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TREND OF CREDIT CARDS IN INDIA

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ABSTRACT

A “Credit Card” is defined as “A plastic card having a magnetic ribbon, issued by a bank or business authorizing the holder to purchase goods or services on credit”. „Users “experience” involves “all factors of the end-user’s interface with the company, its services and its products... and its capability... to convene the precise requirements of the client”. It basically points to the users “views about using the product or services. It is therefore prejudiced and concentrates on whether the product / service generate significance for them and fulfills their needs. It is subjective, vibrant and changes with time and conditions. The current article highlights the trend of credit cards in India.

KEYWORDS: Credit Card, Financial, User

INTRODUCTION

Money is the foundation and end of all human problems. It is crucial to hold financial dealings in today’s world. No man can survive without wealth. Those days have gone when people supposed „a penny saved is a penny earned”. People continually saved to enjoy an improved lifestyle in the future. These days, production houses believe in not only ‘providing goods and services’ but in ‘satisfying the customer’. (Denning S., 2011)

Satisfy him with much more than he expects. A mobile phone for example not only aids one to communicate but also facilitates music, games and services for photography. And for this, the customer pays money. All economies of the world trust in this viewpoint, be it the United States of America or India, What holds good for the nation is also true for an individual.

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Today, all marketing concepts involve the accomplishment of the psychosomatic requirements of the consumer for which he is keen to pay a cost. A demand is generated and the customer is made to consider that the demand is a necessitate which has to be accomplished. The need is extended through insistent commercial.

The accomplishment of this requirement brings to a psychosomatic satisfaction of enjoying an improved standard of living than the Jones"s and yields logic of „having arrived“ amongst his social peers. This dynamic energy to fulfill the requirements of customers particularly results in product innovations and also product growth in ways of marketing. Thus, marketing today compels the customer to move towards for the newest products, appliances and things of beauty, bringing to prominent expenditure.

For this, the customer has to be either a Rajah or a businessman as there has to be an endless supply of money. When the consumer becomes anxious to complete his needs, he has to either, beg, borrow or steal. No reputable consumer would remedy to begging or stealing, the only option left is to borrow. Conventionally, Indians by nature are realistic and do not needlessly like to

borrow excluding in case of awful needs. In the earlier times, loans were taken from moneylenders for farming or money would be borrowed from banks for business activities.

Loans for acquisition of customer goods or for evident expenses were ruled out. But of late people all over the world have been using credit as a means of acquiring things of expenditure as well as matter of desire to increase their social position. Thus, for extension of economic activities, customer credit has become a vital part of marketing.

The concept of marketing credit for luxury was revolutionized by the foreign banks that were introduced in India in the late 1970s. Bankers all over the world realized the importance of the credit cards as an exclusive originality to transform the payment system for purchasing and played a major role in beneficial spending. Indian bankers felt that like in the west there was a ready market of self employed and young professionals who could be motivated to take credit through the use of credit cards to achieve a higher standard of living. The mindset of the Indians 'save and then buy, sacrifice today to enjoy tomorrow' could be transformed to 'buy now and pay later, enjoy today and pay when able'.

Review of literature

Chakravorti S. (2012) states that, “The most admired form of plastic money is the „Credit card“. In the hands of its owner: It offers purchasing power, simplicity of purchase, a credit ability for a few weeks, the expediency of payment along with security of purchases and discounts & bonuses”.

For the dealer “the credit card brings in higher sales volumes, improves cash flow, considers impetuous consumers, motivates web sales and avoids all risks of bad debts”. For the issuer, it ensures income through commission and provides publicity.

Credit cards today have become the most favored method of payments the world over. It has been signified that the “original goal of a credit card is no longer in use... The enhanced utilization of credit cards for routine, daily purchases has direct to exploitation of over usage by consumers and abuse by credit card companies through conflicting interest rates, minimizing credit limits and other concealed cost” (Tidwell et al.,2010).

This study aims to clarify the experiences, the benefits and the harms faced by credit card users.

According to HESSA (2011), credit card motivates consumer to borrow more but generate problems in the future as well. If a person is unable to pay on time, it has an impact for him or her to get a job, take other loan or automobile insurance because creditors try to look at consumer’s monetary background.

Consumers approach of life has been changed due to the viewpoint, “buy now and pay later”. The attitude towards credit card use varies from one customer to another depending on their intensity of accountability (R.A. Feinberg, 2009).

According to Galanoy (2010), credit card has a link with expenditure. Consumers will pay out more if they have credit cards. In addition, the usage of credit cards as key medium of exchange the vitality of credit card markets in developing countries are some of the factors influencing the credit card industry. Credit cards also act as an open-ended, easily accessible credit source (Lee and Kwon 2012).

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When customers use credit cards as a form of financing, credit cards contend with bank loans and other forms of financing (Brito and Hartley 2005).

Credit cards permit customers to borrow in the range of their credit boundary without transaction expenses, which involves all the time and effort involved with getting a loan from a fiscal organization. This expediency attracts a lot of customers to compensate high interest on outstanding credit card balances, rather than taking the time to apply for a loan with a little interest rate. As a result, credit cards report for a considerable and increasing share of customers' debt (Canner and Luckett 2012).

Ausubel (2011) recommends that customers may not even think the interest rate when making purchases because they do not aim to borrow for a comprehensive period when they make purchases. However, they may transform their thinking when the bill arrives.

Stavins (2006) suggests that customers are fairly responsive not only to changes in the interest rate but also to the value of other credit-card enhancements such as frequent-use awards, expedited dispute resolution,

extended warranties and automobile rental insurance.

Ausubel (2011), Calem and Mester (2011) described that minimizing interest rates may draw less creditworthy customers, therefore dissuading some credit-card issuers from minimizing their interest rates.

According to Jeans S. Bowers (2009) research, less income consumers of credit cards try to employ the cards for the installment characteristic rather than for service features such as convenience, safety or identification. It has been recommended that the installment feature of credit is required by the small income customer to allow purchases like automobiles, furnishings and other customer durables.

NEED OF THE STUDY

The credit card users are found in several states of India though mostly in the urban areas. Looking at the extensive usage of credit cards among the educated group, the investigator considers that the typical user of cards required to be educated about the various types of credit cards accessible. This research points to observe the experiences of the credit card users, the reimbursement that ensue to them and the problems they countenance.

The problems that the credit cards users face in its daily usage. The precautions to be taken by the card users while using the credit cards. The remedies and the redressal that is available to them in case of loss or theft of their cards. An alertness is to be created amongst the credit card users about the frauds that take place and the precautions and safety actions to be adopted.

SCOPE OF THE STUDY

The credit card users are spread throughout India. As it is impossible to gather the feedbacks of all the credit card users in India, the scope of this research has been restricted to a sample of 330 respondents drawn from the states like Haryana, Punjab and Himachal etc. Credit card owners across all demographic parameters have been examined to obtain a true demonstration of the whole population of credit card holder.

RESEARCH METHODOLOGY

The sample involves customers having credit cards throughout India. It is essential to note that credit card users have been chosen from larger populations on the basis of both judgment and expediency. Based on the support from the literature, a sample size of 330 users was supposed to be sufficient for the current research.

The final sample size was random 330 in which 74% are Men and 36% are Women from the various states of India. Primary data was collected through survey. The basis of study is the data obtained from the questionnaires. Then a relative analysis is done in order to conclude perceptions of credit card services provided by private and public banks.

The sample selected was from varied age groups, income levels and occupation, area etc.

The fundamental goal behind the choice of the sample was to have a perception of users with varied interest, so as to have a view of users of India towards credit cards. "The extensive suitability of credit cards over India can be gauged by the growing interest demonstrated by various governments.

Governmental laws are being enacted in a number of states to protect the interest of the credit cards consumers." The banking sector too plays an important role in forming the financial system of a nation. The Indian banking sector too is helping to the growth of the nation by offering innovative payment mechanisms and thus bringing about a change in the life styles of the people. Conventional services are steadily paving

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the mode for better and newer products and services. There is already a “debate to move into a chequeless and cashless society” (Perry S., 2012).

He further states that “by 2018 the cheques would be dead”. Dealing of money in the conventional way is undergoing a radical change with ECS and „plastic money“ is the only way to carry out on the web. For purchases of higher values, plastic money has replaced conventional currency notes in most of the metro areas.

Today, Indian users are using bank credit cards more than ever before. There are many banks that offer credit cards to their users in India. As the number of credit cards consumers is increasing, it comprises a significant area of research for better understanding of customers; this can also help bankers to prepare better marketing policies.

The modern banking sector is growing at a remarkable pace and is trying to change the life styles of people all over India through the credit card which is getting universal acceptance. National and international credit cards have provided an immense motivation to the tourism industry all over India.

OBJECTIVES OF THE STUDY

The objectives of the study are as follows:

- 1) To study the development of banking industry in credit cards usage trends in various states of India.
- 2) To analyze the factors for acceptance of plastic money that replaces the paper or cash money.

LIMITATIONS OF THE STUDY

As the study involves a product that is very commonly used in urban areas, it would have been difficult to follow the detailed method of data collection. Hence, the study is based on a sample which will symbolize the population under the study. Due to a limited time, the study is based on the questionnaires collected from 330 respondents whose opinions form the basis of the study.

The study involves largely credit card consumers who are using credit cards and those who have discontinued its use. The findings and observations cannot be extended to other credit card users outside the geographical area of the study though it may be pertinent. For that macro level studies would be needed. The findings and observations cannot be extended to debit and other card users within the geographical area

of the research covered and elsewhere as the study does not focus on the same.

Data Analysis

330 respondents were included in this current research work. Out of these 330

respondents, 223 were male and 107 were female. They were asked the questions regarding their experience of using credit cards on different occasions.

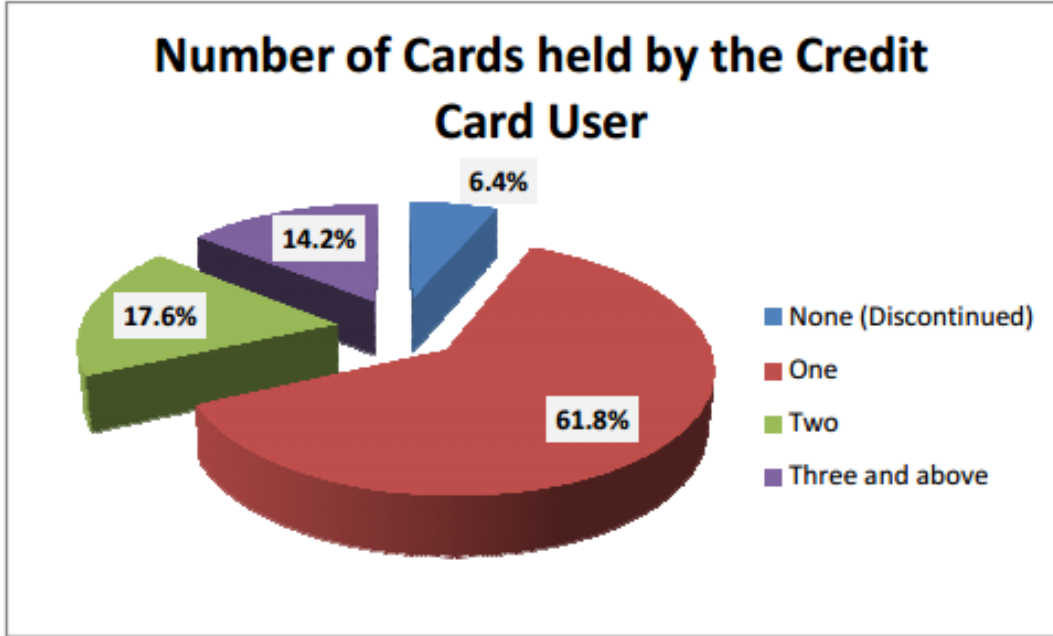
Number of Credit cards held by the user:

Table 1: Number of Credit cards held by the user

No. of credit cards	Male	Female	Total
One	125 (56.1%)	79 (73.8%)	204 (61.8%)
Two	47 (21.1%)	11 (10.3%)	58 (17.6%)
Three and above	42 (18.8%)	5 (4.7%)	47 (14.2%)
None (Discontinued)	9 (4.0%)	12 (11.2%)	21 (6.4%)
Total	223 (100.0%)	107 (100.0%)	330 (100.0%)

Figure 1: Number of Credit cards held by the user

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The data provides that on an average a large majority (61.8%) of the credit card users have a single card with sufficient credit limit that fulfills their requirements. 17.6% of the respondents have two credit cards.

Most Preferred Credit Cards:

It was observed that when the respondents were asked about the credit card they use then it was noted that 88 out of 330

respondents were using ICICI credit card in preference.

On the second choice, SBI credit card was found as 84 respondents replied in favor of SBI.

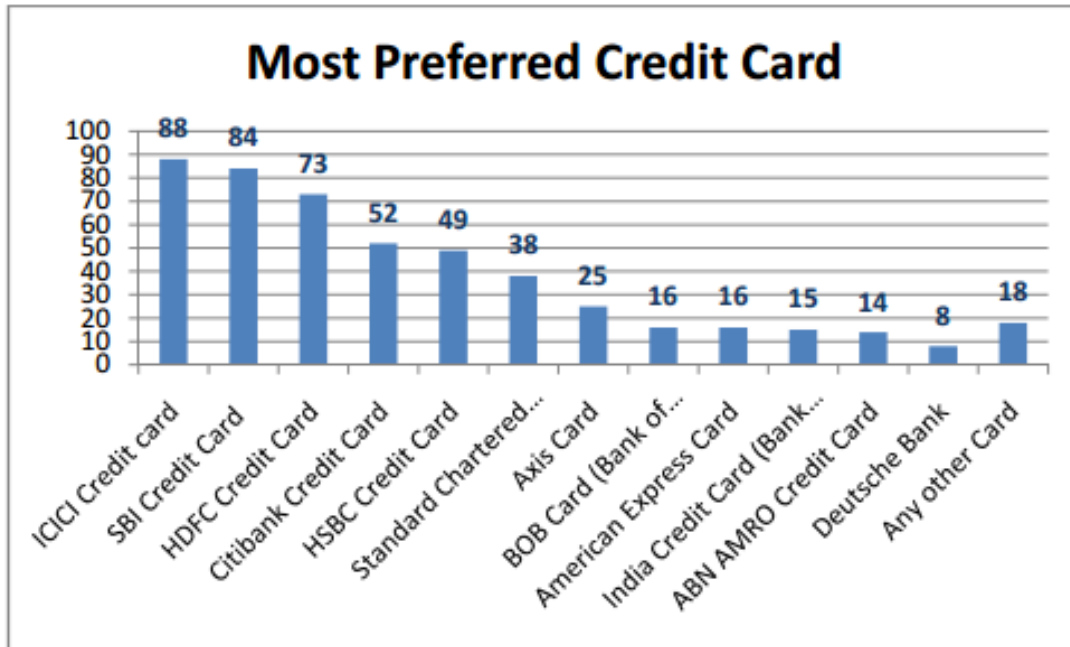
The following table describes the result of most preferred credit cards.

Table 2: Most Preferred Credit Cards

Issuer	Number	Percentage
ICICI Credit Card	88	17.74
SBI Credit Card (State Bank of India)	84	16.94
HDFC Credit Card	73	14.72
Citibank Credit Card	52	10.48
HSBC Credit Card	49	9.88
Standard Chartered Credit Card	38	7.66
Axis Card	25	5.04
BOB Card (Bank of Baroda)	16	3.23
American Express Card	16	3.23
India Credit Card (Bank of India)	15	3.02
ABN AMRO Credit Card	14	2.82
Deutsche Bank	8	1.61
Any other Credit Card	18	3.63
Total	496	100.00

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Figure 2: Most Preferred Credit Cards

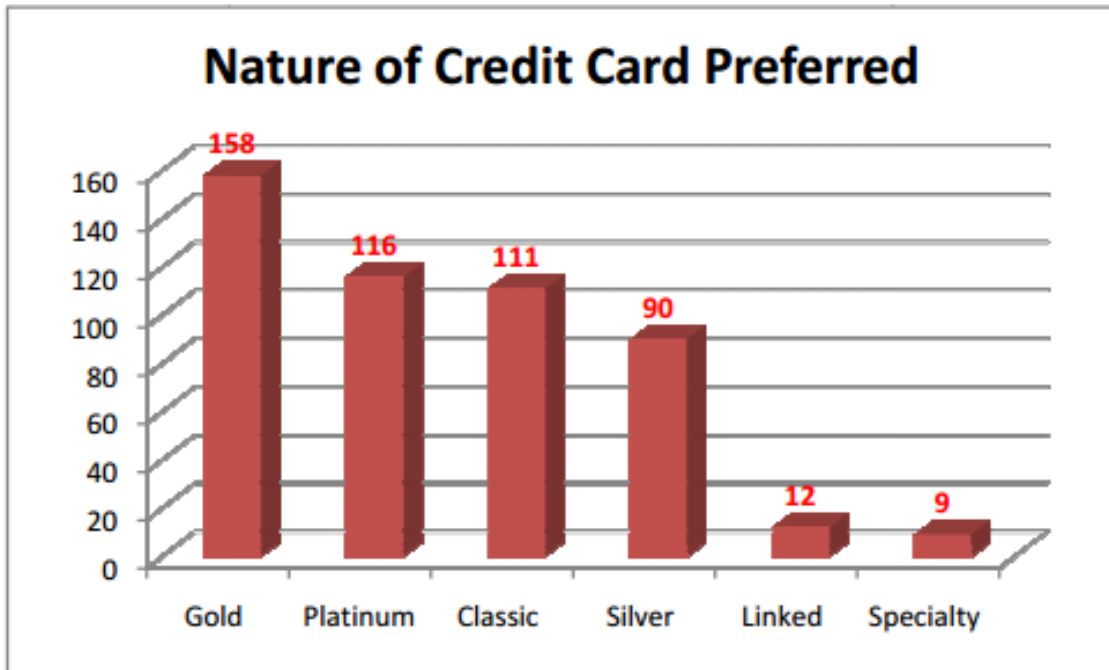


Nature of Credit card preferred:

Table 3: Nature of Credit card preferred

Nature of Credit Card	Number	Percentage
Gold (High End)	158	31.6
Platinum (Premium)	116	23.5
Classic (Basic)	111	22.5
Silver (Medium)	90	18.2
Linked (Merchant)	12	2.4
Specialty (Women/Student)	9	1.8
Total	496	100.00

Figure 3: Nature of Credit card preferred



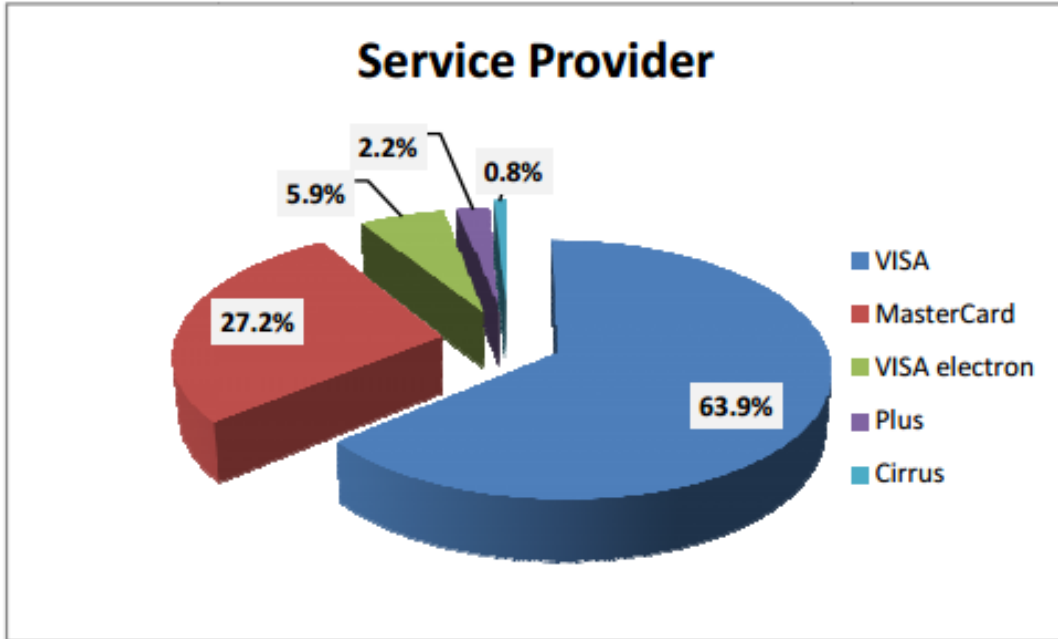
Service Provider (Credit Card Association):

Table 4: Service Provider (Credit Card Association)

Service Provider	Number	Percentage
VISA	317	63.9
MasterCard	135	27.2
VISA electron	29	5.9
Plus	11	2.2
Cirrus	4	0.8
Total	496	100.00

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Figure 4: Service Provider (Credit Card Association)



CONCLUSION & SUGGESTIONS

Consolidating the results of the tests we can summarize that the needs and expectations of the credit card users are satisfied with the services provided by the issuers. The credit card holders are happy as they get proper bills on time, credit cards are renewed and sent even before the old ones expire, points are redeemed they are not misled by false promises and new charges or charges are

revised only after proper intimation is given.

If we convert the five scale rating to three scale rating we find that 72.1% of the respondents have rated their overall experience as 'very good' and 'good' respondents have rated their experiences as poor and very poor with 20.9% having no complains using their credit cards and have rated their experience as satisfactory.

The following can be clearly seen in the following graph.

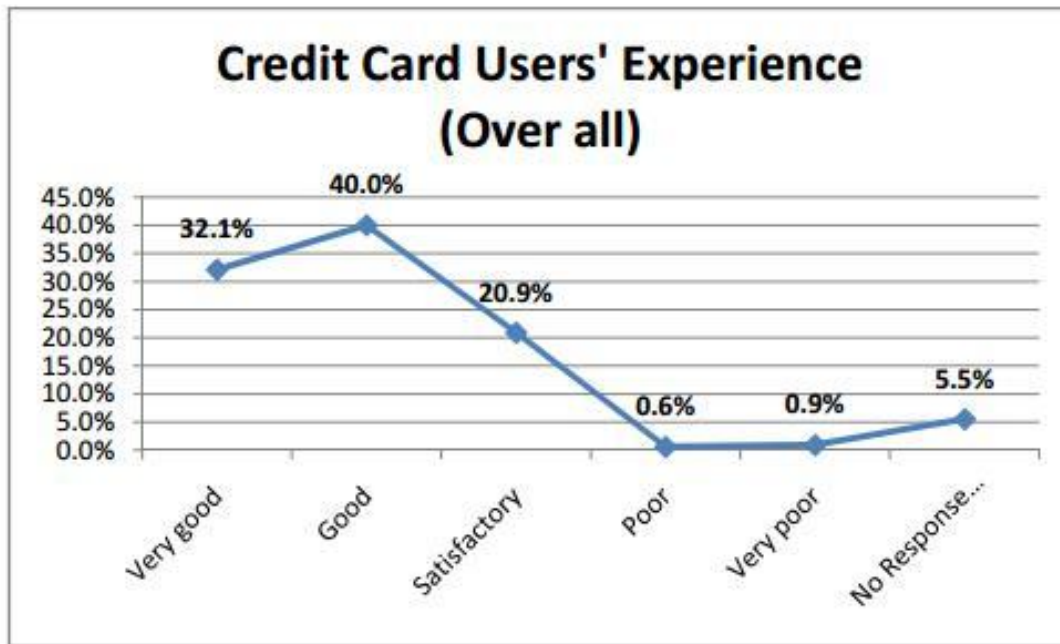


Figure : Credit Card Users'(Overall)Experience

To protect oneself from monetary losses and inconveniences due to credit cards getting misplaced lost or picked it is advisable to opt for the credit card protection policy which is available at a nominal value with the issuers.

A credit card user must register for the SMS services so that information is relayed every time the credit card is used and frauds (if any) can be detected early. The credit card user can always take recourse under Section 27 of the Consumer Protection Act 1986, if threatened by recovery agents using coercive and intimidatory tactics for recovery of outstanding amounts under

dispute.

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