Chapter I....

Introduction....
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INTRODUCTION

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1.1 INTRODUCTION:

Banking is service-oriented industry providing a wide range of services to the people in their day-to-day operations. Today the problem of the people is complex and varies from individual to individual. Man created the credit system, but with the improvement in transport and trade, people become mobile and the creditability of the entire customer could not be established by all the sellers. The innovative humans once again come up with yet another brilliant idea of plastic money. The plastic money or card payment offers the convenience of providing on the spot purchase and eliminates the carrying of huge amount of cash.

The introduction of payment cards by banks all over the world is considered as a major step, and as such the card has become a way of life in advanced countries. It is also fast catching up fasts in developing countries like India. During 1914, a number of oil companies issued the first payment card to their customer for the purchase of gasoline, oil and accessories at the company’s stations. Therefore, local departmental stores, railways companies also started issuing payment cards. The Franklin national bank of New York was introduced in 1951. It is the first banks in the US to adopt a credit card plan around 1958. In the early stages its growth was very slow in terms of member and values. However, in the recent past the scenario has changed dramatically.

Georgios Papadopoulos, EIPE (2001), the revolution in information and communication technologies facilitated the expansion of the electronic payment systems and the organization of new types of payment instruments. Communications became not only faster, easier and safer but also considerably cheaper. Much more efficient fund transfers systems emerged and as a result direct debits and credit transfers expanded considerably. Cards payments have been developing by providing added value services to consumers that rely on application of novel network technologies. Electronic money, the latest offspring of the electronic revolution in payment, is introduced for the facilitation of ecommerce and for low value transactions in general. This is considered of great importance for limiting the use of cash and it has been suggested that it could lay the foundations for a cashless society.

According to Whitesell (1992), W.C., the emergence and the expansion of different payment instruments manifest the trend towards specialization in different types of transaction. Actually different payment media have been developed, at least initially, as a
response to particular characteristics of specific types of transactions, while specific transactions often employ a particular type of payment medium, the one that serves better their special attributes. Transactions are not only defined by their frequency and their value, but also by the identity of transacting parties, their relation, the information that they possess on each other, their proximity, the market in the confines of which they transact (if any), and their ability to acquire, use, process and store different sorts of payment media. Some work is already been done in economics to provide a theoretical framework in the analysis of the relative attractiveness of different payment media for different transaction types.

In the mid 60's slowly but steadily, these cards payment instruments struck its roots. Diners club was the pioneer in launching the credit in India during 1961. The first nationalized bank to enter credit card business was central bank of India, which launched its card in August 1980. Andhra bank followed suit in next year. They are the innovations in the credit card business in India. Gradually other banks adopted this scheme. The number of nationalized and private banks issuing payment cards has increased significantly. Plastic card payments are now not only an integral part of the consumer life in metros, but even residents of smaller cities and towns have taken to them. This can be attributed to the aggressive strategy of nationalized and private banks promoting cards in smaller towns and cities. The payment cards business has become increasingly popular in India, thereby providing considerable scope for further expansions as an extension of banking service to its customer. Hence the study attempts to find the spending pattern, behavior and satisfaction of the credit card and debit card holders. The study was also trace out the problems faced by the credit card and debit card holders while using the Cards.

1.2 DEFINITION OF PAYMENT CARD:

It is a term collectively used to refer to different types of cards used by cardholder for payment. It includes credit cards, debit cards, charge cards or any other cards issued by financial institutions like banks which help cardholders to make payments for services, products or to obtain cash. The Dimension of a payment card is around 8.5 cm by 5.5 cm. The Total number of credit card holders in India was close to 14 million while debit cards holders were around 30 million by year 2005.
Payment Card is defined by the European Central Bank (2001) as “an electronic store of monetary value on a technical device that may be widely used for making payments to undertakings other than the issuer without necessarily involving bank accounts in the transaction, but acting as a prepaid bearer instrument”.

The technical devices upon which electronic money is stored and through which it operates are either card based (electronic purses, pre-charged cards, chip cards, contactless cards) or software based products. These interfaces give rise to important difference both to the character of the e-money and to the transactions where electronic money can be used. Software based electronic money is often operated by non-banking institutions CPSS (2001), while card based e-money is offered by the banking sector says St.George (2010). Card based systems are usually organized in a national level as extensions of the existing infrastructure of the banking system (ATMs, EFTPOS Gregor, Kelly (2009), inter-bank networks etc). A substantial investment is necessary for the establishment of card based electronic money; terminals both at POS (point of sale) as well as for loading the cards need to be installed. Software based products require only a fraction of the initial investment and a software platform is sufficient for their use. They can be used through the internet and so they are not constrained by national boundaries.

1.3 EVOLUTION OF PAYMENT CARDS:

Chronological history of payment card industry is as follows:

- 1887-The concept of the card was first time introduced by American Author Edward Bellamy (1887) in his utopian novel in year 1887. Edward used the term “credit card “11 times in his novel.

- 1914-Western Union started issuing charge card (A charge card is a means of obtaining short term loan for a purchase. It is like a credit card, with the difference that the cardholder must pay charges made to each month in full --there is no "minimum payment" other than the full balance. A partial payment or no payment results in a late fee (as much as 5% of the balance) and the possible restriction of future transactions or even cancellation of the card.) to its frequent customers. CardHub com(2011)

- 1924-Idea was taken by General Petroleum corp. to sell fuel by issuing fuel cards.

- 1930 —AT&T introduced the “the bell system Credit Card “for railroad and airlines.
1938—Several companies started accepting each other’s cards.
1950—Concept of using payment cards for merchandizing by Ralph Schneider and Frank X. McNamara in the meeting. Diner club introduced first ever “General Purpose cards” and shortly followed by American Express [Amex].
1958—Bank of America introduced the BankAmerica card which eventually evolved as present Visa card system.
1960—First Debit Card was introduced by a bank in France.
1966—Birth of Bank association -Master Card established.
1971—First ATM machine was installed by New York based Chemical Bank.
1980s—To reduce the number of cheques UK based banks started issuing Debit Cards.
1990s—Development of new techniques like E –purse and RFID Cards.

1.4 TYPES OF CARDS WITH RESPECT TO TECHNOLOGY USED:

Based on technology used payment cards have been classified in various categories, figure 1 depicts the various types of payment cards used in various banking transactions based on technology used in it.

Figure 1.1
Classification of Payment Cards on Technological basis
1.4.1 Magnetic Cards:

Magnetic cards basically have magnetic stripe on the back of the card. These cards have less information storage capacity as compared to smart cards. The length of a magnetic stripe is around 4 inches shown in fig. 1.2 and it consists of three tracks. Total data carrying capacity of a magnetic stripe card is just 900-1000 bits. Jerome Svigals (2011)

Example – Charge cards, ATM cards and debit cards usually used in India are magnetic cards.

Figure 1.2

Magnetic Card

1.4.2 Smart Cards:

A Smart card consists of small micro chip with memory embedded into a plastic card. Smart card was invented in 1970 by Roland Moreno of France. Smart cards are also called “chip cards” says W. Effing (1997). These cards are more secure than magnetic cards and provide multipurpose solutions. Smart cards should comply with ISO 7816 standard.

Smart Cards can be divided into 3-sub categories

1.4.2.1 Contact Cards: These smart cards require a contact between the card and card reader shown in fig. 1.3. These cards are used extensively in different functional areas, For Example – Access cards, driving license cards, medical record cards etc. EMVC.co. (2012)
1.4.2.2 Contactless Cards: (Figure 1.4)-These cards are advanced than contact cards. Contactless cards only need a card to come into close proximity of the card reader to read the stored information from short distance. These cards are more secure and faster than contact cards as the cardholder need not handover the card. Dubinsky, Zach (2010)

Example – Access cards used by TCS employees.
Contact-less cards worldwide increased from 7 million in 1995 to 200 million by year ending 2000 that is growth of 2758%.

1.4.2.3 **Combi Cards**: Combi card technology was developed by Japan and Korea in Asia. These are hybrid cards which can be used with contact or without contact, shown in Fig 1.5a and 1.5b. Basically these cards have two micro chips one for contact interface and other for contact less interface. Their main advantage is that we can use single card in multi ways, such as credit card, bank card, membership card, ID-card, etc., all in the same card.

**Figure 1.5a**

**Image of Combi Cards**


**Figure 1.5b**

**Combi Card (VISA contact-less cards)**
Smart cards can also be categorized in two ways-

- **Memory Card**: Memory cards contain only non-volatile memory storage components and provision for security.

- **Microprocessor Card**: Microprocessor cards comprise of memory and microprocessor component. Microprocessor can perform complex calculations. It has tamper-resistant properties i.e. a secure crypto-processor, secure file system, and ensure confidentiality of information in the memory.

### 1.4.3 Biometric Card:

It uses unique human physical or behavioral characteristics to verify the identity of the individuals. There are different physical or behavioral characteristic such as fingerprint impression, voice authentication, eye etc which can be used for authentication purposes. According to Dileep Kumar, Yeonseung Ryu(2009) Wal-Mart does payments 70% faster than traditional form by using biometric cards.

### 1.5 GENERAL CLASSIFICATION OF PAYMENT CARDS:

General classification of payment card includes two main types as

- a) **Consumer Cards** and
- b) **Commercial Cards**.

#### 1.5.1 Consumer Cards:

Consumer cards have been classified as: a) Debit Card, b) Credit Card, c) Charge Card, d) ATM Card, e) Retail/Store Card, f) Prepaid Card. The details of these cards as follows:

#### 1.5.1.1 Debit Card: A card issued by the bank that allows cardholder to directly access his funds from the account. A Cardholder can use debit card for payment of his merchandize or withdrawing cash through the ATM. A debit card is just like a credit card but the difference is that funds are immediately debited (taken out) from cardholders account. According to Singh Sumanjeet(2009) Debit card is also called “bank card” because card is issued by bank against cardholder’s funds available with bank.

Debit Card - “Buy now & Pay now from account“.
1.5.1.2 **Credit Card**: A card which indicates that, the card holder has been granted a line of credit, which can be used by cardholder to withdraw cash, service or product up to a specific and set credit limit. Payment is usually made monthly or specific predefined period and interest is charged on unpaid balance amount. About 100 million Chinese are expected to have their first credit card by 2010. This market will be the third biggest market (in terms of card holders) in the world after US and Japan says Sullivan, arthur; Steven M. Sheffrin (2003)

Credit Card –“Buy now & pay later “.

![Classification of Payment Cards](image)

1.5.1.3 **Charge Card**: A charge card is very similar to a credit card. The difference is that, in credit card you have revolving credit which can be carry forwarded but here in charge cards the charges are to be paid in full within the month. So every month the charges have to be paid off. Governments and large businesses often use charge cards to pay and keep track of expenses. The first charge card for customers was offered by Western union in 1914. Payment schemes like American Express and Diners Club also have charge cards, rather than credit or debit cards like VISA
and MasterCard. Charge Card —“Buy now & pay it later without any carry forward of balance “

1.5.1.4 ATM Card —ATM card is also called as “Cash Card”. It allows cardholder to get immediate cash through an automatic teller machine (ATM) which may or may not belong to card issuing bank. ATM card does not provide any facility of merchandizing or credit. These are becoming less and less popular because of limited facilities provided by ATM cards. SEPA (2010)

ATM Card —“Off branch banking”

1.5.1.5 Store or Retailer Card — It is a transaction card issued by retailers such as oil companies, super bazaars etc. Cardholder can purchase goods or services from issuing retailer using this card. Store card operates as credit card. As this card is only accepted by the issuing retailer it is also called as “Private label card“. Example —Store card issued by online store like Amazon. Retail Payment System (2004)

Store card — “Merchant & limit specific”.

1.5.1.6 Prepaid Cards-Prepaid credit cards offer a convenient way to control credit card debt while still enjoying the flexibility of plastic. A loadable card that can be used anywhere. Now-a-days issued to teens to control spending.

1.5.2 Commercial Cards

Commercial cards have been classified as:

a) Procurement Card.
b) Business Card,c) Prepaid Card.

The details of these cards are as follows:

1.5.2.1 Procurement or Purchase Card — Purchase card is issued to meet the needs of the centralized purchasing department of the big organizations. Purchasing is a major function of any organization. Traditionally purchase function requires setting of trading account with supplier which is more time consuming and expensive. Purchasing card reduce the cost and make the process automated hence fast and less costly. Avery, Susan (2005)
1.5.2.2 **Business or Corporate Card**—Corporate card is issued to big organizations and corporations for employee’s travel & entertainment (T&E). These cards are also called “Travel and Entertainment card”. It also helps company in fleet and small purchase control. Corporate card is issued looking at financial position of the company. It helps organization to control individual and departmental wise expenditure.

These cards have two liabilities options—

- **Individual Liability with Corporate Indemnity** where the employee cardholder pays the outstanding balance by direct debit on a chosen date by the card holder. Here if the cardholder defaults, the employer is liable for payment of the same.

- **Corporate Liability** where billing is direct to a central point in the employer’s organization. Liability for payment is with the employer who provides details of card expenditure to the cardholders for taxation purposes.

1.5.2.3 **Prepaid or E-Purse Cards**—E-purse is financial pre-paid instrument with some stored value. Card holder can use this card to make transactions like to pay bills and money is automatically deduced from the card and cardholder can recharge this card just like mobile pre-paid cards. Palmer, R., & Gupta, M. (2007) says the main difference between E-purse card and debit card or credit card is that the value is stored in the card and not on the centralized server as in case of credit card. It is multipurpose, it can be pre-loaded or not. It is subset of pre-paid card.

Example—Octopus E-purse card was introduced in Singapore in year 1997.

1.6 **CO-BRANDING CARDS:**

These are basically credit cards rolled out by merchants in association with banks. The merchants provide specific facilities or discount to cardholders. Both parties, the merchant and the bank benefits from each other’s brand value. The issuing bank bears basic risk. These cards are also referred to as “Affinity Card” says Wei-Lun Chang (2009).

Example—India’s largest private sector bank ICICI Bank have co-branded credit cards with merchants like HPCL, BPL Mobile.
1.7 LOYALTY CARDS:

Loyalty card is given to customers by the organization to reward the loyalty of the customers. It records the frequency of customer’s purchasing habit and find out resulting discount. Loyalty Card is also called ‘Reward Cards’ says Sharp, Byron and Anne Sharp (1997).

Example -Pantaloons offer a loyalty card program called ‘Green Card’.

1.8 SHARIA COMPLAINT CARD:

These are basically credit cards. These types of cards are basically used in countries with Muslim legislature like Saudi Arabia. These cards follow the rule of Islamic deferred payment. Banks use different ways to calculate interest on these cards based on sharia laws.

Example-Arab National Bank offer Sharia Complaint Card with name ‘Al Mubarak Card’.

1.9 INSTALLMENT CREDIT:

This is a basic process of repayment of amount by cardholders to card issuer, which can be a bank or any other financial institution. Money is repaid in equal installment over a specific period of time. EMI (Equated Monthly Installment) is a type of installment lending.

Credit Card Based Installment Lending Process:

Credit card companies are also offering installment based lending on some specific and selective purchases such as air ticket, holiday trips etc. A Cardholder can use credit card to get money from ATM machines. Cardholders can treat the amount as a separate loan and pay back money in easy and flexible installments.

1.10 REVOLVING CREDIT:

This is a method used by credit card companies for repayment of money by card holders. This method is different from installment credit. The key difference between installment credit and revolving credit is that in revolving credit there is no specific outstanding loan, but the card holder is given a line of credit against which customer can borrow and make payments multiple times during a specific period of time. Credit
cardholder can carry forward his balance amount by paying some minimum amount as defined by the contract between cardholder and card issuer.

1.11 DEBIT CARD – AN OVERVIEW:

A debit card (also known as a bank card or check card) is a plastic card that provides the cardholder electronic access to his or her bank account(s) at a financial institution. Some cards have a stored value with which a payment is made, while most relay a message to the cardholder’s bank to withdraw funds from a designated account in favor of the payee’s designated bank account. The card can be used as an alternative payment method to cash when making purchases. In some cases, the primary account number is assigned exclusively for use on the Internet and there is no physical card.

In many countries, the use of debit cards has become so widespread that their volume has overtaken or entirely replaced cheques and, in some instances, cash transactions. The development of debit cards, unlike credit cards and charge cards, has generally been country specific resulting in a number of different systems around the world, which were often incompatible. Since the mid 2000s, a number of initiatives have allowed debit cards issued in one country to be used in other countries and allowed their use for internet and phone purchases.

Debit cards usually also allow for instant withdrawal of cash, acting as the ATM card for withdrawing cash. Merchants may also offer cashback facilities to customers, where a customer can withdraw cash along with their purchase.

1.11.1 Definition of debit card:

According to Investopedia (2011) Debit Card is “An electronic card issued by a bank which allows bank clients access to their account to withdraw cash or pay for goods and services. This removes the need for bank clients to go to the bank to remove cash from their account as they can now just go to an ATM or pay electronically at merchant locations. This type of card, as a form of payment, also removes the need for checks as the debit card immediately transfers money from the client’s account to the business account.”.

1.11.2 Types of debit card:

According to Martin, Andrew (2010) there are currently three ways that debit card transactions are processed: EFTPOS (also known as online debit or PIN debit), offline
debit (also known as *signature debit*) and the Electronic Purse Card System. One physical card can include the functions of all three types, so that it can be used in a number of different circumstances.

Although many debit cards are of the Visa or MasterCard brand, there are many other types of debit card, each accepted only within a particular country or region, for example Switch (now: Maestro) and Solo in the United Kingdom, Interac in Canada, Carte Bleue in France, Laser in Ireland, EC electronic cash (formerly Eurocheque) in Germany, UnionPay in China and EFTPOS cards in Australia and New Zealand. The need for cross-border compatibility and the advent of the euro recently led to many of these card networks (such as Switzerland’s “EC direkt”, Austria’s "Bankomatkasse" and Switch in the United Kingdom) being re-branded with the internationally recognised Maestro logo, which is part of the MasterCard brand. Some debit cards are dual branded with the logo of the (former) national card as well as Maestro (for example, EC cards in Germany, Laser cards in Ireland, Switch and Solo in the UK, Pinpas cards in the Netherlands, Bancontact cards in Belgium, etc.). The use of a debit card system allows operators to package their product more effectively while monitoring customer spending. An example of one of these systems is ECS by Embed International.

Figure 1.7

*Types of debit card*
A) **Online Debit Card**

Online debit cards require electronic authorization of every transaction and the debits are reflected in the user’s account immediately. The transaction may be additionally secured with the personal identification number (PIN) authentication system; some online cards require such authentication for every transaction, essentially becoming enhanced automatic teller machine (ATM) cards.

One difficulty with using online debit cards is the necessity of an electronic authorization device at the point of sale (POS) and sometimes also a separate PINpad to enter the PIN, although this is becoming commonplace for all card transactions in many countries.

Overall, the online debit card is generally viewed as superior to the offline debit card because of its more secure authentication system and live status, which alleviates problems with processing lag on transactions that may only issue online debit cards. Some on-line debit systems are using the normal authentication processes of Internet banking to provide real-time on-line debit transactions. The most notable of these are Ideal and POLI.

B) **Electronic Purse Card**

Smart-card-based electronic purse systems (in which value is stored on the card chip, not in an externally recorded account, so that machines accepting the card need no network connectivity) are in use throughout Europe since the mid-1990s, most notably in Germany (Geldkarte), Austria (Quick Wertkarte), the Netherlands (Chipknip), Belgium (Proton), Switzerland (CASH) and France (Mon€o, which is usually carried by a debit card). In Austria and Germany, all current bank cards now include electronic purses.

C) **Signature Debit or Offline Debit Card**

Offline debit cards have the logos of major credit cards (for example, Visa or MasterCard) or major debit cards (for example, Maestro in the United Kingdom and other countries, but not the United States) and are used at the point of sale like a credit card (with payer’s signature). This type of debit card may be subject to a daily limit, and/or a maximum limit equal to the current/checking account balance from which it draws funds. Transactions conducted with offline debit cards require 2–3 days to be reflected on users’ account balances.
In some countries and with some banks and merchant service organizations, a "credit" or offline debit transaction is without cost to the purchaser beyond the face value of the transaction, while a fee may be charged for a "debit" or online debit transaction (although it is often absorbed by the retailer). Other differences are that online debit purchasers may opt to withdraw cash in addition to the amount of the debit purchase (if the merchant supports that functionality); also, from the merchant's standpoint, the merchant pays lower fees on online debit transaction as compared to "credit" (offline).

1.11.3 Advantages of debit cards:

- According to Borzekowski, R., E. Kiser, and S. Ahmed (2008) a consumer who is not credit worthy and may find it difficult or impossible to obtain a credit card can more easily obtain a debit card, allowing him/her to make plastic transactions. For example, legislation often prevents minors from taking out debt, which includes the use of a credit card, but not online debit card transactions. Research has shown that consumers with lower credit scores use debit cards more intensively than those with higher credit scores.

- For most transactions, a check card can be used to avoid check writing altogether. Check cards debit funds from the user's account on the spot, thereby finalizing the transaction at the time of purchase, and bypassing the requirement to pay a credit card bill at a later date, or to write an insecure check, containing the account holder's personal information.

- Like credit cards, debit cards are accepted by merchants with less identification and scrutiny than personal checks, thereby making transactions quicker and less intrusive. Unlike personal checks, merchants generally do not believe that a payment via a debit card may be later dishonored.

- Unlike a credit card, which charges higher fees and interest rates when a cash advance is obtained, a debit card may be used to obtain cash from an ATM or a PIN-based transaction at no extra charge, other than a foreign ATM fee.

1.11.4 Disadvantages of debit cards

- Use of a debit card is not usually limited to the existing funds in the account to which it is linked, most banks allow a certain threshold over the available bank balance which can cause overdraft fees if the user's transaction does not reflect available balance. This disadvantage has lessened in the United States with the
requirement that an issuer obtain opt-in permission in advance to allow an overdraft on a debit card. Lacking this opt-in, overdrafts are not permitted for electronic transactions.

- Many banks are now charging over-limit fees or non-sufficient funds fees based upon pre-authorizations, and even attempted but refused transactions by the merchant (some of which may be unknown until later discovery by account holder).

- Many merchants mistakenly believe that amounts owed can be "taken" from a customer's account after a debit card (or number) has been presented, without agreement as to date, payee name, amount and currency, thus causing penalty fees for overdrafts, over-the-limit, amounts not available causing further rejections or overdrafts, and rejected transactions by some banks.

- Foster, K., E. Meijer, S. Schuh, and M. Zabek, (2009) says in some countries debit cards offer lower levels of security protection than credit cards. Theft of the users PIN using skimming devices can be accomplished much easier with a PIN input than with a signature-based credit transaction. However, theft of users' PIN codes using skimming devices can be equally easily accomplished with a debit transaction PIN input, as with a credit transaction PIN input, and theft using a signature-based credit transaction is equally easy as theft using a signature-based debit transaction.

- In many places, laws protect the consumer from fraud much less than with a credit card. While the holder of a credit card is legally responsible for only a minimal amount of a fraudulent transaction made with a credit card, which is often waived by the bank, the consumer may be held liable for hundreds of dollars, or even the entire value of fraudulent debit transactions. Because debit cards allow funds to be immediately transferred from an account when making a purchase, the consumer also has a shorter time (usually just two days) to report such fraud to the bank in order to be eligible for such a waiver with a debit card and recover the lost funds, whereas with a credit card, this time may be up to 60 days, and the transactions are removed without losing any credit. A thief who obtains or clones a debit card along with its PIN may be able to clean out the consumer's bank account, and the consumer will have no recourse.
1.11.5 Debit Card around the world

The first debit card may have hit the market as early as 1966, according to a report by the Kansas City Federal Reserve (2005). The Bank of Delaware piloted the card. And by the ‘70s, several other banks were trying out similar ideas. Robert Manning, author of *Credit Card Nation*, said debit card usage picked up in the ‘80s and ‘90s as more and more ATMs started cropping up across the country. In 1990, debit cards were used in about 300 million transactions. In 2009, prepaid and debit cards were used in 37.6 billion transactions.

"As merchants began paying financial institutions for the convenience of processing debit card transactions (including payment protection), fees slowly went away," Westermann said in an email.

Today, merchants typically pay a swipe fee each time a debit card is used. A Federal Reserve survey (2005) found the average swipe fee is 44 cents. Those fees added up to $16.2 billion in 2009 for prepaid and regular debit cards.

Consumers are also using debit cards with greater frequency. An IBOPE Zogby International survey (2009) found that, when making daily purchases, about 55 percent of consumers say they use their debit card more than half the time. Manning said many borrowers have seen their credit card limits cut. Others voluntarily cut back on credit card use. But banks see that as a problem, because in a few months, regulations -- which don't apply to credit cards -- will limit the amount they can charge in swipe fees.

1.12 CREDIT CARD - AN OVERVIEW:

1.12.1 History:

Our society was once upon a time functioning without money; it is again likely to become moneyless. While ancient society was confronted with the problems of adjusting mutually satisfactory rates and basis of exchange, future society, with the help of computers, electronics and telecommunications, credit cards, telephone and other modern means of communications, would settle financial transactions instantly. Money as a medium of exchange will serve its function. The difference will be that in future coins, currency notes, cheques, etc., will be dispensed with in favour of records. India has entered the stage of credit card system and credit cards are gaining increasing relevance to facilitate industrial, commercial and agricultural transactions.
Credit was first used in Assyria, Babylon and Egypt 3,000 years ago. The bill of exchange – the forerunner of bank notes - was established in the 14th century. Debts settled by one-third cash and two-thirds bill of exchange paper money followed only in the 17th century. The first advertisement for credit was placed in 1730 by Christopher Thornton who offered furniture that could be paid off weekly.

From the 18th century until the early part of the 20th, tallymen sold clothes in return for small weekly payments; they were called “tallymen” because they kept a record of tally of what people had brought on a wooden stick. One side of the stick was marked with notches to represent the amount of debt and the other side was a record of payments. In the 1920s shopper’s plate – “buy now, pay later” system – was introduced in USA. It could only be used in shops which issued it.

The credit card was the successor of a variety of merchant credit schemes. It was first used in the 1920s, in the United States, specifically to sell fuel to a growing number of automobile owners. In 1938 several companies started to accept each other's cards. The concept of paying merchants using a card was invented in 1950 by Ralph Schneider and Frank X. McNamara in order to consolidate multiple cards. The Diners Club, which was created partially through a merger with Dine and Sign, produced the first "general purpose" charge card, which is similar but required the entire bill to be paid with each statement; it was followed shortly thereafter by American Express and Carte Blanche.

Western Union had begun issuing charge cards to its frequent customers in 1914.

Bank of America created the BankAmericard in 1958, a product which eventually evolved into the Visa system ("Chargex" also became Visa). MasterCard came to being in 1966 when a group of credit-issuing banks established Master Charge. The fractured nature of the US banking system meant that credit cards became an effective way for those who were travelling around the country to move their credit to places where they could not directly use their banking facilities. In 1966 Barclaycard in the UK launched the first credit card outside of the US.

There are now countless variations on the basic concept of revolving credit for individuals (as issued by banks and honored by a network of financial institutions), including organization-branded credit cards, corporate-user credit cards, store cards and so on.
In contrast, although having reached very high adoption levels in the US, Canada and the UK, it is important to note that many cultures were much more cash-oriented in the latter half of the twentieth century, or had developed alternative forms of cash-less payments, like Carte bleue, or the EC-card (Germany, France, Switzerland, among many others). In these places, the take-up of credit cards was initially much slower. It took until the 1990s to reach anything like the percentage market-penetration levels achieved in the US, Canada or UK. In many countries acceptance still remains poor as the use of a credit card system depends on the banking system being perceived as reliable.

In contrast, because of the legislative framework surrounding banking system overdrafts, some countries, France in particular, were much faster to develop and adopt chip-based credit cards which are now seen as major anti-fraud credit devices.

The design of the credit card itself has become a major selling point in recent years. The value of the card to the issuer being related to the customer’s usage of the card. This has led to the rise of Co-Brand and Affinity cards - where the cards design is related to the "affinity" (a university, for example) leading to higher card usage. In most cases a percentage of the value of the card is returned to the affinity group.

The wave of credit cards entry set banking industry - a vital sector of a society into a new motion with ample scope of getting new accounts and more deposits from their clients. Further development took place as more establishments were willing to accept them in the place of cash, and more consumers found the concept to be a convenient mode of making payments.

It will not be an exaggeration to say that there is a copious growth potential for credit card market especially with the rapidly upwardly mobile middle class in India being drawn to the plastic money (credit card) culture. No doubt that the numbers of credit card takers are on the lower side but marketers are on their path to give firm roots to the idea of credit card. The market for credit card at the moment is estimated to be around 2 million and it is believed, with 300 million potential middle class people as credit card customers that credit card business is going to occupy a special place in banks as well as with consumers as a way of spending money.

1.12.2 Concept of credit card:

Progress in civilization in its turn has brought out radical changes in the manner of trading. The need for something intrinsically useful and easily applicable in everyday
dealing is clearly felt. Cash in the form of currency notes and coins makes up just one form of the payment system. Development in banking while also giving inputs to the further development of cash brought about a second phase in payment namely paper instructions such as cheques and credit transfers. The requirement for greater flexibility and convenience has led to electronic payments, and this is where plastic cards have proved their worth. It allows the card issuers to limit the sum of money the card-holders wish to spend. The spending of card-holders who have defaulted on payments or who are over their credit limit can be restricted until the balances are cleared.

1.12.3 Definition of credit card:

A credit card is a credit-token within the meaning of section 14(1), Consumer Credit Act 1974 of the UK which defines a credit-token as a card, cheque, voucher, coupon, stamp, form booklet or other document or thing given to an individual by a person carrying on a consumer credit business, who undertakes:- that on the production of it (whether or not some other action is also required), he will supply, cash, goods and services (or any of them) on credit, or that were, on the production of it to third party (whether or not any other action is also required), the third party supplies cash, goods and services (whether or not deducting any discount or commission), in return for payment to him by the individual.

In very simple words credit card can be termed as an unsecured personal loan offered to customers by the banks where the card-holder could purchase goods and services from authorized merchant or merchant establishments (MEs) of the bank up to a fixed limit on credit. Such credit is normally made available for a period of 30 to 45 days. This is turn helps earn income by way of commission from its merchant establishments; the scheme provided large scope for sale and increased turnover with assured and prompt payment.

In 1951, the Franklin National Bank in New York issued the first modern credit card. Unsolicited credit cards were sent to prospective card-holders who were not subject to credit screening prior to being sent a card. Merchants signed agreements to accept the cards. When a purchase was made, the card-holder presented the card to the merchant, who would copy the information on the merchant’s account at Franklin Bank in the amount of the transactions, less the discount rate. If a purchase exceeded the merchant’s floor limit, the merchant was required to call the bank for approval. Franklin National
Bank’s Credit Card programme was copied by hundreds of other banks in the late 1950s and early 1960s.

The Bank of America issued Bank Americard in 1958 and eight years later, in 1966, the banks comprising the Western State Bank Card Association issued the Master Charge Card. Bank America and Master charge card became the focal points for the eventual groupings of all bank cards throughout the world. The VISA and the MASTER the largest credit cards today appeared in market in 1966. These two international cards are very popular and are accepted and honored all over the world in 170 countries. These two independent card companies led to latest innovations in the credit card business. Now the credit card system has become universally popular throughout the world including the Communist countries. At the end of 1995 and 1980 a million cards were used in the world. The total number of credit card users in India is currently in excess of 80 lakh and now more than 30 banks are chasing customers with their cards.

The credit card system, in its simplest form is a method of obtaining credit on hire purchase, whereby the card holder can make purchases on credit upto an amount agreed by him with the credit card company by presenting the card in lieu of cash. Hence, credit cards are termed as 'convenient money' and also as 'safe' or 'plastic money'. Thus, credit cards enable one to purchase goods and services without using cash.

A credit card can be viewed as a payment mechanism which enables the holder of the card to purchase goods or services without parting with immediate cash; and make a one-time payment at the end of a specified period (known as the billing cycle which is usually a month) with a provision for spreading this payment over several easy instalments.

The credit card system has two objectives. They are:

(I) To facilitate credit purchases and availment of cash ill times of need and making the payment later, and

(II) To avoid the necessity of carrying currency with its inherent risk, inconvenience, and danger by providing the cards which are very easy to carry.

The credit card is built around the revolving credit concept. The card carries a pre­set limit for spending which can be utilized by the cardholder during the specified period say, a month. At the end of the month, the holder needs to pay about 5% to 1094 of the outstanding value of purchases and liquidate the balance in easy instalments over the next
few months. Of course, the balance outstanding at the month carries a rate of interest of 2% to 3% per month and the interest associated with the revolving credit constitutes the major source of revenue for the issuer. Thus, credit card embodies two essential aspects of a banking function - the transmission of payments and the granting of credit.

A credit card allows consumers to purchase products or services without cash and to pay for them at a later date. To qualify for this type of credit, the consumer must open an account with a bank or company, which sponsors a card. They then receive a line of credit with a specified dollar amount. They can use the card to make purchases from participating merchants until they reach this credit limit. Every month the sponsor provides a bill, which tallies the card activity during the previous 30 days. Depending on the terms of the card, the customer may pay interest charges on the amount that they do not pay for on a monthly basis. Also, credit cards may be sponsored by large retailers (such as major clothing or department stores) or by banks or corporations (like VISA or American Express).

Credits cards are a relatively recent development. The VISA Company, for example, traces its history back to 1958 when the Bank of America began its BankAmerica program. In the mid-1960s, the Bank of America began to license banks in the United States the rights to issue its special BankAmericards. In 1977 the name Visa was adopted internationally to cover all these cards. VISA became the first credit card to be recognized worldwide.

The banks and companies that sponsor credit cards profit in three ways. Primarily they make money from the interest payments charged on the unpaid balance, but they also can make money by charging an annual fee for the use of the card. The income from this fee, which is typically only $50 or $75 per customer per year, can be substantial considering that the larger companies have tens of millions of customers. In addition, the sponsors make money by charging merchants a small percentage of income for the service of the card. This arrangement is acceptable to the merchants because they can let their customers pay by credit card instead of requiring cash. The merchant makes arrangements to participate in a credit card program with a merchant bank, which in turn works with a card-issuing bank. The merchant bank determines what percentage of the total purchase value has to be paid by the merchant to the card-issuing bank. The amount varies depending on the volume and type of business, but in general it is between 1-2%. A percentage of that amount is kept by the merchant bank as a transaction-processing fee.
For companies like American Express which sponsor cards, the processing fee may be significantly higher. Furthermore, sponsors may generate income by leasing credit card verification equipment to merchants (especially if the merchants cannot afford to purchase the equipment themselves.) Finally, sponsors may profit by charging service fees for late payments.

The credit card has proven to be a popular and effective vehicle for banks to extend unsecured credit to consumers and small businesses and a convenient way for consumers and small businesses to borrow money from banks. The proliferation of credit cards has also stimulated the formation of credit-scoring firms, which collect information on people’s payment records and help banks to assess the risks of lending to particular individuals or businesses. It has also stimulated the development of securitization—a device that enables banks to sell the receivables from their credit card loans, diversify away some of the risks of credit card lending, and most importantly, to offer more credit card loans to deserving borrowers.

1.12.4 Types of Credit Cards:

There are many types of credit cards which are used by different types of customers and account holders. Mostly business personnel use credit cards which are convenient in their use and which suit businessmen. Similarly, students would use student credit cards and a layman will use general purpose cards. There are some most used types of credit cards. For example, Interest Credit Cards are mostly used by businessmen and company CEOs because there is a charge of interest if credit card payment has not been annulled in time.

Following are various types of credit cards:

1. Travel and Entertainment Card:

These were primarily for travel and entertainment purposes and became known as ‘T & E’ cards. They were a method of payment rattler than a source of credit and did not provide a credit limit. In this category the Diner's club was the first to appear in America and was introduced to Great Britain in 1951, a year after its launch in America.

2. Cheque Card:

The purpose of a cheque card is, in effect to guarantee payment of a cheque within prescribed limits, whether presented for cash at a branch of a paying bank or to a trader for
goods or services. The first cheque card was introduced by National Provincial Bank in October 1965, guaranteeing payment of cheques up to £30. An inevitable corollary of the cheque card's arrival was the reluctance of traders to accept cheques without a supporting card. Now-a-days cheque cards are available in support of cheques issued by all the British clearing banks.

3. **Charge Card:**

A charge card is a payment card where the cardholder is required to settle the outstanding in full at the end of a short period, usually a month.

Thus, a charge card is a convenience instrument, not a credit instrument. Under this facility, the cardholder needs to make a consolidated payment to the issuer for all purchases effected with the card during a specified period of time (usually a month). Bills are payable in full on presentation which implies that there are no interest charges and no pre-set spending limits either. The card issuer's principal source of income is therefore the discount collected from member establishments (MEs) which is substantially higher than what the credit card issuer collects from its customers. For example, the Diner's Club Card of Citibank falls within the category of charge card. Travel and entertainment cards fall under the category of charge cards.

4. **Debit Card:**

A debit card is a 'Pay Now' product where the customer's account with the issuer is immediately debited to the extent of the value of transaction. The debit card programme requires a terminal known as the 'Point of Sale' (1'0s) terminal at every point of purchase. The customer, on making the purchases inserts the card which has a magnetic strip at the back, into the blot of the machine, while the merchant enters the value of the transaction. The customer, meanwhile, keys in the PIN (Personal Identification Number) which is known only to the cardholder and the bank. The machine places an automatic call, checks the balance in the account and at the same time, reduces the balance to the extent of the transaction value. The merchant's account, in turn, is credited for the transaction value. The merchant benefits by payment which is secured quickly and he has less cash on the premises. For the banks, the advantage lies in minimised risk as the PIN code ensures risk-free transactions. Maestro International a 50 - 50 joint venture between Euro Pay and Master Card - is a major player in the market for debit cards.

In India, plans are underway to issue this type of card.
5. Cash Card:

This is issued in addition to the credit card to enable the card holder to use an ATM.

6. Gold Card:

It is a type of credit card aimed at more affluent customers. In 1981, American Express introduced their Gold Card designed for persons of fairly substantial means; e.g. $20,000 or above annual income. Gold card is also called as Premium card.

7. Silver Card

It is similar to Gold card with lower scale of finance.

8. Smart Card

It is known as a chip card as it contains an in-built micro-processor and memory; i.e., a microchip. The chip holds personal information about the cardholder and is pre-programmed with the customer's credit limit. It can be used with a Personal Identification Number (PIN). It has a magnetic stripe to read pre-recorded information stored in the card.

The smart card was invented and developed in France but is now being used experimentally in the USA and trials are also taking place in Japan, Norway, Germany, Italy and latterly in England. In India this would be in use by 2000 AD as most banks are technology-driven.

9. Switch Card

It is an electronic debit card which enables holders to make payments at retail outlets. The payments are charged directly to the retailer's bank account from the cardholder's bank account. It will be an extension of the debit card which may get into the market in the near future.

10. Co-branded Card

Co-branded cards are those that a bank promotes jointly with another non-financial institutions Card. holders use their co-branded cards in the same way, they use any bank-issued card but each time they make a purchase, they are accumulating points which will enable them to claim discount in the price. For example, Bharat BoBcard Premium is a cobranded card issued in association with Bharat Petroleum Corporation Limited. This fuel credit card allows cash free mobility besides having the existing credit card features.
11. **Affinity Card**

Affinity credit card is one which is offered to members/supporters of various charities, Clubs, and causes, as a credit card which carries the name of their affinity group as well as that of the card issuer. By the use of such a card, affinity credit card holders can donate some of their spending power to their chosen affinity group. For example, a special card from Citibank exclusively for women, where Citibank is assisting through SPARC (Society for Promotion of Area Resource Centers) and FTWWH (Friends of Women's World Banking). Both associations are highly committed to promoting and helping underprivileged needy women.

12. **In - house Cards / Store Cards**

The introduction of in - house cards is the development of credit card schemes among retailers. In America, the largest issuer of cards are the department stores, whereas in the U.K. it has been a predominately bank- dominated industry.

13. **Corporate Card**

This card is issued to company employees and used to pay for various company expenses. Usually, the company takes responsibility for payment against this card and hence, it is given to selected levels of employees in an organization.

14. **Farmers Green Card / Rural Card**

Farmer's Green card can be issued to parties for undertaking any activities coming under the purview of Direct Finance to Agriculture. The scheme enables the card holder to get instant credit from the branch which has issued the card. Green cards provide farmers with the production credit to buy agricultural inputs without repeated visits to the bank branches. Dens Bank took the initiative to launch Rural Card. Presently banks like Canara Bank, Corporation Bank are also providing the same.

1.12.5 **Credit Cards in India:**

Credit card or the plastic money, as it is popularly referred to, was slow to enter the Indian market because of the high sentimental value that Indian consumers attach to hard cash. Prevalence of small value transaction, credit shy culture and inadequate banking habits of the population were other hindrances.

Credit cards arrived in India about two decades ago. In the early stages its growth was very slow in terms of number and value. Even the number of players was limited and
mainly foreign banks like HSBC, Citibank and Standard Chartered Bank dominated the market. Indian banks did not show much interest in the product in the initial stages. This is evident from the fact that it took State Bank of India (SBI), India’s largest bank, almost a decade to begin dealing in credit cards. SBI, despite its widespread reach, has aggressively started promoting credit cards only three years ago.\(^{141}\)

However, in the recent past the scenario has changed dramatically. The number of nationalized and private banks issuing credit cards has increased significantly. Credit cards are now not only integral parts of the consumer’s life in metros, but even residents of smaller cities and towns have taken to them. This can be attributed to the aggressive strategy of nationalized and private banks to promote card products in smaller town and cities. These banks have far wider reach and depth in smaller cities and town as compared to foreign banks. They have capitalized on this advantage to play a major role in expanding the credit card base in terms of number and usage in smaller cities and town.

Transactions using plastic money involve the payment of a small fee to the issuing bank in the form of an application/joining fee and an annual fee. Consumers collect a percentage-based commission in the form of reward points for card usage at shops/establishments. The usage of credit card is very simple and easy. The consumers do not have to carry cash and can use the card to pay their shopping/restaurant bills. All you are required to do is give your credit card at the payment counter, the person handling the counter swipes the card into the system to check the details of the card and you need to sign on the bill. The payment is done electronically. With only a signature your payment is taken care of. Isn’t it very simple?

Yes it is, but everyone isn’t eligible for a credit card. There are certain requirements, varying across banks, to get a credit card. Typically credit card companies (or issuing banks, as they are known) require the applicant to have a minimum income level before he can apply for the card. Proof of income is given by way of documents. These documents could be a copy of tax return filed; salary slips if applicable, balance sheet and profit and loss account detail if you are self-employed. These serve as the starting point while applying for a card. The minimum income level varies from bank to bank and fluctuates between Rs 60,000 - 150,000 per annum depending upon your risk profile and the type of card. This requirement helps the issuing bank to assess whether or not you will be able to repay the expenses incurred through your credit card. In addition to income eligibility, you need to be at least 21 years of age (maximum 65 years).
There is no doubt that credit cards are very convenient, especially in case of daily expenses. In addition you earn bonus points while you spend via the card. It is because of these reasons that in the recent past card usage has increased dramatically. In fact, plastic currency has almost wiped off hard currency from the US, resulting in far less expenditure associated with cash transactions.

G. Rameshbabu (2005) says currently, four major bishops are ruling the card empire - Citibank, Standard Chartered Bank, HSBC and State Bank of India (SBI). The industry, which is catering to over 3.8 million card users, is expected to double by the fiscal 2003. According to a study conducted by State Bank of India, Citibank is the dominant player, having issued 1.5 million cards so far. Standard Chartered Bank follows way behind with 0.67 million, while Hongkong Bank has 0.3 million credit card customers. Among the nationalized banks, SBI tops the list with 0.28 million cards, followed by Bank of Baroda at 0.22 million.

Development of Credit Card in India

Indian market has seen the development of credit cards as

1960 Citibank's Diner's Club card pioneered in the Indian field.

1981 Andhra Bank, the first nationalised bank introduced its own credit card along with the Vijaya Bank.

1981 Central Bank of India issued the Central Card in association with Vysya Bank and United Bank of India.

1983 Central Bank of India came out with MasterCard.

1985 Bank of Baroda along with Allahabad Bank launched the BoBcard.

1986 The Mercantile Credit Corporation Limited came with Mercard.

1987 Canara bank made entry into the credit card business.

1988 Bank of India issued its own card; i.e., India card.

1989 Among the foreign banks the ANZ Grindlays Bank came with Visa Classic card.

1990 Citibank came in the market with Master and Visa cards.

Bank of India added Taj Premium card to its portfolio.
Bank of Madura and Bank of Maharashtra tied up with Canara bank and Bank of India respectively for issuing their cards.

State Bank of India has introduced State Bank cheque card.

1992 Hongkong Bank entered the field with Visa International and Mastercard International.

Hongkong Bank launched the Hyatt Regency Preferred GoldCard.

1993 Bank of Baroda introduced MasterCard.

Standard Chartered introduced its card operations in September 1993.

1994 ANZ Grindlays launched MasterCard and Goldcard.

Presently, there are number of charge cards and credit cards in Indian credit card market. With significant growth potential, credit card market is attracting the players to operate and expand. Though, in near future, India is expected to have technology-driven cards. But presently Indian market is having vast scope for credit cards operation.

The credit card market in India, which started out in 1981, is on the verge of an unprecedented boom. Between 1987 and 2000, the market has virtually grown to over 3.8 million cards with almost 25-30 per cent growth in new card-holders.

India is generating more credit card spenders than spending places. While card-base and appends are growing at a spiffy 25-30 per cent annually, the number of merchant establishments which accept cards is growing selectively sluggish. The figure was put at 75,000-80,000 a couple of years ago, and now stands at 100,000 on both the Visa and MasterCard loops. As opposed to that, there are 2.5 million card-holders and 3.3 million cards (some, obviously, have more than one) and the numbers are growing very strongly.

The seven million Indian credit card industries has been growing over 25 per cent annually and has now more than 30 banks chasing customers with their cards. Still, credit cards in India have made business sense only to a few.

"The annual growth rate is good, but it is only 20 per cent of the card base, that is generating revenue," says Roopan Asthana, manager, Card Products Division of HSBC. Nearly 45-50 per cent of the card-holders are estimated to be inactive, while another 30
per cent use the card as a charge card without using the revolving facility. Cards are expected to account for 33 per cent of all purchases by 2000 and 43 per cent by 2005.

The credit card embodies two essential aspects of the basic banking function—the transmission of payments and the granting of credit. Therefore, in its true sense, a 'credit' card must offer the opinion of revolving credit. This is very akin to the overdraft facility offered by banks to their account holders. A credit card holder does not necessarily have to settle his entire account at the end of the month for he has the option to make partial payment in subsequent months. In fact, when the card-holder makes the full payment at the end of the month he is said to be using his credit card as a 'charge card'. Incidentally, the interest paid by the card-holder on the 'credit' utilized by him is what makes the business of credit cards profitable from the point of view of the bank issuing the card.

Indians are still not sure of the plastic money. Credit cards spend as a proportion of the total expenditure by Indians is one of the lowest in the world. While Indians swiped plastic money worth $6 billion in 2006, credit card users in Korea cumulatively spent $136 billion.

Indians spend just 1% of their total purchases through credit cards while the Koreans make one-fifth of their total purchases through credit cards. The world average hovers around 9%.

"The very low levels of penetration in India offer immense potential for credit card companies. Also, there are fewer credit card companies than those in other parts of the world. The high growth in spending is attracting a lot of entrants into the segment. What is drawing a large number of companies and financial institutions including Life Insurance Corporation of India (LIC) to India is the 61% year-on-year growth being witnessed in retail spending, the highest in the world.

Interestingly, even among the rich, credit card ownership in India is the lowest in the world. While 90% of the affluent in Hong Kong have credit cards and the corresponding figure for Sydney stands at 87%, in India, only 28% of the affluent have credit card.

Manila, Jakarta, Taipei, Hong Kong have 48-76% of the affluent population owning credit cards, according to Visa research in Asia. Seoul has 84% of its affluent population owning a credit card. Korea, however, has a history of defaults on credit cards where the government had to bail out the credit card companies.
Sources in the industry say with such low penetration levels there are at least half a dozen companies that are looking to roll out credit card operations in India. AIG, Barclays, and LIC are some of the companies eager to enter the Indian market. Punjab National Bank (PNB) is also learnt to be in negotiations to launch another credit card.

1.12.6 Working of Credit Cards:

A typical credit card looks like an ATM card, the detailed architecture of an typical is shown in fig. 1.8 and fig. 1.9.

Figure 1.8

Front of a typical credit card

The front side of a typical credit card contains various parts as:

1. Issuing bank logo
2. EMV chip
3. Hologram
4. Card number
5. Card brand logo
6. Expiry Date
7. Cardholder's name
The reverse side of a typical credit card contains following parts as:

1. Magnetic Stripe
2. Signature Strip

1. A user is issued credit after an account has been approved by the credit provider, and is given a credit card, with which the user will be able to make purchases from merchants accepting that credit card up to a pre-established credit limit. Often a general bank issues the credit, but sometimes a captive bank created to issue a particular brand of credit card, such as Chase, Wells Fargo or Bank of America issues the credit.

2. When a purchase is made, the credit card user agrees to pay the card issuer. The cardholder indicates their consent to pay, by signing a receipt with a record of the card details and indicating the amount to be paid or by entering a Personal identification number (PIN). Also, many merchants now accept verbal authorizations via telephone and electronic authorization using the Internet, known as a Card not present (CNP) transaction.

3. Electronic verification systems allow merchants to verify that the card is valid and the credit card customer has sufficient credit to cover the purchase in a few seconds, allowing the verification to happen at time of purchase. The verification is performed using a credit card payment terminal or Point of Sale (POS) system with a communications link to the merchant's acquiring bank. Data from the card is obtained from a magnetic stripe or chip on the card; the latter system is in the
United Kingdom commonly known as Chip and PIN, but is more technically an EMV card.

4. Other variations of verification systems are used by ecommerce merchants to determine if the user's account is valid and able to accept the charge. These will typically involve the cardholder providing additional information, such as the security code printed on the back of the card, or the address of the cardholder.

5. Each month, the credit card user is sent a statement indicating the purchases undertaken with the card, any outstanding fees, and the total amount owed. After receiving the statement, the cardholder may dispute any charges that he or she thinks are incorrect (see Fair Credit Billing Act for details of the US regulations). Otherwise, the cardholder must pay a defined minimum proportion of the bill by a due date, or may choose to pay a higher amount up to the entire amount owed. The credit provider charges interest on the amount owed (typically at a much higher rate than most other forms of debt). Some financial institutions can arrange for automatic payments to be deducted from the user's bank accounts.

Credit card issuers usually waive interest charges if the balance is paid in full each month, but typically will charge full interest on the entire outstanding balance from the date of each purchase if the total balance is not paid.

For example, if a user had a $1,000 outstanding balance and pays it in full, there would be no interest charged. If, however, even $1.00 of the total balance remained unpaid, interest would be charged on the $1,000 from the date of purchase until the payment is received. The precise manner in which interest is charged is usually detailed in a cardholder agreement which may be summarized on the back of the monthly statement. The general calculation formula most financial institutions use to determine the amount of interest to be charged is APR/100 x ADB/365 x number of days revolved. Take the Annual percentage rate (APR) and divide by 100 then multiply to the amount of the average daily balance divided by 365 and then take this total and multiply by the total number of days the amount revolved before payment was made on the account.

Financial institutions refer to interest charged back to the original time of the transaction and up to the time a payment was made, if not in full, as RRFC or residual retail finance charge. Thus after an amount has revolved and a payment has been made that the user of the card will still receive interest charges on their statement after paying
the next statement in full (in fact the statement may only have a charge for interest that collected up until the date the full balance was paid...i.e. when the balance stopped revolving).

The credit card may simply serve as a form of revolving credit, or it may become a complicated financial instrument with multiple balance segments each at a different interest rate, possibly with a single umbrella credit limit, or with separate credit limits applicable to the various balance segments. Usually this compartmentalization is the result of special incentive offers from the issuing bank, either to encourage balance transfers from cards of other issuers, or to encourage more spending on the part of the customer. In the event that several interest rates apply to various balance segments, payment allocation is generally at the discretion of the issuing bank, and payments will therefore usually be allocated towards the lowest rate balances until paid in full before any money is paid towards higher rate balances.

Interest rates can vary considerably from card to card, and the interest rate on a particular card may jump dramatically if the card user is late with a payment on that card or any other credit instrument, or even if the issuing bank decides to raise its revenue. As the rates and terms vary, services have been set up allowing users to calculate savings available by switching cards, which can be considerable if there is a large outstanding balance (see external links for some on-line services.

Because of intense competition in the credit card industry, credit providers often offer incentives such as frequent flier points, gift certificates, or cash back (typically up to 1 percent based on total purchases) to try to attract customers to their program.

Low interest credit cards or even 0% interest credit cards are available. The only downside to consumers is that the period of low interest credit cards is limited to a fixed term, usually between 6 and 12 months after which a higher rate is charged. However, services are available which alert credit card holders when their low interest period is due to expire. Most such services charge a monthly or annual fee.

Grace period:

A credit card's grace period is the time the customer has to pay the balance before interest is charged to the balance. Grace periods vary, but usually range from 20 to 30 days depending on the type of credit card and the issuing bank. Some policies allow for reinstatement after certain conditions are met. Usually, if a customer is late paying the
balance, finance charges will be calculated and the grace period does not apply. Finance charge(s) incurred depends on the grace period and balance, with most credit cards there is no grace period if there's any outstanding balance from the previous billing cycle or statement (i.e. interest is applied on both the previous balance and new transactions). However, there are some credit cards that will only apply finance charge on the previous or old balance, excluding new transactions.

1.12.7 Parties involved

- **Cardholder**: The owner of the card used to make a purchase; the consumer.
- **Card-issuing bank**: The financial institution or other organization that issued the credit card to the cardholder. This bank bills the consumer for repayment and bears the risk that the card is used fraudulently. American Express and Discover were previously the only card-issuing banks for their respective brands, but as of 2007, this is no longer the case.
- **Merchant**: The individual or business accepting credit card payments for products or services sold to the cardholder.
- **Acquiring bank**: The financial institution accepting payment for the products or services on behalf of the merchant.
- **Independent sales organization**: Resellers (to merchants) of the services of the acquiring bank.
- **Merchant account provider**: This could refer to the acquiring bank or the independent sales organization, but in general is the organization that the merchant deals with.
- **Credit Card association**: An association of card-issuing banks such as Visa, MasterCard, Discover, American Express, etc. that set transaction terms for merchants, card-issuing banks, and acquiring banks.
- **Transaction network**: The system that implements the mechanics of the electronic transactions. May be operated by an independent company, and one company may operate multiple networks. Transaction processing networks include: Cardnet, Nabanco, Omaha, Paymentech, NDC Atlanta, Nova, Vital, Concord EFSnet, and VisaNet.
Affinity partner: Some institutions lend their name to an issuer to attract customers that have a strong relationship with that institution, and get paid a fee or a percentage of the balance for each card issued using their name. Examples of typical affinity partners are sports teams, universities and charities.

The flow of information and money between these parties — always through the card associations — is known as the interchange, and it consists of a few steps.

1.2.8 Transaction Process:

1. **Authorization:** In the event of a chargeback (when there's an error in processing the transaction or the cardholder disputes the transaction), the issuer returns the transaction to the acquirer for resolution. The acquirer then forwards the chargeback to the merchant, who must either accept the chargeback or contest it.

2. **Batching:** Authorized transactions are stored in “batches”, which are sent to the acquirer. Batches are typically submitted once per day at the end of the business day. If a transaction is not submitted in the batch, the authorization will stay valid for a period determined by the issuer, after which the held amount will be returned back to the cardholder’s available credit. Some transactions may be submitted in the batch without prior authorizations; these are either transactions falling under the merchant’s floor limit or ones where the authorization was unsuccessful but the merchant still attempts to force the transaction through. Such may be the case when the cardholder is not present but owes the merchant additional money, such as extending a hotel stay or car rental.

3. **Clearing and Settlement:** The acquirer sends the batch transactions through the credit card association, which debits the issuers for payment and credits the acquirer. Essentially, the issuer pays the acquirer for the transaction.

4. **Funding:** Once the acquirer has been paid, the acquirer pays the merchant. The merchant receives the amount totalling the funds in the batch minus the “discount rate”, which is the fee the merchant pays the acquirer for processing the transactions.

5. **Charge-backs:** A charge-back is an event in which money in a merchant account is held due to a dispute relating to the transaction. Chargeback are typically initiated by the cardholder. In the event of a chargeback, the issuer returns the
transaction to the acquirer for resolution. The acquirer then forwards the
chargeback to the merchant, who must either accept the chargeback or contest it.

1.12.9 Advantages Vs. Disadvantages of cards:

A credit card from VISA, MasterCard, or any other network allows you to pay for
purchases or services by borrowing from the credit card company. You then repay by
making monthly payments towards the amount borrowed. That is, you do not have to
repay the whole borrowed amount in full at one go.

Then there are charge cards, such as the American Express card, that require full
payment of the borrowed amount each month. Either way, the credit card is a very
convenient alternative to paying by cash.

Essentially a credit card allows you to:

• Purchase products or services whenever and wherever you want, without ready
cash and paying for them at a later date.

• Have the option of paying only a part of the total expenses. The balance amount
can be carried forward, with an interest charged.

• Withdraw cash whenever, wherever you are, through ATMs and other withdrawal
centres.

• Enjoy a revolving credit limit without any charges for a limited period (mostly 20
to 50 days)

• Transact money of more than one currency, from one country to another.

• Other facilities afforded on a credit card include reward points on card usage,
insurance cover against air and road accidents, loss of baggage, and so on. All
credit cards have built-in safety features like signatures and personal identification
numbers. International credit cards you financial flexibility when you travel
abroad.

Advantages:

• They allow you to make purchases on credit without carrying around a lot of cash.
This allows you a lot of flexibility.
• They allow accurate record-keeping by consolidating purchases into a single statement.

• They allow convenient remote purchasing - ordering/shopping online or by phone. They allow you to pay for large purchases in small, monthly instalments.

• Under certain circumstances, they allow you to withhold payment for merchandise which proves defective.

• They are cheaper for short-term borrowing - interest is only paid on the remaining debt, not the full loan amount.

• Many cards offer additional benefits such as additional insurance cover on purchases, cash back, air miles and discounts on holidays.

Disadvantages:

• You may become an impulsive buyer and tend to overspend because of the ease of using credit cards. Cards can encourage the purchasing of goods and services you cannot really afford.

• Credit cards are a relatively expensive way of obtaining credit if you don't use them carefully, especially because of the high interest rates and other costs.

• Lost or stolen cards may result in some unwanted expense and inconvenience.

• The use of a large number of credit cards can get you even further into debt.

1.12.10 Major Credit Card Providers in India

Following are major credit card providers in India:

• ABN Amro

• HDFC

• American Express

• ICICI Bank

• Axis Bank

• SBI

• Bank of Baroda

• Canara Bank
• Citibank
• Visa
• HSBC
• MasterCard
• Deutsche Bank
• Amex
• Barclays Bank
• Diners Club
• Standard Chartered
• Kotak Mahindra

Various types of credit card schemes offered by different banks

**ABN AMRO Credit Cards**

ABN AMRO is issuing nine credit cards in India. They may be mentioned as below:

- ABN AMRO Freedom Credit Card
- ABN AMRO One Credit Card
- ABN AMRO Smart Gold Credit Card
- ABN AMRO Titanium One Credit Card
- ABN AMRO Wellness Credit Card
- ABN AMRO MakeMyTrip Go Credit Card
- ABN AMRO Barista Credit Card
- ABN AMRO Platinum Credit Card
- ABN AMRO Adlabs Credit Card

**AMEX Credit Cards**

AMEX is issuing eleven credit cards in India. They may be mentioned as below:

- American Express Kingfisher First Credit Card
- American Express Credit Card
- American Express Platinum Credit Card
- American Express India Today Group Credit Card
- American Express Indian Airlines Credit Card
- American Express Indian Airlines Gold Charge Card
- American Express HPCL Credit Card
- American Express Indian Airlines Green Charge Card
- American Express Gold Credit Card
- American Express Gold Charge Card
- American Express E Credit Card

**Axis Bank (UTI) Credit Cards**

Axis Bank (UTI) is offering nine credit cards in India. They may be enumerated as below:

- Axis Bank Gold Plus Credit Card
- Axis Bank Corporate Credit Card
- Axis Bank Gold Credit Card
- Axis Bank Secured Credit Card
- Axis Bank Visa Platinum Credit Card
- Axis Bank Shriram Credit Card
- Axis Bank Silver Plus Credit Card
- Axis Bank Travel Currency Card
- Axis Bank Silver Credit Card

**Bank of Baroda (BOB) Credit Cards**

Bank of Baroda (BOB) is issuing eight credit cards in India. They may be enumerated as below:

- BOBCARD Corporate Global Credit Card
- BOBCARD Exclusive Woman credit card
- NEXTGEN BOBCARD Gold Credit Card
• BOBACRD Exclusive Youth Credit Card
• BOBACRD Gold Visa Credit Card
• BOBACARD Silver Credit Card
• BOBACRD Gold MasterCard Credit Card
• BOBACARD Exclusive Credit Card

**Citibank**

Citibank is issuing 26 credit cards in India. They may be named as below:

• Citibank Platinum Credit Card
• Citibank Choice Credit Card
• First Citizen Citibank Credit Card
• Reliance Gold Credit Card
• Citibank Cash Back Credit Card
• Reliance Silver Credit Card
• Jet Airways Citibank Gold Credit Card
• Vodafone Citibank Credit Card
• Jet Airways Citibank Platinum Credit Card
• MTV Citibank Credit Card
• Jet Airways CitiBusiness Credit Card
• International Times Credit Card
• Jet Airways Citibank Silver Credit Card
• CRY Citibank Credit Card
• Diners Club British Airways Credit Card
• WWF Citibank Credit Card
• IndianOil Citibank Gold Credit Card
• Citibank Woman’s Credit Card
• IndianOil Citibank Credit Card
HDFC

HDFC Bank is bringing out eleven credit card products in India. These cards offer a wide range of benefits and rewards for cardholders.

HDFC Bank Silver Credit Card

Following are some features of HDFC Bank Silver Credit Card:

- Cardholders can earn 1 reward point for every INR 150 they spend with the card.
- Regular interest rate is 2.95% per month.
- There are zero liabilities in case of lost cards.
- Cash advance fee is 2.5%. Minimum cash advance fee is INR 300.
- Joining fee is INR 300.
- Issuer is MasterCard.
- Renewal fee is INR 700.

HDFC Bank Gold Credit Card

Following are some facts about HDFC Bank Gold Credit Card:

- Cardholders receive a maximum of 5% cash back. This offer is applicable for train and air tickets.
- Renewal fee is INR 2,000.
- Cardholders receive discounts on products and services of HSBC Bank.
- Regular interest rate is 2.95% per month.
- Credit limit is higher than most cards.
• Cash advance fee is 2.5% per month. Minimum cash advance fee is INR 300.
• Cardholders earn 2 reward points in case of every INR 150 spent with the card.
• Issuer is VISA.
• Joining fee is INR 500.

**HDFC Bank Titanium Credit Card**

Following are salient features of HDFC Bank Titanium Credit Card:

• Cardholders receive exclusive concierge services.
• Fees for joining and renewal vary.
• Cardholders receive rebates at hotels and clubs.
• Regular interest rate is 2.65% per month.
• Rate of interest is low.
• Cash advance fee is 2.5% per month. Minimum cash advance fee is INR 300.
• There is an accelerated reward program that is based on expenses made with the card.
• Issuer is MasterCard.
• There are balance transfer and 0% fuel surcharge facilities.

**HDFC Woman’s Gold Credit Card**

Following are some features of HDFC Woman’s Gold Credit Card:

• Cardholders receive a maximum of 5% cash back on buys.
• Renewal fee is INR 2,000.
• There is an accelerated rewards program.
• Regular interest rate is 2.65% per month.
• There are a number of options to redeem points.
• Cash advance fee is 2.5% per month. Minimum cash advance fee is INR 250.
• Joining fee is INR 500.
• Card issuer is VISA.
HDFC Bank Platinum plus Credit Card

Following are some salient features of HDFC Bank Platinum Plus Credit Card:

- Cardholders receive rebates at hotels.
- Joining fee is INR 1,000.
- There is a maximum of 5% cash back in case of air tickets.
- Renewal fee is INR 3,999.
- There are concierge services.
- Regular interest rate and cash advance fee are both 2.5% per month each. Minimum cash advance fee is INR 300.
- There are 0% fuel surcharge facilities available at all outlets.
- Issuer is VISA.
- Rate of interest is low and there are balance transfer options as well.

Following are some other credit cards provided by HDFC Bank in India:

- HDFC Bank Health Plus Credit Card
- HDFC Bank Platinum Plus Credit Card
- HDFC Bank Corporate Credit Card
- HDFC Bank Visa Signature Credit Card
- HDFC Bank Gold Business Credit Card
- HDFC Bank Value Plus Credit Card

ICICI

ICICI Bank is issuing 29 separate credit cards in India. These cards cater to a wide client base including sports lovers and businessmen for example.

ICICI Signature Credit Card

Following are some points on ICICI Signature Credit Card:

- Cardholders get 5 points for International Spends worth INR 100.
- Joining fee is INR 25,000.
- Cardholders receive air accident insurance cover worth INR 3 crores.
• Renewal fee is INR 2,500.
• Cardholders receive Free Welcome gifts of INR 35,000. Prizes could be Tag Heuer watches, Travel Points or Travel Vouchers.
• Regular interest rate and cash advance fees are 2.75% per month.
• Cardholders get 2 points for spending INR 100 with the card for dining purposes.
• Issuer is VISA.
• Cardholders receive 4 points for spending INR 100 with the card for travel purposes.
• There are 0% fuel surcharge facilities at all outlets.

ICICI Bank Platinum Credit Card
Following are some features of ICICI Bank Platinum Credit Card:
• Cardholders get access to airport lounges on a priority basis.
• Renewal fee is INR 2,500.
• Cardholders receive air accident insurance covers worth INR 1 crore.
• Regular interest rate is 1.99% per month.
• Cash and credit limits are high.
• Cash advance fee is 3.15% per month.
• Cards are only offered via invitation.
• Issuer is VISA.
• Joining fee is INR 25,000.
• There are 0% fuel surcharge facilities.

ICICI Bank Platinum Premiere Credit Card
• Cardholders receive personalized concierge services.
• Regular interest rate is 2.95% per month.
• Cardholders receive air accident insurance covers worth INR 40 lakhs.
• Cash advance fee is 3.15% per month.
• Cash and credit limits are high.
Issuer is VISA.

Joining and renewal are free.

There are 0% fuel surcharge facilities at all outlets.

Following are other credit cards issued by ICICI Bank in India:

- ICICI Bank Titanium Credit Card
- ICICI BPL AMWAY Credit Card
- ICICI Bank Solid Gold (Visa) Credit Card
- ICICI Bank Big Bazaar Silver Credit Card
- ICICI Bank Solid Gold (MasterCard) Credit Card
- ICICI Bank Big Bazaar Gold Credit Card
- ICICI Bank Gold American Express A Credit Card
- ICICI Bank Trinethra Credit Card
- ICICI Bank Travel Smart Credit Card
- ICICI Bank Orchid An Ecotel Credit Card
- ICICI Bank Golf Credit Card
- ICICI Bank Mohun Bagan Credit Card
- ICICI Megamart Credit Card
- ICICI Bank Ebony Credit Card
- ICICI XBOX 360 Credit Card
- ICICI Bank Airtel Silver Credit Card
- ICICI Sarovar Hotels Credit Card
- ICICI Bank Airtel Gold Credit Card
- ICICI Bank HPCL Silver Credit Card
- ICICI Bank Toyota Credit Card
- ICICI Bank HPCL Gold Credit Card
- ICICI Bank Thomas Cook Titanium Credit Card
- ICICI PRU Life Credit Card
- ICICI Bank Ascent American Express Credit Card
- ICICI BPL Mobile Credit Card
- ICICI Bank Platinum Identity Credit Card
**Major Indian Credit Card Types:**

In Indian credit card market there are 12 major types of credit cards being provided by banks and financial institutions. These cards provide a wide variety of financial benefits to holders.

Following are various types of credit cards available in India:

- Premium Credit Cards
- Cash Back Credit Cards
- Gold Credit Cards
- Airline Credit Cards
- Silver Credit Cards
- Business Credit Cards
- Balance Transfer Credit Cards
- Co-branded Credit Cards
- Low Interest Credit Cards
- Lifetime Free Credit Cards
- Rewards

There are some additional credit cards that are available in India as well. Rewards credit cards available in India can be subdivided into six categories – Points, Hotels and Travels, Retail, Auto and Fuel.

A number of banks are offering low interest credit cards in India in order to help the cardholders manage their finances in a better way. These cards are highly availed by Indian consumers on account of their low interest rates.

**ICICI Bank Platinum Credit Card:**

Following are some salient features of ICICI Bank Platinum Credit Card:

- Cardholders receive priority access facilities to airport lounges.
- Regular interest rate is 1.99% per month.
- Cardholders receive air accident insurance coverage worth INR 1 crore.
- Cash advance fee is 3.15% per month.
- Cardholders have higher cash limits and credit limits.
- Card issuer is VISA.
- The card is offered via invitation only.
- Issuing bank is ICICI Bank.
- Joining fee is INR 25,000.
- There are 0% fuel surcharge facilities.
- Renewal fee is INR 2,500.

**American Express Indian Airlines Credit Card**

American Express Indian Airlines Credit Card has the following salient features:
- The cardholders receive 10% discounts on business class flights and 15% discounts on economy flights.
- Renewal fee is INR 3750.
- There is a 5% discount on super saver fares.
- Regular interest rate is 1.9%.
- Cardholders receive business class upgrades for free.
- Cash advance fee is 1.9%.
- Cardholders receive complimentary tickets.
- Credit card issuer is AMEX.
- Joining fee is INR 3750.
- There are 0% fuel surcharge facilities that can only be availed at HPCL outlets.

**HDFC Bank Titanium Credit Card**

Following are the salient features of HDFC Bank Titanium Credit Card:
- Cardholders receive exclusive concierge services.
- Regular interest rate is 2.65% per month.
- Cardholders receive rebates at hotels and clubs.
Cash advance fee is 2.5% per month. The minimum cash advance fee is INR 300.

There are accelerated rewards programs that are provided on the basis of expenditure with the card.

Issuer is MasterCard.

Cardholders receive 0% fuel surcharge and balance transfer facilities.

Issuing bank is HDFC Bank.

Joining fees and renewal fees are variable.

Following are some other low interest credit cards that are available in India:

- HDFC Bank Visa Signature Credit Card
- BOBCARD Exclusive Woman credit card
- HDFC Bank Platinum Plus Credit Card
- BOBCARD Exclusive Youth Credit Card
- HDFC Bank Corporate Credit Card
- BOBCARD Silver Credit Card
- Hero Honda SBI Credit Card
- BOBCARD Exclusive Credit Card
- BOBCARD Corporate Global Credit Card
- Axis Bank Secured Credit Card
- NEXTGEN BOBCARD Gold Credit Card
- HSBC Platinum Credit Card
- BOBCARD Gold Visa Credit Card
- Yatra Barclaycard Platinum Credit Card
- BOBCARD Gold MasterCard Credit Card
- ABN AMRO Platinum Credit Card
1.13 RATIONALE OF THE STUDY:

The card issuers have understood that the key to their success is not just increasing the card circulation but getting the card to be swiped i.e. increasing the number of transactions.

Towards fulfillment of this aim, the card companies are wooing the merchant establishments for establishing point-of-sale terminals. Various banks in association with the card companies are rolling out low-cost point-of-sale terminals across the country. The card companies are also encouraging card usage among the customers through various offers of discounts, promotion, etc.

Indian banks, both in the public sector and the private sector ones are revamping themselves and gearing up to fight competition from the foreign players. These banks are expanding their card networks and have captured metropolitan cities. Now they are focusing on the areas outside four metropolitan cities of Mumbai, Delhi, Kolkata and Chennai, where the foreign banks usually do not have a presence.

Looking at this scenario the research gap created in cities like Nanded, which has considerably grown population wise, infrastructure wise, academically as well as increased focus on politics in Maharashtra state, the researcher feels that it is an opportunity to study the potentiality of usage of these cards by people of Nanded city in coming years.

Data shows that the increasing number of branches of existing banks as well as private sector banks are the result of growth of Nanded city and of its development pace. Moreover the cutthroat competition among these banks is creating a way for usage of more and more plastic cards as a part of bank’s customer service and customer relationship management.

1.14 OBJECTIVES OF THE STUDY:

Though the plastic cards seem to serve the simple purpose of facilitating customers of the banks, in reality they have become the most complicated financial instrument which facilitate the cash as well as credit transactions of the customers round the clock along with credit creation in the economy.
Now a day's some bankers have started providing it as a compulsory facility granted to account holder instead of a special incentive offer. One has to agree that it encourages more spending on the part of the customer, yet it is a need of the hour.

Following were the basic objective of the study:

1) To study the role of ATM/ Debit cum ATM cards and Credit cards in Indian financial system with specific focus on its promotion by banking sector.

2) To examine the utility of credit cards from user’s point of view.

3) To examine the impact of these cards on both the issuer and users.

4) To suggest measures for effective utilization of these cards.

1.15 HYPOTHESIS OF THE STUDY:

Following Hypothesis were tested in the study:

1. The ATM/ Debit cum ATM card and credit card holders of (respondents) are under utilizing the features of these cards.

2. The convenience of safety (cashless dealing) is the greatest factor behind usage of these cards.

3. The banks are effectively promoting the utilization of these cards among their customers.

4. There is a positive impact of credit card transactions on banker’s business.

5. The customers i.e. the card holders are fully satisfied by the service relating to usages of these cards provided by bank under study.

1.16 RESEARCH METHODOLOGY:

1) Study Area:

The Study was limited to the customers of Banks situated in Nanded city and utilizing ATM/ Debit cum ATM card and credit card of these banks among various types of cards which can be issued by banks.

2) Sample Size:

The total number of bank branches as on 31st Mar 2009 working in Nanded district were 221 (source : Lead Bank, Nanded) Out of these, 60 are branches of Rural Regional Bank called Marathwada Gramin Bank and 79 banks are of district co-
operative banks, which is not in regular working since 2007. Also both these banks are not in core banking and thus not involved in use of latest technology facilitating online payment and use of debit and credit cards.

Hence the study focuses only upon the nationalized and private banks other than scheduled banks & co-operative banks. Total-branches of such 23 banks present as on 31st Mar 2009, in Nanded city are shown in Table 1.1.

This total population i.e. 23 banks branches in Nanded City is the part of the study.

The attempt was made to get the data about exact number of debit and Credit card users of these banks. However these banking institutions were not able to provide this data numbers because of their own reasons, especially security reasons.

Hence, following sample size is constituted on the basis of general observations about trend of these card users in Nanded. From Table 1.1 it could be seen that all 23 banks are debit cum ATM providers while only 06 banks are the credit card providers.

Accordingly a sample of ten ATM/ Debit cum ATM card users (respondents) of each bank branch of these 23 banks constitute the sample, along with ten credit card users each of bank branch providing this facility (see Table 1.2.)

3) Sampling Method:-

The simple random sampling method is used in this study. A sample of 580 respondents is in such a way that it represents the respondents from all the aspects of demography and are proportionally represented on the basis of number of branches of that bank working in Nanded city.
<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of Bank</th>
<th>No. of Branches in Nanded District</th>
<th>Whether Debit Cum ATM Card Provided?</th>
<th>Whether Credit Card Provided?</th>
</tr>
</thead>
<tbody>
<tr>
<td>A 1.</td>
<td>State Bank of India (SBI)</td>
<td>16</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>B 2.</td>
<td>State Bank of Hyderabad</td>
<td>24</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>C 3.</td>
<td>State Bank of Patiyala (SBP)</td>
<td>1</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td><strong>Public Sector Banks</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. Bank of Maharashtra (BOM)</td>
<td>9</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>5. Dena Bank</td>
<td>8</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>6. IDBI</td>
<td>4</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>7. Central Bank</td>
<td>2</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>8. Punjab National Bank (PNB)</td>
<td>2</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>9. Allahabad Bank</td>
<td>1</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>10. Bank of India (BOI)</td>
<td>2</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>11. Bank of Baroda (BOB)</td>
<td>1</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>12. Canara Bank</td>
<td>1</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>13. Punjab &amp; Sindha Bank (P&amp;S)</td>
<td>1</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>14. Syndicate Bank</td>
<td>1</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>15. Union Bank of India (UBI)</td>
<td>1</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>16. Vijaya Bank</td>
<td>1</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>17. Andra Bank</td>
<td>1</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>18. Corporation Bank</td>
<td>1</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>19. Oriental Bank of Commerce</td>
<td>1</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>D 20.</td>
<td>ICICI</td>
<td>1</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>21. ING Vyshya Bank</td>
<td>1</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>22. HDFC</td>
<td>1</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>23. Axis (UTI) Bank</td>
<td>1</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td><strong>Sub Total</strong></td>
<td><strong>82</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>24. Marathwada Gramin Bank</td>
<td>60</td>
<td></td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>25. NDCC Bank</td>
<td>79</td>
<td></td>
<td>No</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>221</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* (other than Scheduled Banks, Urban Cooperative Banks & Credit Cooperative Banks)
Accordingly the following sample is constituted:

**Table 1.2**

**Constitution of Sample for Research Study:**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of Bank</th>
<th>No. of Branches in Nanded city</th>
<th>ATM/ Debit cum ATM card Users (Respondents)</th>
<th>Credit Card Use (Respondents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A 1.</td>
<td>State Bank of India (SBI)</td>
<td>07</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>B 2.</td>
<td>State Bank of Hyderabad</td>
<td>07</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>C 3.</td>
<td>State Bank of Patiyala (SBP)</td>
<td>01</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>4.</td>
<td>Bank of Maharashtra (BOM)</td>
<td>04</td>
<td>40</td>
<td>NA</td>
</tr>
<tr>
<td>5.</td>
<td>Dena Bank</td>
<td>02</td>
<td>20</td>
<td>NA</td>
</tr>
<tr>
<td>6.</td>
<td>IDBI</td>
<td>01</td>
<td>10</td>
<td>NA</td>
</tr>
<tr>
<td>7.</td>
<td>Central Bank</td>
<td>01</td>
<td>10</td>
<td>NA</td>
</tr>
<tr>
<td>8.</td>
<td>Punjab National Bank (PNB)</td>
<td>01</td>
<td>10</td>
<td>NA</td>
</tr>
<tr>
<td>9.</td>
<td>Allahabad Bank</td>
<td>01</td>
<td>10</td>
<td>NA</td>
</tr>
<tr>
<td>10.</td>
<td>Bank of India (BOI)</td>
<td>02</td>
<td>20</td>
<td>NA</td>
</tr>
<tr>
<td>11.</td>
<td>Bank of Baroda (BOB)</td>
<td>01</td>
<td>10</td>
<td>NA</td>
</tr>
<tr>
<td>12.</td>
<td>Canara Bank</td>
<td>01</td>
<td>10</td>
<td>NA</td>
</tr>
<tr>
<td>13.</td>
<td>Punjab &amp; Sindha Bank (P&amp;S)</td>
<td>01</td>
<td>10</td>
<td>NA</td>
</tr>
<tr>
<td>14.</td>
<td>Syndicate Bank</td>
<td>01</td>
<td>10</td>
<td>NA</td>
</tr>
<tr>
<td>15.</td>
<td>Union Bank of India (UBI)</td>
<td>01</td>
<td>10</td>
<td>NA</td>
</tr>
<tr>
<td>16.</td>
<td>Vijaya Bank</td>
<td>01</td>
<td>10</td>
<td>NA</td>
</tr>
<tr>
<td>17.</td>
<td>Andra Bank</td>
<td>01</td>
<td>10</td>
<td>NA</td>
</tr>
<tr>
<td>18.</td>
<td>Corporation Bank</td>
<td>01</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>19.</td>
<td>Oriental Bank of Commerce</td>
<td>01</td>
<td>10</td>
<td>NA</td>
</tr>
<tr>
<td>D 20.</td>
<td>Axis (UTI) Bank</td>
<td>01</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>21.</td>
<td>HDFC</td>
<td>01</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>12.</td>
<td>ING Vyshya Bank</td>
<td>01</td>
<td>10</td>
<td>NA</td>
</tr>
<tr>
<td>23.</td>
<td>Sangali Bank (ICICI)</td>
<td>01</td>
<td>10</td>
<td>NA</td>
</tr>
<tr>
<td>Sub Total</td>
<td></td>
<td></td>
<td>400</td>
<td>180</td>
</tr>
<tr>
<td>Grant Total</td>
<td></td>
<td></td>
<td></td>
<td>580</td>
</tr>
</tbody>
</table>
4) Sources of Data collection:

The work is carried out through collection of primary data and secondary data as mentioned below:

- **Primary Data :-**

  For collection of primary data, the researcher has conducted interview of debit and credit card holders through structured questionnaire & unstructured interviews of authorities of banks and financial institutions those who are actively involved in credit card transactions. This helped to understand the view of issuers.

- **Secondary Data :-**

  Literature and related information regarding ATM/ Debit cum ATM cards and credit cards has been collected through internet, periodical and journals as well as reference books on advanced financial management, Banking and Money, e-business, on-line payments.

5) Data Analysis:

The data processing tools which has been used to analyze the data are basically correlation co-efficient, percentile, mean, graphical analysis, chi square test etc. and along with statistical software like SPSS and MS-Excel will be used for data analysis in the study.

1.17 LIMITATIONS OF THE STUDY:

There is no research without limitation. The limitations of the study are:

1. The primarily data will be essentially based on the responses from card users and the officers of issuing branches only. This gives scope to subjective opinions and biases in information provided by them.

2. The branches of the Banks in Nanded city only (as per record of Lead Bank office, Nanded) as on 31st Mar 2009 will constitute the sample of the study. Cooperative banks, scheduled banks and credit societies are not included in the purview of this study.

3. As there is no authentic source defining exact number of ATM/ Debit cum ATM card & Credit card users in Nanded city, the researcher has to rely on observation of usage in the city and oral information given by banking authorities.
4. The study confine to the problems and prospects of credit card and ATM/ Debit cum ATM card transaction as a part of banking services provided by banks under study.

Chapter Plan of the Thesis:

Following is the tentative Chapter Scheme of the thesis:

I Introduction
II Review of Literature
III Scenario of Plastic Card Usage in India
IV Profile of Banks under study with Product (card) profile.
V Profile of respondents (Card user)
VI Data Analysis and interpretation.
VII Conclusions and Suggestions.

REFERENCES:


7. CPSS (2001): “A vast majority of the participating central banks have indicated that there are no plans to introduce network based money products”. CPSS, p. 2


