CHAPTER - II

REVIEW OF LITERATURE

The Credit card service has started gaining momentum due to the wide publicity given to it. The users feel that acquiring a credit card is an easy way of getting unsecured credit. What the consumers must know and bankers are obliged to make the consumers of this service know, is the utility and various charges imposed upon the credit card usage.

This literature survey covers various studies made in credit card services relating to awareness, satisfaction and problems of cardholders in credit card usage.

Two studies by Professors. Mathews and Slocum (1970) found a number of interesting and useful relationship between social class, income and the usage of bank credit cards. They found that "members of the lower social classes tend to use their cards for instalment purposes; upper classes for convenience". Further, their results indicated that all users had a favourable general attitude towards credit; however, instalment users tended to use their card more frequently. The study also indicated that "the upper classes are generally favourable towards using credit to purchase 'luxury' goods, and the lower class users tended to use their cards for 'durable' and 'necessity' goods."

Joseph H. Plummer (1971) conducted a study on the life-style pattern of male and female bank charge cardholders using their demography and purchase data. The basic demographic pattern and card usage data indicate a widespread use of
commercial bank charge cards across many demographic segments of populations. From the standpoint of potential market segments, however, the higher income, better-educated, middle-aged and professional segments are more prominent on the user index scale. The study depicts certain aspects of credit card users' lifestyles, particularly their contemporary thinking, risk-orientation, and service organization affiliations that may or may not be characteristic of the majority of these demographic segments. The life-style portrait of the users indicates an active, upper socio-economic, urban-suburban life-style with many interests outside the home. Both male and female users indicate a convenience-orientation toward credit cards as a satisfactory cash substitute. The study indicates that users of commercial bank charge cards, in contrast to non-users, exhibited a "contemporary state of mind" and a rejection of conservative, traditional concepts, which is a major detriment to card usage beyond demographic variables.

Traditional concepts of money and a conservative orientation towards one's lifestyle may be major barrier to usage of bank cards which the issuing banks while marketing and sending communications should seriously consider.

Issue of credit card by oil companies for customers to use it at respective petrol stations account for the majority of all credit card transactions in the USA, which has been explained as a table comparing credit card usage in USA and Western Europe.
### Table 2.1 Comparison of credit card usage in USA and Western Europe

<table>
<thead>
<tr>
<th>Points</th>
<th>USA</th>
<th>Western Europe</th>
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<tr>
<td>Percentage of adults holding a</td>
<td>Over 95 per cent of all adults have a current bank account.</td>
<td>Western Europe, including the UK, is still mainly cash-oriented, although more</td>
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<td>current bank account</td>
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<td>than 90 per cent of adults have a current account with a bank.</td>
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<td>Share of adults holding a bank</td>
<td>In 1972 a survey indicated that half of all US families possessed</td>
<td>In 1975, 80 per cent of adults in the UK did not possess any kind of credit</td>
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<td>credit card</td>
<td>at least one credit card. Currently probably over 80% possess at</td>
<td>card. Over one-half of UK families with incomes greater than £ 20000 (about $30000) possess one today.</td>
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<tr>
<td>Means of consumer transaction</td>
<td>In 1977, 6 per cent of all consumer transactions were by bank credit card only. No information could be found on the percentage of transactions by credit card in general. However for total card usage the distribution was:</td>
<td>In 1978 AGB Research monitored consumer spending on transactions over £3 (about $6). The findings were:</td>
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<td></td>
<td>In-Store Cards 50%</td>
<td>Transactions by Credit Card 2%</td>
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<td></td>
<td>Gasoline Cards 33%</td>
<td>Transactions by Cash 16%</td>
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<td></td>
<td>Bank Credit Cards 16%</td>
<td>Transactions by Cheque 24%</td>
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<td></td>
<td>T &amp; E 1%</td>
<td>Transactions by direct debit 11%</td>
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<tr>
<td>TOTAL</td>
<td>100%</td>
<td>Transactions by other means 2%</td>
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<td>TOTAL 100%</td>
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<td>Points</td>
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<td>Volume of credit card transactions</td>
<td>Credit card transactions account for $600 billion, as far greater amount than in Western Europe. Bank credit cards accounted for 31% of this transactions volume.</td>
<td>Of the above transactions, credit cards in the UK totalled about £ 25 billion. Of this 95% is accounted by bank credit cards, eg., Access, Visa.</td>
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<td>(1990)</td>
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<tr>
<td>The Usage of bank Credit.</td>
<td>It is not known what percentage credit cards make up out of total available consumer credit. However they are so widely accepted that it is difficult to make transactions without them. By 1977 approximately 52 million US households possessed credit cards. Unlike Western Europe, where bank credit cards are the majority credit card, in the USA bank credit cards only form a small percentage. Note however, they still account for 6 per cent of total consumer credit. In-store credit cards are a most important consumer credit card facility.</td>
<td>Credit cards make up a small percentage of total available consumer credit in the UK. Of this small percentage, most is accounted for by bank credit cards. In 1990 approximately 12 million were Access cardholders and approximately 13 million were Barday cardholders. In Britain credit cards in general make up only 5% of the total consumer credit.³</td>
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Terry M. Wickre (1980), the marketing manager for Rocky Mountain Bankcard system and assistant vice president of Colorado National Bank, Denver, in his study to increase the customers awareness about the Visa and then Master Charge card issued by the bank conducted a pre and post study before their various advertising strategies found out that by advertising customers were becoming more aware of their credit card and how it worked. Advertising had increased the consumers ability to discriminate one bank card from another and reduces confusion in the cardholders’ minds. It also provides bankcard customers with convenient and beneficial plastic cards and EFT services.

The market for credit cards has matured and the new battle is to get the consumers to use them. New York’s Citibank in order to promote usage of cards introduced a program called Citi dollars $, according to which when a consumer uses a Citibank Visa or Master Card, he or she receives a certain number of Citi dollars $, which are posted on cardholders’ monthly billing statements. The rate is one Citi dollar for every $5 spent Citibank then sends its cardholders an annual catalogue as well as quarterly fliers, offering mail-order products and services—all available at a discount from retail through use of those Citi dollar. This program introduced by Citibank increased the usage of cards among cardholders greatly and the program was a success. This is now a way followed by almost all the issuing banks, which is now termed as reward points.

Richard A. Feinbery (1986), an Associate Professor of consumer sciences and Retailing, Purdue University, West Lafayette, had conducted four experiments and one study to test the hypothesis that stimuli associated with spending can elicit spending
responses. The study results stated that credit card customers to restaurants left more
tips than that of cash tips. The first experiment was to assess whether credit card
stimuli will facilitate spending - increase individual spending and to assess whether
credit card effect was in any way bounded by the sex of subjects, the type of product
used as the dependent measure or their interaction, this was done on 60
undergraduates. The results of the study state that credit card stimuli made the subjects
spend more and this effect appeared to be independent of the sex of the subject and
the type of item under consideration. The second experiment was designed to serve
as a replication of the basic phenomenon demonstrated in the first experiment and to
further test predictions concerning increased motivation and decreased decision time
for spending. The study was conducted on 24 female undergraduates. The study results
proved that the credit card stimuli clearly facilitated spending, reduced relative
decision time and were motivated to use credit cards for various products, in different
locations, in a variety of stores, and at a variety of prices. Thus either the measure of
acceptability is insensitive or inappropriate as a dependant measure of motivation or
credit card stimuli did not affect motivation to spend. The third experiment was
designed to determine if credit card stimuli would facilitate spending (donating for
charity) in a controlled spending situation different from that already employed. The
study was conducted on 40 subjects. The experiment proved that the presence of credit
card stimuli estimated that they would spend more than the individuals in the absence
of credit card stimuli, eventhough the credit cards were not instrumental in the
spending response. The fourth experiment was complementary to the third experiment
were in the subjects were asked to estimate their contribution to a charity with the
presence of credit card stimuli being varied. The results of the study proved credit
card stimuli increased the contribution of subjects towards charity. The experiments
and the study proved that credit card stimuli directed spending such that the probability, speed or magnitude of spending was enhanced in the presence of credit card cues.

The consumer protection bodies feel that the availability of credit particularly through credit card has outstripped people’s ability to handle it. The Money management council, a charity which aims to help people handle their finances more efficiently. The councils states that education is trailing far behind the development of consumer credit and transfer funds via the plastic card whereas there has been an enormous increase in its usage.

Another study aimed at identifying household credit card choice and usage behaviour of cardholders was conducted by Jeo and Jung Sung (1990). The theoretical model used to analyse the credit card choice behaviour was a discrete choice model under the assumptions that the multiple aspects of credit cards influence the choice of credit card(s) and the choice decision was made through three sequential steps. The theoretical model to analyse the credit card usage behaviours was developed using a neoclassical intertemporal utility maximization framework under the assumption that a household card bundle and its faces of credit card choice decision for the different usages. It was found that several factors were significant in determining the choice between bank and store credit cards. These were the level of family income, the household age, the number of bank card holdings, the number of store card holdings, the related interest rate, the relative membership fee and the card preference. By contrast, only one variable was significant in explaining the choice between a store card or a T&E card. Test on the analysis of credit card usages showed
that choosing T&E cards rather than bank credit cards is differently determined by usages. Different variables showed up as significant factors for three usages and the sizes of effects were different also. Through all three usages, the effect of the fact knowing the interest rate were consistently negative.

A study to examine graduate international students’ knowledge, attitudes, experiences, practices and satisfaction relating to credit cards was undertaken by Punjavat and Tapin (1993). Based on the literature, international students attending U.S. Colleges and Universities were considered an important population to the study because of: (1) internationalisation of credit cards and (2) the lack of credit card research on this group. The sample was selected from graduate international students attending Colorado State University. The Study was conducted on 261 students.

Findings showed that respondents’ credit card knowledge was low, attitudes were favourable, and pre-U.S. experiences limited. Since living in the U.S., respondents had become regular users with a mean of 3.3 cards and a majority charging more than $200 per month. They followed commonly recommended practices, and eight of ten were satisfied with their credit card use. Several statistically significant relationships were found among the credit card variables and between these variables and socio-demographic characteristics such as country of origin and length of U.S. re-developed and evaluated.

The study done by Teopaco and John L. (1993) investigates the organisational design elements, and salient environmental and company factors involved in consumer services firms with a marketing or customer satisfaction
orientation. The study uses four case studies of companies in four consumer services industries: fast foods, credit cards, health care and full-service hotels. The findings support the relevance of the dominant marketing function as an organisational dimension, but does not support the customer relationship hypothesis. The research results also show that equally important to organisational design are non-structural elements - such as corporate culture, reward, training and service quality measurement systems; employee empowerment; and recruitment policies - that are all oriented towards customer satisfaction.

The Charities Aid Foundation’s issued a new plastic card that will make it easier for donors to take advantage of the tax-privileged status of charities. A person who wants to possess this card has to pay a minimum of £120 a year for 4 years or £900 a year. This money and the tax paid on it is credited to the cardholders who can use the amount in the credit for charity purpose. It was found that charity cardholders were relatively sophisticated handlers of money; they were aware that if they contribute to appeals using conventional cards they are not giving in a tax-efficient way. But consumers seem to prefer to make donations through ordinary credit card than through charity cards.11

John V.Ducca and William C.Whitesell (1995)12 conducted a study on credit card and money demand, which sheds light on issues relating to credit card ownership, the effects of credit card ownership on household deposit balances and the determinants of deposit account ownership. Results of the study indicate that both demand and supply factors affect who has a credit card, with household attitudes toward using debt being significant. In addition, evidence also suggests that lenders
offer or approve credit card using credit standards based on observable characteristics related to default risk, consistent with screening model of credit rationing. This study makes two more contributions. First it provides cross-sectional evidence that income and assets are significant variables for transactions deposits, but that income may not be an appropriate scale variable for small time deposits. Second, it indicate that controlling for selection effects can be empirically important for cross-sectional analysis of money demand.

Two contrasting pattern of credit card usage have been identified through multiple consumers by Canner and Cyrnak13 in the year 1985 namely convenience usage and revolving credit usage. Convenience usage applies to those individuals who use credit cards because, in comparison to writing cheques or carrying cash, it is a simpler means of making of transaction. These consumers do not carry a balance on the account but pay the total each month. Revolving credit users, in contrast, finance their transactions through installments on the account, paying a portion of the balance plus a finance charge each month. Convenience users generally charge greater dollar amounts per month than revolvers, and the amount charged per month for both types of credit users rises with family income. Surveys have also indicated that as family income and the age of the head of the household increase, the likelihood that a consumer will be a convenience user also increases.

Retail credit card users differ from bank card users in many ways. Consumers who have a store credit card indicate that they spend about twice as much, and rate the store higher on customer service than customers who do not have the card. In addition the shopping frequency of consumers using store credit cards is significantly
higher than that of shoppers without store credit, reflecting the tendency of store credit holders to maintain loyalty to that store.

In addition to these differences in credit usage, there is some indication that niches exist in departmental store credit usage. The characteristics of a cardholder of one store appear to differ from those of cardholders of another type of store.

Arthur Meidan in his book has mentioned that both in USA and Europe the profile of the cardholders has been influenced by the way in which card schemes have been launched and promoted. On both sides Atlantic Credit cards have been marked to high-income groups from the beginning and these groups have always found credit card facilities easier to obtain. It has been found that an ‘average’ bank cardholder tends to be a middle-class person who already has a bank account. The determining factors affecting the use of credit cards are: Social and cultural, business and economic, legal and political, and finally, technological factors.

Slocum and Mathews as part of their contribution in this area of research have stated by comparing social class of cardholders with credit card usage that the majority of card users favour purchasing goods such as appliances, furniture, clothing and gifts on credit. However in the UK, Access income by trade Sector in 1988 was.

- Garages / Petrol 23%
- Travel / Entertainment 21%
- Consumer Durables 13%
- General Stores 11%
- Miscellaneous 19%
Thus it can be inferred that social class is not the most useful predictor of credit card usage.

Awh and Waters on their part have stated that a significant proportion of cardholders in USA never activated their accounts. The major factor influencing card usage were economic, demographic and attitudinal variables.

The major factors that were found to influence card usage, in order of importance:

- **Attitude towards bank charge cards** was by far the most differentiating factor distinguishing active from inactive cardholders.
- **Age**: Advancing age reduces the likelihood of an individual being an active cardholder.
- **Socioeconomic standing** also leads to differentiation between active and inactive holders. An individual with a relatively high social standing is more likely to be a user of a bank charge card than is a person of relatively lower social standing - this in connection with the view that lower socioeconomic classes utilise credit cards beyond their means, engaging in 'free spending'.
- **Individuals are** more likely to use their cards if they also use other types of credit card. Perhaps this implies that credit card usage is a matter of habit.
- **Attitude towards credit generally.**
- **Education**
- **Income**.
The greatest determinant of whether a cardholder is active or inactive is attitude. An unfavourable attitude is due to

(1) the fear that use of a card may make the cardholders to rely heavily on credit, and
(2) the belief that cards should only be used to cope with emergency needs.

Also it was found that

(1) advancing age reduces the likelihood of a cardholders being active, and
(2) higher social-class cardholders tend to be more active than lower social-class cardholders.

At ABA’s Bank card conference held in November 1996, Andrew March, the group director of financial services at J.D. Power and Associates, Westport, Conn., reviewed his company’s 1996 comprehensive Credit cardholders’ satisfaction study, which indicates differentiating factors that impact credit cardholder’s satisfaction. The results of the study are based on survey responses of 22 of the major issuers and about 50 individual credit cards in the basic gold and reward categories. The study reveals that consumers regards the following features as key components contributing to their satisfaction with a credit card a fair APR and interest rate (24%), speedy and accurate payment processing (21%), a clear billing document (11%), solid issuer reputation (9%), a satisfactory credit line and cash advance limit (7%), universal and fast point of sale processing (5%) and finally, a reasonable membership or annual fee (4%).
In studying the reason for delinquency among cardholders and to predict it the pattern of bankrupt's card usage may be identified using, Fair Isaacs score based on a research conducted making use of this tool, it was found that bankrupt's exhibit a gradual increase in spending 18 months before filing for bankruptcy. For analysing this customers are segmented into eleven types. It has been identified that the greatest predictor of cardholders bankruptcy is a change in customer's spending pattern; the more spending climbs the greater the risk.16

In his study conducted in 1998, Mr.Frances B.Smith17 states that cardholders have started using credit cards differently than they did 10 or 20 years ago. Cardholders nowadays use credit card to get instant loan. Many consumers use credit cards for convenience - as a safe and hassle free alternative to cash or cheque. A substantial number of credit card users - about 40% - are "non-revolvers", that is, they don't maintain a balance on their accounts and instead pay off in full what they owe each month. The percentage of non-revolvers has increased in the past decade. Also it has been found that consumers currently use a higher proportion of their disposable income to repay their consumer debts. This increased usage of credit cards for convenience and not for credit thus can result in over statement of the credit card levels.

With the introduction of online banking world wide web merchants have noticed a major shift in behaviour over the past years. There has been a dramatic increase in the number of people who are comfortable putting their cards online eventhough 83% of Internet users state that their main concern about online shopping is payment security, 59% of them have used their credit cards online. Eventhough
consumers still feel uneasy about using credit cards on the Internet, fear is holdings back a lot fewer surfers that it used to.18

Larissa Fernand (1998)19, has stated live cases where the cardholders have not been properly served by their issuing banks and the problems that the cardholders have endured because of lack of quickness and alertness on part of the banks in redressing the grievances of cardholders and also rectifying the mistakes committed by it inspite of the cardholders bringing it to banks notice. Among the problems experienced by the cardholder were less percent of discount than that offered on cash sales, extra amount to be paid on purchase of certain consumer durable with cards, rejection of cards at member establishments due to lack of updating of information and difference in offer than what is advertised.

A survey was conducted by Credit card Management Consultancy in India among 10,000 credit card users, to probe the level of awareness among credit card users about plastic money. The results show a surprisingly high degree of ignorance among them about their cards, and most of this is information available in brochures. According to the survey, 78 per cent of credit cardholders were not aware of the difference between credit card and a charge card. When the respondents were questioned about their need for a card, 22 per cent of them cited the fact that a credit card helps them in emergencies, 57 per cent stated that they bought the card for travel and entertainment, 35 per cent to buy consumer durables, 32 per cent for clothes and allied shopping and 18 per cent for other reasons. 40 per cent of the respondents surveyed were not aware of the interest rates charged on their balances due, and also on what method the interest has been calculated. Though 80 per cent thought the rates
were high. 70 per cent of the respondents stated they did not know what to do if their card got lost or stolen. 73 per cent of the cardholders surveyed were unaware of reason why their application for credit cards were rejected. The survey states that even though awareness level among the cardholders is less, it had not stopped them from spending but to spend sensibly.20

According to another survey conducted by Credit Card and Management Consultancy, cardholders of India are ignorant about the fundamentals of card usage including interest rates charged. The banks appointing agents for marketing of their cards, these agents under pressure of marketing targets do not inform the buyer about the various intricacies in the usage of cards, the survey states that 70 per cent of the cardholders are unaware of the facility of waiver of outstanding balance upon death of the cardholder and another 70 per cent do not know what should be done in case in case of loss or theft of the card.21

The Indian Credit-Card market has a growth by 30 per cent a year. Even though Indian card market is one of the fastest growing in Asia, when it comes to purchases through cards few Indians are willing to buy prestige products. Most Indians prefer cash, partly because it leaves no trace as the government has added credit cards to the list of assets whose owners file a tax return. Also most Indian card users settle their bills before they start incurring interest charges.22

Studies indicate that customers who prefer co-branded and affinity cards tend to have higher spending capacity and are likely to be more loyal to the organisation. Trends in the advanced countries indicate that over a period, almost 30 per cent of the
market will consist of co-branded and affinity cards. Co-branded cards enable cardholders to buy the particular product at a discount like, Times card of Citibank enable cardholders to get times magazines at 10 per cent discount. Holders of affinity cards besides experiencing an emotional satisfaction, there are value-added benefits. A classic example is the Citibank WWF card, ideal for nature lovers. Besides the facilities and privileges of Citibank, this card provides a chance to contribute efforts at saving endangered species.\textsuperscript{23}

A survey made in 1999 reveals a wide discrepancy between what consumers think they known and what they actually know about credit cards. The research reveals that most people’s choice of a credit card is determined by word of month referral, advertising or the belief that one card is as good as another when the fact is that a credit card is no longer just a credit card. Consumers ignorance prevents individuals from choosing the card most appropriate to their life styles and financial status. The survey reveals that nearly 78 per cent of those surveyed were unable to distinguish between a charge card and a credit card. Another finding of the survey is that an amazing 65 per cent cardholders in India rest complacent in the belief that they are paying around 2 per cent as interest when they are actually being charged a whopping 2.95 per cent. Around 84 per cent of customers also believe that the interest free period on the card is 30 days or more when in reality the grace period for credit cards, if applicable, relates only to those cases where the outstandings are cleared in full at the end of each settlement period. Reward programmes are an added incentive for all cardholders but lack of adequate information resulted in more than 80 per cent cardholders opting for cards which do not offer these benefits. Customers are also not sufficiently aware about being wary of card issuers who encourage the user to settle
a mere 5 per cent of the outstandings every month. A lack of customer education and communication can land the cardholder in a debt trap. The survey revealed that everyone was aware of some aspect or the other of credit card usage but they lacked the overall perspective. A customer before choosing a card must take a holistic view and evaluate the complete package rather than get carried away by individual features.\(^2\)

Jonathan Karp and Steve Stecklow (1999)\(^2\) mention about the collection practices of issuing banks in India and the resultant inconvenience caused to cardholders. The issuing banks in order to collect outstanding balances from delinquent customers, appoint private agencies, whose sole aim is to make collection from such customers to which the issuing banks are ready to pay even 12 per cent of the collections as consideration to these agencies. This has brought in criticism from among the customers who are emotionally tortured by the collecting agents. Even the police are not able to take action against such banks as the banks state that they have no control over the action of these agents.

The credit card companies in order to keep the business profitable, because of fall in interest rates are jacking up various charges which have angered the customers. These charges include late fees, ATM and service fees, shortening grace periods, upping foreign transaction fee, imposing penalty interest rates, inactivity fees, etc. Thus card issuers have made use of these additional charges as another way to squeeze money out of consumers. Some issuers include a mandatory-arbitration clause, so customers can’t take their dispute to court.\(^2\)
In yet another publication by the Credit Card and Management Consultancy firm regarding selection of credit card by an executive, it have been stated that such customers must systematically choose the card that best suits them. Senior or middle level executive who have to travel often must first of all look at the acceptability factor, access to branch and ATM networks. The greater the access, the better for the travelling executive. The second aspect to be taken into consideration by the executives is credit limit and they must also look into the fact that whether the card will extend a significant cash advance limit. The potential customer must also make sure that card issuing company gives him a detailed account of his spending, summarising expenses by category. Add-ons such a tie-ups with travel related company/service for facilities such as ticketing, car rentals, hotel reservations are important too. Also to be considered are discounts on hotel and allied services; emergency card replacement services; insurance amounts; temporary credit limit increase facilities; emergency/medical/legal services, tie-up with airlines (including discounts on tickets). Being frequent travellers, executives should be multiple cardholders and should be holders of Indian bank cards if he is to travel within India. Executives who are not frequent travellers should given due consideration to interest rate on outstandings and fee structure. Potential customer must also consider the card issuing bank’s turnaround time, that is, the time taken from the point of application being submitted to point of approval and issuance. In addition he should enquire the existing cardholders before enrolling. It has been found that women are more concise about interest rates, fee structure and deals/discount being offered on purchases while opting for credit cards. On the other hand, men accord more importance, to credit line and acceptability. Professionals should always opt for a premium/gold card when required for high-ticket use. Entrepreneurs are more particular about higher credit
limits because they like to use card for different purposes. An executive on the other hand, is more focused on the add-ons and freebies offered with the card and keeps this in mind while selecting a card.\textsuperscript{27}

A growing number of bank cardholders are feeling the sting of penalty interest rates and fees adopted by major credit card issuers. The penalties include higher rates for consumers who miss payments or pay late, higher late and over-the-limit fees, even fees for not carrying a balance or using a card often enough. This is due to issuers not giving any warning to consumers. Consumers are of opinion that any changes made are not clearly disclosed to cardholders in monthly statements, credit card agreements and bill inserts. Consumers groups say changes in terms and conditions are often buried in fine print and in statement staffers. Further, critics state that credit card communications are often misleading. Ken McEldoconey, executive director of San Francisco-based consumer Action, stated that in a typical solicitation the explanation of a penalty rate appears in microscopic type in a footnote, while the envelope and offering letter tease the consumer with a rate that is far more attractive.\textsuperscript{28}

In a survey conducted by Credit Card Management Consultancy in India, on 5000 individuals on the important factors taken into consideration by existing and prospective cardholders in the process of credit card selection, 65\% of the respondents stated convenience and acceptability as an important factor while choosing a card. Other factors included the credit limit (considered important by 62 per cent of the respondents), cash advance limit (57 per cent), fee structure (55 per cent), interest rates (45 per cent), medical/hospital services (37 per cent), balance transfer facility (28
per cent), reward points (26 per cent). The least important feature was ATM, with only 18 per cent of respondents citing it as an important factor.

The survey also revealed that most people choose a particular card because of word-of-mouth or because they were aware only of a few cards. As a result, there is frequently a mismatch between the individual’s profile and a cards offering. When the sample were questioned about the need for advisory service while selecting a card, 57 per cent of single cardholders have stated the need for assistance when choosing their second credit card. Even 38 per cent of multiple cardholders have felt the need for advisory service to make easier for narrowing down their choice of signing up for cards.29

The credit card industry in India has registered an encouraging growth in recent times, but the usage pattern of credit cards remain a point of concern. It fortifies the view that conservative purchasing ideas are giving way to the big in thing. But there is a doubt regarding its usability in the minds of experts; because the whole idea behind the introduction of credit cards was to increase the purchasing capacity of the cardholder. But the real point of worry is the spending on credit card where the average card spending in India is even less that in Indonesia.30

Dilip Maitra points out the areas which the cardholders should be aware of by stating the point which the cardholders should keep in mind while using credit cards. The areas stressed here are introductory offers on cards which are often incomplete and misleading. While mentioning about the utility value of cards the author particularly states about discounts at member establishments, ATMs, credit period, etc.
When stating about revolving credit facility the author states that, cardholders should as far as possible avoid using this facility in which they pay five per cent of their outstandings and the remaining in installments. The author indicates the drawback of utilising this facility, by stating that when cardholders utilises this facility he is to pay interest not only on the balance, but also on any fresh purchases he makes, thus once a cardholders makes use of this facility, he is no longer entitled to 50 days free credit generally promised on the card. The cardholders are advised to pay off the entire balance if they are using revolving credit facility and then make use of the card for further purchase, thereby they are saved from paying an interest of 24 percent. Regarding the minimum loss liability, of Rs.1000 mentioned in the manual on loss of card, this is the liability to be borne by the cardholder only after a formal complaint is made, the cardholder however has to pay for the purchases by the thief before informing the bank about the loss of card.31
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