

“A Study on Usage of Credit Card System”.

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Abstract: *A credit card is a small plastic card issued to users as a system of payment. It allows its holder to buy goods and services based on the holder's promise to pay for these goods and services. The issuer of the card creates a revolving account and grants a line of credit to the consumer (or the user) from which the user can borrow money for payment to a merchant or as a cash advance to the user.*

Keywords: *Attitude, Awareness, Credit card, Cardholders and Perception.*

I. Introduction

Taking cue from global economies, India too has been rapidly venturing into the plastic money business. In today's economy the credit cards are being widely used. During the past decades, these cards have become more and more popular in India.

The holders are relieved from the risk of carrying cash or cheque book with those, owing to revolving nature of credit, the customers can take advantage of it, and when he pleases, within the overall limit.

The purchasing power of the card holder increases to the extent of credit limit given in the card, if wisely used, credit cards can provide them extra money, interest free. The choices available in the market are money and most cards offer different features filling petrol on priority, easy overseas travel, special privilege for women a six by four centimeter plastic card makes possible all this and more plastic culture has caught on in India, the initial years have been shed and cards have become virtual currency. Nowonder, the credit card industry's growth rate is C5-I-percent per annum.

The credit card business has been, growing at a rapid pace. The world the present total volume is at over one billion cards and at turnover of around US\$1,500 billion. India is witnessing quantum jump with the growth rate at around 21 percent p.a. The present (2013) number of cards issued by banks in India would be a little over eighty one lakhs. The Citibank amongst the foreign banks the largest credit card issuer in India.

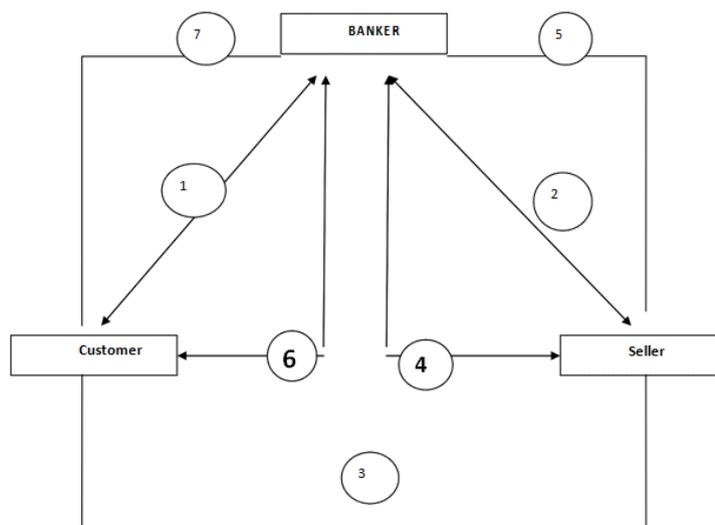
History Of Credit Card

Rapid growth however was not possible until the mid 50s when the development of electronic computer-permitted fast, migrate billing and accounting-Department stores, airlines, banks hotels and enterprises then entered the field and now offers credit to over 140 million card owners. To-day the information on the card is read by Automated Teller Machines (ATM's) store readers and bank and internet computers, According to Encyclopedia Britannica, the use of credit card originated in the United States during the 1920's.

The first national bank plan was Bank American Card which was started on a state wide basis in 1959 by the Bank of American California.

Procedure Or Operation Of The Credit Card

A credit card is a small plastic card that has a magnetic strip on the basis...The magnetic strip carries some form of encoded information's at the card number and the cardholder. The data that is encoded on the card may have been cryptic making it difficult for potential thieves to decode or the information on to another card. A reader is required to read as well information to the magnetic strip. In the credit card payment system there are four players the customer, vendor, the issuer, and acquirer.



1. Arrangements are completed between the banker and seller
2. The customer makes the actual purchases and signs on the sales voucher.
3. The sellers ends the detailed vouchers to the bank
4. The bank settles the claims of the seller
The customer receives the claims of the seller the customer makes the payments for the purchases made by him.

Objective of the study:

1. To find out the types of credit cards used by people.
2. To know the problems faced by credit card users.
3. To find out the influencing factors for credit card usage.
5. To find out the factors that influence to prefer credit card.

II. Review Of Literature

Al-Laham(2009) in his research “Development of Electronic Money and its Impact on the Central Bank Role and Monetary policy” asserts that, in recent years there has been considerable interest in the development of electronic money schemes. Electronic money has the potential to takeover from cash as the primary means of making small-value payments and could make such transactions easier and cheaper for both consumers and merchants. Electronic money is a record of the funds or “value” available to a consumer stored on an electronic device in her possession, either on prepaid card or on a personal computer for use over a computer network such as the internet. This paper argues that electronic money, as network goods, could become an important form of currency in the future. Such a development would influence the effectiveness and implementation of monetary policy. Author feels that, if an increased use of e-money substantially limits demand for central bank reserves, it would require changes in the operational target of the central bank and a closer coordination of monetary and fiscal policies.

Gan (2010) “Singapore credit cardholders: ownership, usage patterns and perceptions.” The purpose of this study is to analyze Singapore’s diverse cardholders in search of variations among demographic groups, credit card profiles, and their perceptions with regard to credit card ownership and use. It then aims to discuss possible reasons governing Singaporeans’ credit card ownership and use. In this study, decision trees were constructed using chi-square technique to examine the association between numbers of credit cards and the demographic characteristics, perceptions another credit card-related variable. The number of credit cards was found to be significantly influenced by income and gender as well as perceptions that include “credit cards leads to overspending”, “Saving as payment source”, “unreasonable interest rates”, “credit card as status symbol.” The number of credit cards was also affected by credit- card-related variables such as missing payments sometimes, frequency of use, entertainment expenditures, and patrol purchase. This research provides an in-depth understanding of Singapore an multiple cardholders, thus it issue full in designing marketing strategies for card-issuers as well as anti-debit strategies for policy-makers in Singapore.

Worthington (2011) “The adoption and usage of credit cards by urban-affluent consumers in China”. The purpose of this paper was to present exploratory research into the holding and usage of credit cards by a distinct segment of the Chinese population, who were “early adopters” of this product. Primary data was collected for taking sample of the urban affluent population in china to gauge preferences and attitudes towards these of

credit cards. The sample was drawn from an untargeted base than the actual target population of urban-affluent market but an available and valid respondent set, which offers insights into the “early adopters” of the credit card product in China. It was found, that the respondents were comfortable with the holding and use of credit cards particularly recognized their value for spending on travel and entertainment. The research also identified purchase trigger points, which indicated that the use of credit cards for purchases above certain values is already prevalent with the sample of urban-affluent Chinese consumers.

Park and Burns (2012), “Fashion orientation credit card use, and compulsive buying.” The study was to identify the direct impact of fashion-related factors on compulsive buying and the indirect impact of fashion-related factors on compulsive buying through credit card use. It was found credit card usage to be the most influential factor followed by expenditure on fashion goods. Research shows that fashion oriented consumers are heavy credit card users. Consumers who tend to have fashion leadership and know the importance of being well dressed might use their credit card more while those who have anti-fashion attitude are least likely to use their credit cards. The authors observe that the credit card is the most significant factor in encouraging compulsive buying and suggest that since other antecedents of such behavior are hard to bring down, regulatory action should focus on the control of credit.

1.15 HYPOTHESIS

Following hypothesis was made while analyzing the data;

- ❖ To – There is no relationship between Age and types of credit card
- ❖ To - There is no relationship between Sex and types of credit card
- ❖ Ho - There is no relationship between Occupation and types of credit card.
- ❖ Ho - There is no relationship between Education and types of credit card.
- ❖ Ho - There is no significant relationship between Monthly Income and Monthly amount usage of credit card.

Apart from this to test the opinion about credit card the hypothesis that no significant differences among the investors regarding the opinion about credit card were kept for the following factors;

- i. Convenient
- ii. Status Symbol
- iii. Facilitate large quantity of purchase without cash
- iv. Online ticket
- v. Useful in emergency
- vi. Internet buying
- vii. Provides preferential rates on hotel stay
- viii. Easy shopping

CHAPTER VI

Findings Suggestions and Conclusion

This study is an attempt to evaluate the usage of credit card system in Kanyakumari District.

The study has helped immensely in understanding the factors which influence the preferential attributes of credit card, the problems encountered by them in credit card and the opinion about credit card.

The study is both descriptive and analytical in nature. It is a blend of primary data and secondary data. The researcher has used questionnaire (Appendix-A). For collecting primary data, this study can be described as an informative and useful experiment.

The researcher, after having analyzed the data collected from the credit card holders as well as the bank, has arrived at certain findings and subsequently made some suggestions. The findings are based on the collected data and the interpretation of these findings.

FINDINGS

Major Findings

Reasons for using credit card

From the study it was found out that the main reason for using credit card is “easy to purchase” as it scored first rank in the analysis.

The Problems faced while using credit card

Weighted average method issued to analyze the problems faced while “get credit card. The most important major problem faced by the credit cardholders is “**High Charge**”.

Analysis of preferential attributes

Likert's five points scaling techniques adopted to find out the factors influence the analysis of preferential attributes. Convenient attribute has highest means core value (3.9), which indicates that **convenience** is feasible for all the credit cards surveyed.

Comparison between demographic Factors and types of credit Card

Chi-square test is applied to find out the relationship between demographic factors and types of credit card. It is found that there is **relationship** between Ages, Occupation and types of credit card.

There is no relationship between Gender and types of credit card.

Comparison between personal characters and types of credit card

ANOVA test is applied to find out the relationship between personal characters and types of credit card. It is found that there is **both relationship** between education and types of credit card.

There is **no relationship** between income and types of credit card.

Opinion about credit card

KS-test is applied to find out the opinion about credit card. It is found that there is **insignificant** difference between internet buying and Good customer Service.

There is **significant** difference between convenient, status symbol, facilitate large quantity of purchase without cash, online ticket, useful in emergency, provide preferential rates on hotel stay and easy shopping.

It has been found out that convenience is the main reason for the request use of credit cards.

Relationship between monthly Income and Monthly amount usage of credit card.

The study is point out that the relationship between monthly incomes in monthly amount usage of credit card was analyzed. There is **positive correlation** between monthly income and monthly amount usage of credit card.

Other Findings

From the survey conducted among eighty respondents the researcher came up on the following findings;

Age-wise Distribution

Most of the respondents that are thirty eight percent are in the age group of **twenty to thirty**.

Sex-wise Distribution

Most of the **female** (53%) respondents are taking credit card. (Nearly thirty three percent are women).

Education-wise Distribution

Most of the persons that are thirty five percent respondents are **Postgraduate holders**.

Occupation-wise Distribution

Most of the person that is fifty four percent respondents is **salaried persons**.

Monthly Income

Twenty four percent of the respondents are having a monthly income **of below Rupees ten thousand**.

Area of Residence

Seventy four percent of respondents are in **urban people**.

Customers opinion

Thirty two percent of the cardholders suggest that credit cards are

Convenient to use.

Period of using credit card

Forty two percent of the respondents are using credit cards for **less than two years**.

Satisfaction of credit card

Seventy four percent of the cardholders suggest than using the credit card is **satisfactory**.

Types of credit card

Twenty six percent of the respondents are using **Mastercards**.

Opinion regarding service Charges

Forty six percent of the cardholders feel that the fees charges for credit card are **medium**.

Opinion regarding rate of interest

Forty two percent of the respondents said that the rate of interest is **Medium**.

Knowledge about credit Card

Fifty two percent of the respondents are of opinion that all the people.

Monthly amount for usage of credit card

Thirty one percent of the card holders are spending through credit card for **rupees two thousand to rupees four thousand per month.**

Purpose of credit card

Forty six percent of the card holders are using credit card for **Purchasing durable goods.**

III. Suggestions

Bank Views Point

- The bankers/issuers should not only concentrate the credit card availability to salaried persons only but also extend the facility to other sectors of people including small businessmen, low income groups, etc.
- The banker/issuer should try to reduce the fee/interest charged on the card.
- The banker should need to provide adequate ATM centers.
- The banker/issuer should give adequate knowledge to the people regarding the usage of credit cards. This will help them to avoid credit card debt.
- The grace period regarding repayment of credit amount need to be increased.
- The bank should use adequate sophisticated technology to prevent the misuse of cards, fraud, etc.

Cardholder's viewpoint

- Before choosing the credit card shop around for that are best suitable.
- Pay the bills promptly to keep finance charges as low as possible.
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IV. Conclusion

It takes pleasure in presenting this report of the humble study that he has been made. It has full satisfaction over the work that was done independently with the guidance of the supervisor. The researcher has a feeling that at least some of the findings and suggestions may be useful to make some improvement/changes in condition regarding credit cards which in turn provides benefits to society and country as a whole.

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