

A Study on Customer Awareness and Satisfaction among Credit Card Holders in Krishnagiri District

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ABSTRACT: *The study emphasis to identify the awareness and satisfaction among credit card holders motivating factors of the respondents for using credit cards and to report the problems they are exposed to based on a pretested interview schedule, a sample size of 300 respondents the empirical results have indicated principal and secondary benefits as influencing factors and a significant relationship has been established between the demographics, impulsive & compulsive buying and associated problems in accessing credit cards. Policy implications are derived, future research directions have indicated and it acknowledge few limitations.*

KEYWORDS - Credit Cards, Banking Sector, Public Sector Banks, Credit Card Limit

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I. INTRODUCTION

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

II. CURRENT TRENDS IN CREDIT CARD INDUSTRY

There is now a flood of Indian banks offering credit cards to the potential customers. Multinational banks operating in India have also joined the bandwagon with high voltage advertising and seemingly competitive reward programmes for loyal credit card users. Banks' income from credit cards can be divided mainly into four components namely annual fee, interchange charge, revolving fee (interest charged for revolving credit) and other fees. Indian credit card market is growing at almost 30 to 40 per cent annually and the number of credit cards in circulation is twenty seven and half million as reported by credit card issuers.

III. STATEMENT OF THE PROBLEM

Credit cards have changed the way people look at money. Gone are the days when only the rich sported them at limited counters in select cities. Today, they are a way of life for the middle class too, even in smaller locations across the country. Credit card business has registered a 30 per cent growth rate during the current year reflecting the growing acceptance of the people and adaptability to the new age currency system. The plastic cards with attractive features like deferred payment facility, cashless transaction facility and the like have caught the eye of many a lower and middle class people. Credit cards enable travellers to carry a small amount of cash. People also depend on credit cards for liquidity when their salary is delayed. Most of the merchant outlets today accept plastic money. And with freebies like insurance cover, easy repayment options, bonus points and rewards on offer, it pays to own a credit card. The convenience in using credit cards makes it very popular throughout the world and any urban society cannot think without it. India is not an exception to it as the number of active credit cards which was only a few thousands in 1989, shot up to about 2.75 crores in 2008. However, this boom has brought in a lot of complications like credit card fraud, payment defaulting, unsolicited card, uncontrolled spending etc.

Rapid credit card growth has increased transaction efficiency. Till recently, the Indian consumer was using the credit card during the crunch season, but things have changed in the recent past with the consumers using it for as small a sum as Rs.100 to over one lakh rupees. The most common feature among the credit card holders is that they carry forward their payment. Postponing payments multiplies bills that too at a whopping rate of 50 to 60 per cent per year, pushing the card holders into a debt trap.

The utility of cards varies from person to person depending on their profile. In the initial years, the consumers deem it a privilege to hold credit cards. However, there is a feeling among card holders that the banks are charging hefty interest and other fees. Credit card issuers charge interest which works out to roughly 42 per cent per annum. Delays or defaults result in payment of penal interest on all incremental usage of the card

till the payments are made. Once the outstanding piles up, it can be a serious hazard to one's financial security. Today, competition among credit card players is intense. Offering benefits like reward points is just another way of luring customers into debt trap. The biggest problems arise when one gets into what is called revolver mode of repayment.

The cases of credit card frauds are increasing where banking transactions are done through the internet. There is a dark side to the credit card technology which is an avenue for sophisticated swindlers. The convenience in using credit card has made it very popular. But the boom in credit cards has been accompanied by howls of protests from customers about a range of issues such as unsolicited cards, undisclosed charges, free cards that are charged for, sales calls at all times of the day, wrong billing banks resorting to intimidation to recover disputed payments, rotating DSAs (Direct Selling Agents) who promise and vanish, bills coming too late to make timely payments and nowhere to complain. This study on credit card has been undertaken in the light of the following aspects.

- i. What is the level of awareness of bank customers about credit cards?
- ii. Are the credit cards used judiciously by the holders?
- iii. What is the reason for many of the bank customer's not possessing credit card?
- iv. What is the extent of utilization of credit cards?
- v. Are the card holders satisfied with the same?

IV. SCOPE OF THE STUDY

This article focuses on the perception of card holders towards credit cards. The study was designed to gain a better understanding of the factors influencing possession of credit cards and card holders' satisfaction. The study also analyses the extent of utilization of credit cards by card holders and the level of awareness of bank customers not having credit cards about such cards.

V. OBJECTIVES OF THE STUDY

The objectives of the study are:

- a) To study the awareness of bank customers about credit cards.
- b) To study the influence of demographic profile, and banking related profile of the customers on possession of credit cards.
- c) To assess the eligible credit limits and the actual credit limits availed by the card holders.
- d) To examine the extent of usage of credit cards by card holders.
- e) To offer suggestions for further improvement.

VI. RESEARCH METHODOLOGY

6.1 Research Design

Research design is the blue print for empirical research work that guides the researcher in a scientific way towards the achievement of the objectives. Survey method has supported the researcher to find the perception, usage, and awareness of credit cards among the bank customers.

6.2 Sample Design

Sampling design is imperative in every scientific study. Hence, the researcher decided to collect the data through multi stage sampling.

6.3 Selection of District

Krishnagiri was formed as 30th district by the Government of Tamil Nadu. It was carved out of Dharmapuri district on 09th February 2004 with five taluks and ten blocks. Krishnagiri district is bounded by Vellore and Thiruvannamalai districts in the East, Karnataka state in the west, State of Andhra Pradesh in the North Dharmapuri District in the south.

Its area is 5143 Sq. Kms. This district is elevated from 300m to 1400m above the mean sea level. It is located between 11° 12'N to 12° 49'N Latitude, 77° 27'E to 78° 38'E Longitude. The average rainfall is 830 mm per annum. March - June is summer season. July - November is Rainy Season and between December - February winter prevails. Three languages namely Tamil, Telugu and Kannada are predominantly spoken in this district. Major religions are Hindu, Islam and Christianity.

6.4 Selection of Sample Bank Branches

In tamilnadu, nationalized banks have good rural branches 1688 presence followed by private sector banks presence 687. SBI also has good rural branch 337 presence following the private sector banks.. These 105 bank branches constituted the sample frame for the selection of banks. Twenty per cent of these banks were selected by drawing lots by following Simple random sampling method, which came to 21. For convenience,

this was rounded off 25. Fifteen public sector and ten private sector bank branches were thus selected for the study.

6.5 Selection of Bank Customers

Since the number of customers in each of the selected bank branch was more than 12000, it was found quite unwieldy to select certain percentage of the population as the sample frame. 12 customers were selected from each of the 25 select bank branches on the basis of convenience. Thus 300 (25x12) bank customers were selected as the sample for analyzing customer awareness about credit cards.

6.6 Selection of Credit Card Holders

From the survey conducted by the researcher and discussions held with the bank managers, it was found that the popular brands of credit cards in Krishnagiri District were ICICI Card, SBI Card, HDFC Card, and AXIS Card. Thus it was found that the total number of credit card holders were around 3000. The researcher selected 300 credit card holders, the number working out to 10 per cent of the population. The sample respondents were selected on Convenience basis.

6.7 Field Work, Data Collection, and Processing of Data

The researcher undertook field work during the period from May 2019 to May 2022. By using the interview schedule, the researcher interviewed the bank customers who do not possess credit cards. Interviews were conducted at the bank premises with the permission of the bank managers concerned. The questionnaire was issued to the credit card holders. The credit card holders were contacted in the bank premises, at ATM Centres and mercantile establishments and the data were collected. The data thus collected were posted in the master table to facilitate further processing. Statistical analysis of the data was done through SPSS software in computer.

6.8 Statistical Tools

Statistical tools such as Descriptive Statistics, Chi-square Test, Correlation, Analysis of Variance (ANOVA), Factor Analysis, and T test were used in the study.

VII. Limitations of the Study

This study is subject to the following limitations

- i. The study covers individual card holders only. Corporate card holders have been excluded from this study.
- ii. Credit card holders of Foreign Sector Banks have not been brought under the purview of the study, since there is no Foreign Sector Bank in Krishnagiri District.
- iii. Credit card holders and non-holders who do not have bank account are not included in this study.

VIII. REVIEW OF LITERATURE

1. **Adcock Jr., William C (1975) in their study (1977)** 'Bank credit card users: An updated Profile' had developed the demographic and qualitative profile of current bank credit card users. These results were compared to earlier profile developed during the introductory stage of bank credit cards and the implications were considered for the life cycles of marketing strategies as a financial service innovation from the introductory to the mature stages of the adoption cycle.

2. **Assar (1991)** in his research work 'Financial Decision Making of Baby-boomer Couples' examined the financial management practices of baby-boomer couples based on a mail survey, with wives and husbands responding separately. The prevalence of budgeting, and individual ownership of investments were found to be related to family income, individual income, presence of children, sex role attitudes, and locus of control. The patterns of relative influence for those types of financial services were also related to many of these factors as well as to ages of children and perceived role overload.

5. **Ali Kara and Erdener Kaynak (1994)** in their research work 'Credit Card Development Strategies for the youth market: the use of conjoint analysis' examined the relative importance of the factors that affect college students' credit card choice decision. A full profile conjoint analysis was used in the study. The study results indicate that the interest and the type of the payment are the two most important factors for the college students in their credit card choice decision.

6. "Correlates of credit card acceptance and usage in an advanced developing Middle Easter Country" a study by **Erdener Kaynak and Orsay (1995)** examined the determinants of credit card usage and analysed male and female perceptions of credit card attributes. The study found that there were statistically no significant differences between males and females in the use of credit cards and perception towards credit cards. However, this study could not identify the usage tactic associated with credit card.

7. **Guru (2000)** in his study entitled ‘credit cards yet to take off’ observed that the average utilization of credit cards is around 20 to 30 per cent. He further stated that since a very high percentage of the card holders come from income groups with limited buying power, the volume of transactions done by card holders’ were low.

8. **Jinkook Lee and Kyoung – Nan Kwon (2010)** in their study “Consumers’ use of credit cards: Store Credit Card Usage as an Alternative Payment and Financial Medium” found that credit availability through bankcards was negatively correlated with consumers’ use of store cards as a financing medium, and suggested the role of store cards as a supplementary credit line. A negative relationship was also found to exist between consumers’ bankcard usage and their use of store cards for a transaction purpose, indicating that store cards function as a substitute payment medium.

9. **Wright & Dravid (2022)** conducted a research study entitled “Comparative evaluation of Electronic Payment Systems”. This study evaluated 3 types of credit card payment systems, an e-check system and 2 digital cash systems, from the viewpoints of privacy, traceability, transaction cost, and the ability to build up the customers’ purchasing pattern. It also evaluated their advantages and disadvantages to the customer, the merchant, the e-payment service provider, and the financial institution. According to the researcher, these systems employed cryptography to provide security. However many consumers were still reluctant to purchase over the Internet because they were concerned about hackers accessing their financial information. The paper concluded with a description of a new system, which was designed to relieve that concern by allowing payments over the telephone network for purchases made over the Internet.

10. **Stauffer Robert F (2022)** explained in his study “Credit cards and interest rates: theory and institutional factors” that money demand would fall as credit card users economize on transactions balances. This perspective overlooked the fact that credit card use was on the increase.

IX. FIGURES AND TABLES

Table 1
Credit Limit Aailed

Credit Limit Aailed	No. of Respondents	Percentage
Upto Rs. 10,000	123	41
Rs. 15,000 – Rs. 30,000	161	54
Rs. 50,000 and Above	16	05
Total	300	100

Table 2
Correlation Matrix of Demographic Variables (X) of Credit Card Holders and Credit Limit Aailed (Y)

	Y- Credit Limit Aailed	X1- Income	X2 –Family Size	X3 - Family Expenditure	X4 - Occupation	X5 - Education
Credit Limit Aailed	1	-	-	-	-	-
Income	.716**	1	-	-	-	-
Family Size	.512**	.512**	1	-	-	-
Family Expenditure	.444**	.583**	.441**	1	-	-
Occupation	-.010	.035	.286**	.014	1	-
Education	-.035	.027	.007	-.035	.326**	1

** Significant at 1% level

Table 3
Regression Model for Credit Limit Aailed by Card Holders

Variables	Regression Coefficient	Standard Error	T – Value (df = 594)	R2
Constant	35.407	8.154	4.342	.519
X1	1.030	.064	16.161**	
X2	3.784	3.045	1.243	
X3	1.212	6.725	.180	
X4	-2.332	2.545	-.916	
X5	-3.632	3,190	-1.138	

**Significant at 1% level

Regression Fitted:

$$Y = 35.407 + 1.030 X_1 + 3.784 X_2 + 1.212 X_3 - 2.332 X_4 - 3.632 X_5$$

Table 4
Analysis of Variance for Regression

Source	df	Sum of Squares	Mean Square	F
Regression	5	700530.5	140106.1	84.94**
Residual	594	979767.36	1649.44	

**Significant at 1% level.

Table 5
Group Mean Score

Variables	CCL	
	Low (N1=443)	High (N2=157)
	Mean Score	
X1 – Age	1.675	1.952
X2 – Gender	1.217	1.457
X3 – Education	1.837	2.000
X4 – Occupation	1.780	1.629
X5 – Individual income	189.079	597.943
X6 – Family Size	51.469	110.606
X7 – Total income	240.549	708.549
X8 – Family Size	4.841	5.752
X9 – Monthly Expenditure	8.126	14.6
X10 – Martial Status	1.041	1.000
X11 – Asset Value	1.932	2.848

Canonical Discriminant Function Fitted:

$$D = -4.391 + 0.832 X_2 - 0.169 X_4 + 0.001 X_6 + 0.009 X_7 - 0.130 X_8 + 0.118 X_9 + 1.087 X_{11}$$

Table 6
Summary of Discriminant Function

Eigen Value	Wilks Lamda	Chi-square	df	P Value
1.344	0.427	336.065	7	0.000

Table 7
Determination of Percentage of Correct Classification by Using Discriminate Function on the Data

CCL	Using the Dis. Function fitted - Card Holders are classified as		Total
	LOW Below mean	HIGH Above mean	
LOW Below mean	218	13	222
HIGH Above mean	13	65	78

Table 8
Canonical Discriminate Function Co-efficient

Sl. No.	Factors	Function Co-efficient
1.	Family income	1.3749
2.	Total family expenditure	1.3867
3.	Asset value	1.3964

Table 9
The Relative Importance of Characters in Discriminating Between the Groups

Characteristics of the Card holders	Importance Value of the Variable (Ij)	Relative Importance (Rj)	Rank
X2 – Gender	0.19968	6.559	5
X4 – Occupation	0.02552	0.838	7
X5 – Card holders’ income	0.40886	13.43	4
X6 – Family Income	0.53223	17.48	3
X8 – Family Size	0.11843	3.89	6
X9 – Monthly Expenditure	0.76393	25.09	2
X11 – Asset Value	0.99569	32.71	1
Total	3.04434	100	

The analysis pertaining to the determinants of credit limits revealed that card holders’ income is the most significant factor determining the actual credit limit availed by the card holders.

The results of discriminant function analysis indicated that three factors such as card holders’ family income, family expenditure, and asset value have major differences between the high and low credit card limit groups.

This Analysis dealt with the eligible credit limits and actual credit limits availed by credit card holders. The next chapter analyses the extent of usage of credit cards by card holders and attitude of card holders towards credit cards.

X. CONCLUSION

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 30-40 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 revolutionized 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.

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