CHAPTER V

SUMMARY OF FINDINGS AND SUGGESTIONS

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INTRODUCTION

The credit card culture in India was formally introduced almost twenty five years ago. The credit card business is probably the most lucrative banking business in India today. The industry is demonstrating vigorous growth rates of 30-35 per cent in the number of credit cards issued. Basically, the use of credit cards enables one to take advantage of the transmission of payments and the granting of credit. The credit card has revolutionised the entire payment business. Credit card industry is witnessing a growth in relatively smaller towns of India. A pre-requisite to credit card spend and issuance is its acceptance. Many cities and towns have established acceptance mechanisms with widespread merchants. Every card company now has a challenge in persuading customers to make its card as the preferred mode of payment over other cards. The industry witnesses such furious competition, that most companies now are offering discounts on purchases made through their cards. Customers also want to understand the value of a particular card before subscribing to it.

In a bid to gain an edge over others, each player is resorting to innovative means and mechanisms and generates this perceived value. Fraudulent usages of credit cards are reported in several cases which pauses a
threat to the cardholder, merchants and the issuing bank. This study makes and in-depth analysis of customer awareness, the influence of customer profile on possession of credit cards, cardholders’ perception, extent of usage and satisfaction.

This study is based on survey method. Primary data were collected through interview schedule and questionnaire constructed for the purpose. Suitable statistical tools were employed in the analysis of data.

FINDINGS

The main findings of the study detailed in Chapter IV are summarized and given as follows:

CUSTOMER AWARENESS ABOUT CREDIT CARDS

It is observed from the analysis of bank customers’ awareness about credit cards that, ICICI credit cards are more popular which is followed by SBI card and BOB card. Can card is found to be less popular among the sampled respondents. Regarding the source of information about credit cards, the respondents revealed that the agents of ICICI bank were the source of information about ICICI card. In the case for SBI card, advertisements provided the necessary knowledge and for BOB cards, the bank was the source of necessary information for the customers.

Regarding the conditions and charges on credit cards, majority (64%) are aware of the basic conditions and 76 per cent of the respondents know
about the charges imposed on the services. Cash withdrawal facility on credit cards is not known to majority (68%) of the respondents. None of the sampled respondents have awareness about the interest free credit period.

Majority (88%) of the sampled non-holders of credit card are aware of the convenience in using credit cards, reducing the risk of carrying cash (74%) and wider acceptance of credit cards (67%). Higher proportion of the respondents (79%) know about the ATM facility for cash withdrawal.

As regards demography and level of awareness, it is observed that agewise majority of the middle aged (68%), genderwise the male (73%) educationwise the college educated (84%), occupationwise the employed (67%) and incomewise the higher income group (81%) have high level of awareness. Higher proportions of the low awareness category comprised of these above 50 years old, female customers, school educated category, agriculturists by occupation and the low income earners.

Regarding banking related profile of the respondents and their level awareness the study shows that majority of the bank customers with long period of customership (72%), those transacting more frequently with the bank (78%), those who have current account with the bank (76%) and customers with larger balance in their account know more about credit cards and their awareness level is found to be high. Low awareness category comprised of more of customers with short period customership (64%), those
transacting less frequently (58%), fixed deposit account holders (68%) and customers with smaller balance in their account (52%).

FACTORS INFLUENCING POSSESSION OF CREDIT CARDS

Analysis of the influence of demographic variables and banking services usage related variables on the possession of credit cards indicated that possession of credit cards differ significantly among the various age groups, that majority of the credit card holders (67 percent) belong to the age group of 35-50 years and of the non-holders of credit cards, majority are (63 percent) of the age group of below 35 years.

As regards gender is concerned, there is statistically significant difference between males and females as to the possession of credit cards. Majority (56 percent) of those holding credit cards are the male customers.

Customers with higher education (college level) constitute higher percentage of those (54 percent) who possess credit cards than their counterparts with lower level of education (school level) and this relationship was found to be statistically significant.

Occupation plays statistically a significant role on the holding of credit cards. The business category seems to be the majority (67%) of those possessing credit cards and the agricultural category constitutes higher proportion (54%) of the non-holders.
Statistically significant differences were found in credit card holding according to the differences in the level of income and value of assets. Customers with higher income and higher asset value constitute majority (75% and 95%) of those possessing credit cards. This may be termed a social-class effect of credit card possession (Mandell, 1972) i.e., people who are in higher social–class strata will tend to have credit cards than those who are in the lower strata.

Analysis in relation to banking related profile revealed statistically significant difference in the possession of credit cards according to the difference in the type of bank account and also in the frequency of transactions with the bank. Majority of those holding credit cards (61%) have current account. Higher proportion of the non-holders of credit cards are those whose frequency of transaction with the bank are less. Fear of falling into debt trap is the reason for majority (48 per cent) of the respondents for not possessing credit cards. Higher percentages (81.50%) of those who possess credit card hold it for the convenience in making payments.

DETERMINANTS OF CREDIT LIMITS

The eligible credit limits of majority (68%) of the respondents ranged from Rs15,000 to Rs.50,000 Credit limit actually availed were found to be ranging from Rs.15,000 to Rs.30,000 in the case of majority (54%) of the cardholders. Correlation analysis conducted to test the degree of relationship
between the socio-economic characteristics of credit card holders and credit limit actually availed revealed that, the credit limit availed by the cardholders is significantly and positively correlated with monthly income of the cardholders, their family size and total family expenditure. The implication is that higher the income, the family size and the total expenditure the credit limit actually availed is on the higher side. The actual credit limit availed is independent of the cardholders’ occupation as well as education.

Multiple regression model used to find out the determinants of the credit limits availed by the credit card holders indicated that cardholders’ income is the most significant factor determining the actual credit limit availed by the cardholder. This variable explained the variation of the credit limit availed to the extent of 51.9%.

DISCRIMINANT FUNCTION ANALYSIS

It was found from the results of discriminant function analysis that, of the eleven variables, such as age, gender, education, occupation, individual, income, family income, total income, family size, monthly expenditure, marital status and asset value analysed to discriminate between the high and low credit limit groups, variables such as family income, family expenditure and asset value are the factors that cause major differences between the high and low credit limit groups.
**EXTENT OF USAGE OF CREDIT CARD**

Credit card usage when examined in terms of pattern of usage revealed that, majority of the respondents (72%) used their cards for the purchase of consumer non-durables and the lowest per cent (12) of the cardholders' usage reported was for the purchase of jewellery. The usage pattern also revealed statistically significant differences.

The extent of usage of credit cards was found to be smaller for majority (56.75 percent) of the respondents. Large usage was noted among the lowest (12.50%) proportion of the sampled credit card holders.

When examined in terms of demographic and socio-economic characteristics respondents with higher education, agriculturists, higher income groups, large households and high family expenditure groups were found to use their credit cards more than do their counterparts. All these factors play a statistically significant role on the extent of usage of credit cards.

**ATTITUDE OF CARDHOLDERS TOWARDS CREDIT CARDS**

Attitudinal behaviour of credit cardholders determined based on 'Fishbein’s Attitude Model' indicated that majority of the sampled credit card holders (71.25 percent) have positive attitude towards credit cards. ‘Availability of emergency funds through credit cards’ and ‘shopping without paying cash immediately contributed more towards the positive attitude of
cardholders. However, 28.75 percent of the cardholders have negative attitude and higher rate of interest charged is the cause of this negative attitude.

Regarding the demographic and credit card related variables influencing cardholders' attitude the logit analysis revealed that two variables namely credit card holders' family income and eligible credit limit significantly influenced their attitude. This is understandable in view of the economic conditions of the cardholders.

CARDHOLDERS' SATISFACTION

From the analysis of the satisfaction of cardholders with their credit cards, it was found that majority of the respondents (68%) derived moderate level of satisfaction. Twenty three percentage of the respondents were highly satisfied whereas 9 percent of the cardholders' satisfaction was low. Regarding the satisfaction on the various aspects of credit cards, satisfaction level for charges on credit cards was low when compared to issue and operational aspects of credit cards. This has been due to the fact that cardholders are highly dissatisfied with the high interest rate.

From a look at the demographic variables and satisfaction of cardholders it could be noted that the highly satisfied respondents were those who are of the age group of below 35 years, the male cardholders, those who are professionals by occupation and higher educated cardholders than their counterparts. Part of the reason for this is that the young, males, professionals
and higher educated cardholders make more use of their credit cards and value them in a more favourable manner compared to their counterparts and derive more satisfaction from their use. All these factors are found to be significant factors on the level of satisfaction of the cardholders.

The analysis of the influence of credit card related variables over the satisfaction of credit card holders revealed that the highly satisfied were the cardholders who hold Bob cards (Silver), those holding credit cards for less than four years, lower eligibility credit limit and lower credit limit availed groups, utilisers of lower amounts of credit, occasional users and card holders with positive attitude. Part of the reason for this is that Bob cardholders get all the advice from their bank branches, and the lower credit users derive the satisfaction that they use their cards in emergencies and do not fall into debt trap.

Satisfaction of cardholders are found to differ significantly according to the difference in the brands of credit cards, period of credit card holding, credit limit availed and frequency of usage of credit cards.

Factor analysis results have indicated that among the significant demographic variables, two variables namely education and occupation are contributing more towards the variation in satisfaction of cardholders. The credit card related variables found to be significantly contributing to variation in satisfaction are period of credit card holding, frequency of usage of credit
cards, credit limit availed and brand of credit card. The total percentage variance contributed by these factors towards satisfaction is 60.33 percent.

CARDHOLDERS' PERCEPTION AND EXPERIENCE

The analysis pertaining to cardholders' perception and experience regarding the role of core and supplementary service elements show that majority of the sampled credit cardholders (87.25%) consider credit cards as a convenient mode of payment and 90.75 percent consumers carry the feeling of reduced risk of carrying cash and 96 percent consider revolving credit in evaluating purchase of credit cards.

Facilitating service of easy acceptability procedure of credit cards at retail outlets is considered by majority (92.75%) of the respondents while making purchase decisions of credit cards.

Presence of additional features (supporting services) of free insurance coverage and discounts have not been strongly felt by majority (67.75% and 78.25%) of the cardholders.

Cardholders' experiences were very high regarding all the core services such as convenience in payment (86.25%), reduced risk of carrying cash (92.75%) and revolving credit facility (96.5%). Facilitating services of easy acceptability at retail outlets have also been experienced by majority (94.50%) of the cardholders. The importance of supporting services of free
insurance coverage and added discounts were not actually experienced majority (70.25% and 85.75%) of the cardholders.

Thus the analysis revealed that respondents considered basic benefits, facilitating services and supporting services prior to purchase of credit cards. However, facilitating services were of low consideration.

FACTOR ANALYSIS

Factor analysis which has been used to identify cardholders’ most perceived and experienced services at the product level revealed that core services are the necessary features considered for purchase decision of credit cards as per perception and customer experience towards credit cards followed by facilitating services and supporting services.

GAP ANALYSIS

Gap analysis carried out to understand the variation between cardholders’ perception and experience about credit cards indicated higher gap for facilitating services followed by supporting services implying greater consumer perception whereas the negative gap for core services implied better experience of cardholders than their perception about these services.

The application of ‘t’ test shows that there is statistically significant gap between cardholder’s perception and experience towards the facilitating services and supporting service of added benefit in the form of discount.
However, for the core services and the supporting service of free insurance the analysis do not show significant gap between cardholders’ perception and experience.

PROBLEMS FACED BY CARDHOLDERS

The study revealed certain difficulties and problems encountered by cardholders. The difficulty faced by majority (52%) of the respondent cardholders was the lack of advisory service required by the cardholders from the bank. Imposition of penal charges, lost card, wrong billing and harassment by recovery agents were the other problems faced by credit card holders. However, the number of cardholders who have faced these problems were found to be low.

SUGGESTIONS

Based on the findings of the study the following suggestions are made here:

1. POPULARISING THE CREDIT CARDS

Can Card is found to be less popular among the respondents. Hence methods should be adopted to bring a higher degree of popularisation of this credit card through mass media channel like television, radio, Railway centres and super markets with a pictorial review of the card facility.
2. CREATING AWARENESS ABOUT INTEREST FREE CREDIT PERIOD

The most lucrative feature of a credit card is the interest free credit period offered to cardholders. Non-holders of credit cards are not aware of this benefit of credit cards. Hence awareness should be created about this benefit of credit cards among the non-holders.

3. DIRECT MARKETING

Credit card issuers, though offer international levels of service and credit support to the cardholders, have failed to make an impression among the less educated and the agricultural category with middle level income. They also felt that cost of credit cards is high and therefore makes it a status symbols rather than meeting their needs. Hence, direct marketing by the banks clubbing with other services will be helpful to impress this untapped segment.

4. IMPLEMENTING REGULATORY MEASURES

The credit limit availed by many cardholders are found to be less than their eligibility limits. The working group on regulatory mechanism for credit cards has suggested measures aimed at encouraging card usage in a safe and secure manner. These guidelines should be implemented so that the entire eligible credit limits may be availed by the cardholders.
5. EXTENDING INCENTIVES TO ALL TYPES OF CARDS

Despite more widespread usage, most of the credit card users are the more educated with professional types of jobs and high income earners. Most of the cardholder incentives are offered for high value cards. Hence it is suggested that incentives should be extended to all types of cards to promote greater usage of credit cards like ‘Exclusive’ and ‘Sliver’ held by lower and middle income earners.

6. PROVIDING MORE OF FACILITATING SERVICES

It is found from the analysis made in the study that supplementary services are perceived more as the expected features of the credit card by the cardholders. Hence maximum supplementary service elements should be added to the credit cards.

7. PROVIDING KNOWLEDGE ABOUT SUPPORTING SERVICES

It is identified from the study that respondents did not consider the supporting services for purchase evaluation. This is due to inadequate information regarding supporting services. Providing knowledge about supporting services to customers can help the marketers to develop an advantage for themselves in the market Vis-à-Vis other players.
8. REDUCING INTEREST RATES

One of the reasons for low level of satisfaction of cardholders has been the high rates of interest which the cardholders are actually paying ranging from 36 to 45 percent. Hence it is suggested that these rates be brought down.

9. MAKING THE INTERNAL CONTROL SYSTEM EFFECTIVE

With the average credit limit of Rs. 10,000 to Rs. 30,000 the credit cards have not made an attractive case of fraudsters, still a few cases of credit card frauds (02%) have been reported in the study. Hence banks are advised to implement the 'Internal control system' formulated by the RBI effectively to combat frauds.

10. BANKING OMBUDSMAN TO HANDLE CREDIT CARD COMPLAINTS

In view of the cardholder’s complaints such as penal charges, wrong billing and harassment by recovery agents, it is suggested that there should be a body to quickly resolve the dispute with a minimum cost. The working group of RBI also has suggested that the Banking Ombudsman could be made the appropriate authority to arbitrate in disputes between credit card holders and card issuing banks.
11. PROVIDING ADVISORY SERVICES BY BANKS

Fifty two percentage of the sampled credit card holders complained of lack of advisory services from banks. Hence there is a need for the banks to provide advisory services to customers which would make it easier for them to narrow down their choice of selection of suitable credit card.

CONCLUSION

The credit card issue in terms of number of credit cards witnessed a whopping growth during the past five years. In terms of key players ICICI has notched the landmark figure of 60 lakh credit cards by 2006 taking into number one player in the segment. It is further concluded that there are a number of bank customers who do not have any knowledge about credit cards. Many people have knowledge about credit cards, but do not possess credit cards because of the fear of falling into debt trap. Higher income earners and highly educated class use credit cards more, availing high credit limits. Extent of usage of credit cards is smaller among higher proportion of the cardholders. Customer satisfaction is found to be less because of higher rate of interest. Customers perceived core services and facilitating services at higher levels. Cardholders face the major problem of lack proper advice from banks. Credit card market is yet to realize its potential.
SCOPE FOR FURTHER RESEARCH

The researcher is pleased to offer the following areas for further research by future researchers undertaking research in credit cards

(i) Credit card usage behaviour among rural and semi-urban consumers.

(ii) Attitudinal and behavioural orientation of users of various types of credit cards.