statement on time

Types of problems faced

About two thirds (67.8 percent) of the respondents felt that the interest rate was high. About 50 percent felt that holding a card unnecessarily tempts to make purchases. About one fourth (24.3 percent) of them felt that the period of repayment was short. It is reported in the financial sector that the cardholders are harassed in the process of collecting the dues and levying hidden charges.

The calculated value of Cochran's Q was found to be 823.548 which is higher than the table value of chi-square (400) at 1% level of significance. This indicates that the probability of the types of problems faced by the respondents differ significantly.

With the analysis of the cardholders usage of credit cards there is a need to analyse the other two parties to the usage of credit cards viz the card issuer, namely- the Banker and the card acceptor and the Merchant Establishments. The findings of this analysis were presented in the VII chapter.

Chapter VII analysed the view points of merchant establishments and bankers. The first part of the chapter dealt with the mode of operation and the role of Merchant Establishments

Profile of the Merchant Establishments

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

Operations of the Merchant Establishments

Most of the Merchant Establishments were located in the North Zone (64 percent) and they were established during the year 1976-2000. About one fifth (18 percent) were 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. The bankers also show an indifferent attitude (50 percent). All the establishments deal both in 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.

Majority of the Merchant Establishments (23.6 percent) are paying 1% -2.5 % commission to the bank and they have increased sales through the use of credit cards. 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%. About 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 (50% and 60%) have increased the sales through the acceptance of credit cards.

More than half of the Merchant Establishments do not expect any additional service from the bankers. Three fourths of them neither collect service charge nor pay commission to the bank.

Chi-square analysis reveals that there is significant relationship at 5 % level in displaying the acceptance of credit card as a better mode among the business categories. 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.

There is significant influence at 1% level between displaying the acceptance of credit cards and the nature of business carried on by the merchant establishments. There is significant influence at 1% level in fixing minimum limit for the purchases to accept credit cards and informing the cardholders about the service charges among business categories. There is significant influence in the display of acceptance of credit cards in the shops with the expectations of any additional service from the banker and also significant relationship between the service charges collected from their customers and the appropriate sales volume through credit cards.

The next part of the chapter deals with the **bankers' response** towards the issue of credit cards.

Most of the banks issue credit cards to either self employed or salaried and they are the frequent users of credit cards. Sixty percent of the bankers select their prospective customers by referring the telephone directory. Majority of the respondents are motivated through advertisements.

Majority of the banks (95 percent) have stated that there is an increase in the card issue from 11-20 percent due to advertisement which is in accordance with the study conducted during 1990s. It was suggested that the marketers should emphasise the usefulness of credit cards and should motivate to carry multiple cards as the financial institutions (banks) could achieve maximum penetration of their consumer market to promote various services.

All the banks taken for study select their cardholders based on their income level. Fifty percent of the banks have taken 21-30 days to process the application. Sixty percent of the banks issue statement of accounts within 21-30 days. Seventy five percent of the banks prefer to issue cards to persons possessing another bank's card. Ninety percent of the banks sent remainder to the cardholders for nonpayment. Forty percent of the bankers go for blacklisting the cardholders after 45 days of sending remainders. Thirty five percent of the cardholders cancel the cardholders account on default of payment. Eighty five percent of the banks have the customer service department and they also train their employees. Ninety five percent of the banks do not prefer to issue cards to defaulter.

Nearly 65% of the banks select the merchant establishments on the basis of their turnover.

Purpose of Usage

Rank analysis shows that 65 percent of the banks have ranked billing at departmental stores as the first rank indicating the highest usage spots. Forty five percent of them have ranked Cash advance as second and 50 percent of them have ranked travel services as third.

Problems Faced by the Banks

When the banks were asked to rank the problems faced by them, 70 percent of the respondents have ranked “Non payment of dues” as first. Forty five percent of them have ranked purchases beyond limit as second and 65 percent of them have ranked inadequate staff as third.

SUGGESTIONS

Based on the above findings, the following suggestions are made :

1. Credit cards should gain more popularity through mass media with pictorial review of the card facility.
2. To make the cardholder familiarize about the number of days of interest free credit, in each month bill, a distinct note may be attached so that he/she cannot fail to note it and plan their expenditure.
3. Though Credit card issuing Banks offer credit support and other services to cardholders, less educated, a section of middle income group and farming community are not using credit cards. A small section of the farmers are issued with credit cards by funding agencies to assist the farm operations for short period. The issue of “tiny card” taken up by SBI should be accelerated so that ordinary workers in rural areas will be able to receive government payments and assistances like pension payment directly to the poor without any middlemen’s exploitation. To facilitate the use of cards in rural areas, the banks and the government should ensure the facility to withdraw money and make payments. So that ultimately cards can provide services like micro savings, micro credits, micro insurance and utility payments. Therefore, it is suggested that the Banks must market the cards directly along with other services to the public instead of leaving it to marketing agencies. The farmers, artisans and workers also must be targeted with cards like tiny cards to facilitate them in using credit cards.
4. The credit limit availed by many cardholders are found to be less than their eligibility limits. The working group on regulatory mechanism for credit cards has suggested measures aimed at encouraging card usage in a safe and secure manner. These guide lines should be implemented so that the entire eligible credit limits may be availed by the cardholders.

5. Despite more widespread usage, the study revealed that most of the credit card users are the highly educated professionals and high income earners. Incentives are offered by the Banks for high volume cards. Hence, it is suggested that similar incentives should be extended to all types of cards to promote greater usage of credit cards.
6. The interest rate charged for the outstanding credit has been high. Hence, it is suggested that the interest rates may be brought down. Unmindful of the variation in seasonal changes made by the RBI, Banks charge of interest on outstanding due continue to remain the same.
7. The banks are advised to implement the “Internal control system” formulated by the RBI effectively to combat frauds.
8. In view of the cardholders’ complaints such as penal charges, wrong billing and harassment by recovery agents, it is suggested that there should be a body to quickly resolve the dispute with a minimum cost. The working group of RBI (2006) has suggested that the Banking Ombudsman could be made the appropriate authority to arbitrate in disputes between credit card holders and card issuing banks. These suggestions may be implemented.
9. Even when the value of the transactions runs to several lakhs, the bank that operates credit card does not ask for collateral securities for the completion of the transactions so far so good. Millions of people in India are below the poverty line. This sort of micro credit may be granted to buy drugs and other essential goods and services. This will be a laudable service to the community; poverty anywhere is a threat to prosperity everywhere. If the banks that operate credit cards evolve strategies, so as to help this segment below poverty line, then the services of the banks will become wholesome.
10. Vast majority of the cardholders are in metropolitan areas. A strategy to popularize the credit card among people in semi-urban and rural areas must be considered.
11. There should be transparency in levying differential interest rates and the interest rates charged to various categories of customers should be publicized through all media. The bank should also explain to the cardholder the formula followed for charges levied on the part of the outstanding amount due from the cardholder.

12. Banks should take extra efforts to explain the various cost associated with credit card use. Likewise credit cardholders should attempt to understand various costs associated with the usage of card before availing its services.
13. The Merchant establishments should encourage the credit card holders and accept the card on par with the cash paying customers. This will enable the cardholders to make the maximum usage of the credit cards.
14. Two other recommendations suggested by the RBI to card issuing banks in 2008 and relevant to the study are
 - a) The banks should step up their education efforts on the impact of paying only the 'Minimum Amount Due'. An average credit card customer is not sure of how the interest/finance charges are calculated. This should be clearly explained. The Most important terms
 - b) should specifically explain that 'free credit period' is lost if any balance of previous month's bill is outstanding and
 - c) The banks should have a mechanism to ensure that customer's acknowledgement for receipt of the monthly statement is recommended.

SCOPE FOR FURTHER RESEARCH

Based on the study and the reviews, it is suggested that future study may be carried out by covering the following aspects of the credit card:

1. A comparative study of credit card usage among the urban and rural cardholders.
2. A study covering the services offered by various banks can be attempted to find how they vary from one another.
3. Attitudinal and behavioral orientation of users among various types of credit cardholders.
4. A study on such business establishments which are not accepting the credit cards need to be approached to elicit valid reasons for their option.
5. The nature of grievances of the cardholders against the banks and the extent the redressal efforts made by RBI to satisfy the cardholders can also be studied and
6. A Comparative study between Indian and Foreign credit card industry can also be attempted.

CONCLUSION

Credit card is a facilitating instrument that enables its holders in general, and those who suffer from lack of liquidity, in particular, to buy their goods and services. The banks whose credit card being used never even ask for at least a third party guarantee for the transactions which may involve thousands of rupees.

Technology brings both positive and harmful issues to the mankind. The developed and affluent countries are the pioneer to experience the outcome of technology. The advent and expansion of plastic money has made the life of people much more comfortable. Day by day, the number of users of plastic money is increasing. The marketers are frequently redesigning their plastic money products to compete with their rivals as well as to provide better service to the consumers.

The credit cards issue in terms of number of credit cards witnessed a high growth rate. The credit facility and convenience in shopping has influenced the cardholders to select the credit cards. The frequency of usage among the respondents is higher in Departmental stores and shopping malls during festival seasons. The banks should take efforts to widen the usage of cards by increasing the number of outlets accepting credit cards. The Merchant establishments should accept cards without prescribing the minimum limit of purchase by the customer within the credit limit. Further, the Merchant Establishments should treat the customers who make payments through card and cash on par.

Awareness is greater for the interest free credit period. The cardholder's risk of handling cash has been reduced through the acceptance of credit cards. In spite of such awareness, the cardholders are not using the card for making purchase of all the requirements because the cards may not be accepted in the outlets where the cardholders makes purchases so the card issuing banks must enroll more Merchant Establishments so as to enable the cardholders to more purchases. The respondents are satisfied with proper statement of accounts issued by the banks which will enable them to properly plan their monthly commitments.

The cardholders face a major problem with the high rate of interest charged by the banks in case of delayed payments. The banks should maintain uniformity in charging interest rate for delayed payment by following the RBI guidelines. Customer Satisfaction

is the main aim of Merchant Establishments so they encourage the use of credit cards by their customers. The Merchant Establishments have an indifferent attitude towards the banker because they have to pay a high rate of commission. So the banks may take steps to reduce the percentage of commission from the Establishments and increase the number of establishments to accept credit cards. The claims of the Merchant Establishments against the banks should be settled at the earliest.

The Banks maintain a customer service department to adhere to the queries of their customer. It should come forward to enlighten the customer about all the available services, charges, reduce the membership fees and annual subscription fees, reduce the repayment procedure and relax the hidden charges

The banks should utilize the technological improvement to introduce a card which can serve all purposes. This will reduce the hassle of carrying multiple versions of plastic money. Money is the usable item for people in all walks of life. The wide application of plastic money will undoubtedly increase the standard of living of human life. For that purpose, the banks have to take the initiatives to position and reposition it strongly.