CHAPTER – 7

CONCLUSIONS AND SUGGESTIONS

7.1 Conclusions

7.2 Recommendations

7.3 Limitations of the study

7.4 Scope for further research

Introduction: In this chapter we will discuss the finding, conclusions, recommendations, limitations of the study. Further we shall also discuss opportunities for future research.

7.1 Conclusions

From the study the following conclusions can be drawn: -

• Credit card is the most popular consumer credit provided by the bank. It is the most speedy way of providing loan by the bank which is unsecured in nature and is based on credibility and goodwill of the customers who are card holders.
The credit card business in the world is still increasing and in India the position is very encouraging since 1991. It has been observed that the membership has grown up from 1 lakh to 129 lakhs during 17 years, which gives an average growth of 46.00% approximately.

Credit card, the bank charge very high rate of interest from customers about 30% to 36% p.a. but it provide loan instantly.

Credit card holders enjoy interest free credit up to 50 days depending upon billing date and expense date.

The market survey of 370 card users reveals that most of the card holders are graduate by qualification, middle class by earning, male by gender, and using it mainly for shopping, cash withdrawals and tour and travel in India.

The growth of credit card business in India can be measured and forecasted with the following trend equations:

\[ C_t = -0.0476 + 1.8245t + 1.0292t^2 \]

where \( C \) = Total no. of cards
\[ V_t = 3.4762 - 2.6067t + 0.9123t^2, \text{ where } V = \text{No. of Visa Cards and} \]
\[ M_t = -0.6905 + 1.969t + 0.3214t^2, \text{ where } M = \text{No. of Master Cards} \]

The unit of time \((t)\) in years.

These equations will provide a clear picture of credit card membership in the coming years.

- In the metropolitans of India most of the merchant are having the on line authorization from the point of sales (POS) through Electronic Data Capture (EDC) machine which assure instant payments to the merchants. It reduces bad debt, credit card fraud and enhances speedy transaction and settlement. But the main difficulties of this is that EDC facilities are not available in all the outlets. Till now about 50% of merchants have the EDC machine and online facilities. The EDC machine needs a lot of infrastructure facilities like phone line, electricity and other attachments which are not available in every places.
• In India, Citibank is not only the pioneer in credit cards but also the market leader followed by Standard Chartered, SBI and ICICI credit cards.

• In India, Master Cards were more popular but by 2002 Master and Visa Cards are almost equal and competing neck to neck and in 2003-2004 Visa overtakes Master Cards.

• As per the bankers informations the most of the people are using the credit card in India for shopping, dining, fuel purchase and cash withdrawal purposes.

• In India, credit card not only improve the purchasing power but also provide emergency fund to the users, enhances social status of the card holders as well.

• Credit card fraud is a problem and on an average 1% to 2% is lost by the banks due to this.

• Credit card boost up sales of the merchants which is revealed from the questionnaires administered to the merchants.
• Credit card is providing the economy with a lot of savings by way of reducing the production of paper currency and coins which is expensive and subject to destruction, damage, forgery and theft. Credit card system basically serves the function of money in all the sense but without actually being the legal tender note or coin and assuring the security and value at the same time.

• It is seen that debit card is growing up with credit card membership mainly due to convenience and credit shy nature of Indians.

\[ D_t = 7.6802 - 4.9206 t - 0.3622 t^2 + 0.23t^3 \]

• The market survey of consumers in relation to their opinion reveals that majority are satisfied and the perception is also positive.

• It is seen from the analysis that the opinion on different parameter of credit card affected by qualification along with all other parameters like, occupation, income, gender etc. do have effected the opinion and perception of the credit card use.
7.2 Recommendations

From the study the following recommendations can be made:

- The interest rate for the unpaid balance of credit card should be brought down to a reasonable limit which will attract more customers and as well would motivate the existing card holders to use it more.

- The merchant network must be increased to make the card more usable. In Indian context, credit card is mainly used in metropolitan cities and towns, though some hotels in isolated establishments could provide the facilities in the interiors but in most of the places in our country is still deprived of proper credit card network.

- Laws relating to collections of credit from the consumer should be more stringent so that the bad debt of the banks which is about 1% - 2% of the business is not lost.

- The EDC machine should be provided by the bankers, so that the small merchants can get the benefit of accepting credit card.
• More co-branding and add on facilities may be attached with the credit cards so that the customer can use it for multiple purposes.

• Allowing credit card to pay expenses like insurance premium, house loan installment etc., would make the card more versatile.

• Till date credit cards are not used for interpersonal payments or for settlements of loans and for purchasing of properties goods by individuals. It should be incorporated to expand the scope of the usage of credit card.

• Balance transfer from one credit card to another should be stopped as it amounts to play with the float and unfair trade practices.

• Hard selling of credit cards must be controlled and specially the cold calls should be stopped.

• Collection process as applied by the banks should be properly monitored by authority to assure customers safety. In many cases it is seen that recovery agency have been
employed to realize dues from the card holders who in turn behave harsh to get the money in an unethical manner.

7.3 Limitations of the study

- The study is mainly based on data from primary and secondary sources from a 1991-1992 to 2006-2007, though the credit card business have commenced from the late 1970s in India and from 1940s in USA.

- Only those credit cards are specially considered which are in business for at least 6 years though other credit cards like ABN Amro credit card, HDFC bank credit card etc. have commenced from early 21st century and is doing the business well, but those are covered in ‘other category’ only.

- A birds eye view of the credit card business of the world is taken but different country is having a different behaviour for credit cards business. Due to scarcity of data and scope limitation the entire study mainly revolves credit card business of India which account for only about 2% of the world credit card operation.
• Due to business secret some primary data obtained from bankers, customers, merchants and direct selling agent (DSA) may not be completely reliable.

7.4 Scope for further research

Credit card business is a vast subject so it has tremendous research potential in the years to come in the following areas:-

• Credit card fraud detection and control measure.
• Credit card security through information technology
• Credit creation through credit card.
• Credit card scope for interpersonal payments.
• Credit card and smart card – a comparative study
• Credit card and mobile phone banking
• Credit card and black money
• Fund based income and fee based income through credit card of banks