

EFFECTIVENESS OF USAGE OF CREDIT CARDS WITH REFERENCE TO COIMBATORE *

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ABSTRACT

The credit card market is one of the fastest expanding divisions in the banking industry today, according to the Federal Reserve. In addition to playing an important part in the growth of the economy, Indian banking institutions provide credit facilities to consumers in the form of credit cards to help them attain what they need. Many Indian banks, notably the State Bank of India, have made incursions into the world of plastic cards, which are now widely used throughout the country. However, this has resulted in a significant shift in the way credit is issued, particularly since banks of the new generation have begun to promote the use of credit cards. The primary goal of the study is to learn more about the performance of credit cards and to determine whether or not the product quality of credit cards is capable of meeting all of the needs of the customers. This was accomplished by collecting a sample of 120 respondents from whom data was analyzed using percentage analysis and chi square. The result reached was that credit cards increase an individual's buying power, which has a positive influence on the growth of the economy in the process. It is seen as a status symbol as well as a platform for consumerist consumption. Credit cards are playing an increasingly important part in people's hectic lives, yet they are most commonly seen among urban residents than among the rest of the population. It is also necessary to promote credit cards in rural areas as well, since this will result in an increase in personal income, the expansion of bank operations, and the overall growth of a country's economy and financial sector.

Keywords: *Credit card, Effectiveness and Banking industry.*

1.0 INTRODUCTION

An electronic payment card issued to users (cardholders) to facilitate the cardholder to make purchases from merchants for goods and services in exchange for the cardholder's obligation to pay the card provider for those purchases plus any other fees and charges that have been agreed upon between the card issuer and the cardholder. The card issuer (often a bank) establishes a circulating account and offers the cardholder access to a line of credit, which the cardholder can use to make payments to merchants or get cash advances. The purpose of the study is to examine the use of credit cards and the efficacy of these cards among customers.

Issuing banks try to expand their cardholder's base by introducing new services to the cardholders to exhibit their individuality as well as their uniqueness. Affinity cards and co-branded cards have gained much more popularity among the cardholders than any other type of credit cards. Credit card issuing banks, in order to

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lessen the burden involved in the rendering of this service hire private agencies who take care of all related activities right from the credit card sales to collection of amount due from cardholders, for a commission. Those who pay with a credit card are reimbursed by the card company for the purchases they make between the dates of their transactions and when they pay off their debt to the credit card company (MM Kamruzzaman et. al 2022). If he chooses to settle his monthly account in full as soon as the monthly statement is received and within the appropriate time frame mentioned in the statement, he will be entitled to that period of credit without having to pay interest on the amount of credit received. The credit duration is limited to a maximum of 56 days. But he is permitted to take out further debt than this, so long as his total outstanding debt does not exceed the individual credit limit set by the credit business. He is required to pay no more than the bare minimum amount mentioned in the statement each month (normally 5 per cent of the outstanding balance). He will, of course, have to pay interest at the current rate set by the credit card company in exchange for this credit.

2.0 STATEMENT OF THE PROBLEM

The concept of credit card and its usage is new to the Indian soil. Even though it has been introduced in India way back in 1960, it gained momentum only in the '90s. It has become customary for credit card providing institutions to refrain from directly selling credit cards to prospective customers. Credit card sales are made by these issuing banks through mediators such as other banks and private agencies, for which the middlemen selling the cards are compensated with privileges by the various financial institutions. In order to increase their credit card sales, some companies just disclose the most basic information about their credit cards to those who might be interested in them (Y. Shi et. al 2020). This is an area in which not just the middlemen, but even the issuing banks, fall short. Despite the fact that issuing banks and intermediaries say that a wide range of services are available to credit card users, it is not known if credit card users are completely aware of the services available to them or whether they are happy with the services they have received (Nadiah; Syed Mukhiar 2022). Credit cards, services given through credit cards, cardholder behaviour, and other aspects of financial management have all been the subject of several studies in other countries, but no similar research has been undertaken in India to far. Because there has been a paucity of research on the contextual and cognitive levels, it was deemed essential and vital to perform such a study in order to better understand cardholders' perceptions of and satisfaction with the different services provided by the issuing banks through cards.

3.0 OBJECTIVES OF THE STUDY

- To know about the quality of Credit cards.
- To determine if the product quality of credit cards is sufficient to meet all of the demands placed on them by their customers.
- To determine whether there is a variation between what customers expect and what they perceive in terms of product quality given by different brand credit card providers.
- To have a better understanding of client contentment with credit cards.

4.0 SCOPE OF THE STUDY

This study has within its scope the task of identifying the level of awareness and satisfaction among cardholders towards the various credit card services offered by issuing banks as well as the problems faced by the cardholders in general (Guobin Chen et. al (2020). It is a specific search on the perceptions and experiences of the credit cardholders and their expectations regarding the utility of the various service offered by the issuing banks. The study includes in its preview credit card issuing banks, whose cards are in wide usage in the city of Coimbatore. Though there are many other types of cards in usage, issued by some other banks and institutions, they are excluded from this study, since the number of such cardholders and usage of the cards are insignificant. For sampling of respondents only Coimbatore city is chosen. Since most of the card issuing banks have not yet widely introduced their credit cards in other cities and towns in the state of Tamil Nadu.

5.0 SIGNIFICANCE OF THE STUDY



In the prevailing business situation, the credit card business is thriving and experiencing fast expansion. The introduction of new generation private and international credit card businesses in the Indian credit card market has increased the level of competition in the industry, according to analysts. The study's goal is to determine the extent to which the product quality of a credit card influences the card's ability to compete in the market. The findings of the study reflect the present perception of credit card firms held in the customer's mind, which might be valuable in establishing strategies for the company's future operations in order to achieve its objectives in this highly competitive market environment.

6.0 RESEARCH METHODOLOGY

Research Design

The research study conducted here seems to be solely descriptive in nature.

Sampling Technique

For the primary data collection, the basic random sample approach was employed to acquire the information. Random sampling is the fundamental sampling approach, in which we pick a subset of people (a sample) for investigation from a larger group of subjects (a population). A random draw is used to choose each individual, and every member of the general population has an equal chance of being selected for inclusion in the sample. It is equally likely that every feasible sample of a given size will be selected; that is, each member of the population has an equal probability of being selected at each stage of the sampling process. Sampling methods may be divided into two categories.

Non-Probability Sampling

There is no way to estimate the chance that each item in the population has been included in the sample since it is a non-probability sampling process.

Convenience Sampling

The researcher has used convenience sampling method for this study.

Sample Size

120 respondents are chosen as a sample size for the study.

Data Collection

Target Audience: Credit cards customers in Coimbatore

Area of Study

Coimbatore

Primary Data

Primary data is information that has been collected directly from the original source through study. They provide significantly higher levels of accuracy and dependability. The information was obtained from the respondents through the use of a survey questionnaire.

Secondary Data



In means data that are already available i.e. It refers to data that has already been gathered and evaluated by another party. The information was gathered from several websites and magazines.

7.0 LIMITATIONS OF STUDY

- Credit cards have surpassed all other commodities and services in terms of necessity, making it difficult to characterize the population in a certain location.
- A sample of 120 respondents cannot be considered representative of the general population. As a result, the findings may be skewed. When it comes to data collecting, time is of the essence. As a result, the sample size is limited to 120 people.
- Possibilities of receiving skewed reactions from consumers

8.0 ANALYSIS AND INTERPRETATION

Demographic Variables of the Study

Demographic variables	Particulars	Frequency	Percent
Gender	Male	100	83.3
	Female	20	16.7
	Total	120	100
Age	18-25	30	25
	26-35	54	45
	36-45	18	15
	Above 35	18	15
	Total	120	100
Educational qualification	10th	35	29.2
	Higher secondary	13	10.8
	UG	14	11.7
	PG	23	19.2
	Others	35	29.2
	Total	120	100
Place of living	Semi-rural	63	52.5
	Rural	20	16.7
	Urban	19	15.8
	Semi urban	18	15
	Total	120	100
Occupational income	10000-20000/ month	33	27.5
	20000-40000/month	53	44.2
	40000-60000/ month	15	12.5
	Above 60000/month	19	15.8
	Total	120	100

The above table shows about the demographic variables of the respondents were out of 120 respondents 83.3% are male and 16.7% are female. 25% are between 18-25, 45% are between 26-35 years of age, 15% are between 36-45 years of age and 15% are above 45 years of age. 29.2% have completed their 10th standard, 10.8% have completed their higher secondary, 11.7% have completed their UG, 19.2% have completed their PG and 29.2% have completed other courses. 52.5% are from semi-rural area, 16.7% are from rural area, 15.8% are from urban area and 15% are from semi urban area. 27.5% are earning between 10000-20000/ month, 44.2% are earning between 20000-40000/month, 12.5% are earning between 40000-60000/ month and 15.8% are earning above 60000/ month Rawal et. al (2021), Poongodi et. al(2022), Ramesh TR et.al (2022), Ahila A et.al (2022), Muniyappan et. al(2022)

Bank Credit Card used

	Frequency	Percent
AXIS Bank	30	25.0
SBI Bank	18	15.0
ICICI Bank	18	15.0
HDFC Bank	54	45.0
Total	120	100.0

The table above depicts about bank credit card used were out of 120 respondents 25% are using AXIS bank, 15% are using SBI bank, 15% are using ICICI bank and 45% are using HDFC bank. It shows that most of the respondents are using HDFC bank.

Duration of using Credit Card

	Frequency	Percent
Less than 6 months	31	25.8
1to 2 years	53	44.2
2 to 4 years	17	14.2
More than 4 years	19	15.8
Total	120	100.0

The above table shows about duration of using credit card were out of 120 respondents 25.8% are earning less than 6 months, 44.2% are earning between 1 to 2 years, 14.2% are earning between 2 to 4 years and 15.8% are earning more than 4 years. It shows that most of the respondents are between 1 to 2 years.

Reason for Choosing the Bank

	Frequency	Percent
Past Relationship	65	54.2
Brand name	18	15.0
Near to home/office	16	13.3
Others	21	17.5
Total	120	100.0

The above table shows about reason for choosing the bank were out of 120 respondents 54.2% said as past relationship, 15% said as brand name, 13.3% said as near to home/office, 17.5% said as other factors. It shows that most of the respondents said that past relationship is the reason for choosing the bank.

Purpose of Getting Credit Card from the Bank

	Frequency	Percent
For getting bonus points	28	23.3
For using in the time of emergency	17	14.2
For getting for interest	53	44.2
Other reasons	22	18.3
Total	120	100.0

The above table shows about purpose of getting credit card from the bank were out of 120 respondents 23.3% are getting credit card for bonus points, 14.2% are getting for using in the time of emergency, 44.2% are getting for interest and 18.3% are getting for other reasons. It shows that most of the respondents are getting credit card from the bank for interest.

Acceptance towards Reasonable Interest Rate charged by the Banks

	Frequency	Percent
Strongly agree	28	23.3
Agree	20	16.7
Neutral	20	16.7
Disagree	20	16.7
Strongly disagree	32	26.7
Total	120	100.0

The above table shows about acceptance towards reasonable interest rate charged by the banks were out of 120 respondents 23.3% strongly agree, 16.7% agree, 16.7% are neutral, 16.7% disagree and 26.7% strongly disagree. It shows that most of the respondents strongly disagree towards reasonable interest rate charged by the banks.

Gender * Purpose of Getting Credit Card from the Bank

H0: There is no relationship between gender and Purpose of getting credit card from the bank.

Cross tabulation						
Count						
		Purpose of getting credit card from the bank				
		For getting bo- nus points	For using in the time of emer- gency	For getting for interest	Other reasons	Total
Gender	Male	27	10	42	21	100
	Female	1	7	11	1	20
Total		28	17	53	22	120



Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.775 ^a	3	.003

The above table shows about the relationship between gender and Purpose of getting credit card from the bank were the level of significance is at 0.003. It shows that there is a relationship between gender and Purpose of getting credit card from the bank.

9.0 FINDINGS

- Most of the respondents are male.
- Maximum of the respondents between 25-36 years of age.
- Most of the respondents are from 10th standard and have completed other courses.
- Maximum of the respondents are from semi-rural area.
- Most of the respondents are earning between 20000-30000/month.
- Maximum of the respondents are using HDFC bank.
- Most of the respondents are between 1 to 2 years.
- Maximum of the respondents said that past relationship is the reason for choosing the bank.
- Most of the respondents are getting credit card from the bank for interest.
- Maximum of the respondents strongly disagree towards reasonable interest rate charged by the banks.
- Most of the respondents strongly disagree with the notion that credit card corporations are sufficiently concerned about preserving consumers' confidentiality.
- Maximum of the respondents strongly disagree towards accurate credit card billing statements.
- Most of the respondents strongly disagree towards with the idea that credit card firms make excessive amounts of credit available to the general public.
- Maximum of the respondents strongly disagree with the practice of sending solicitations that offer a reduced rate for a limited time period, since it is liable to deceive a large number of individuals.
- Most of the respondents strongly disagree with the assertion that credit card firms make it hard for consumers to get out of debt.
- Maximum of the respondents strongly disagree with this view that credit card companies should not be permitted to give credit cards to college students.
- Most of the respondents strongly disagree with the notion that customers are to blame for squandering, rather than credit card issuers.
- Maximum of the respondents strongly agree towards satisfaction in their dealings with their credit card companies.

10.0 SUGGESTIONS

- Banks should create atmosphere of trust in all the transactions made through credit card.
- Banks should take the sole responsibility to create awareness and conduct training and education programmes for wider acceptance of plastic money.
- Banks can identify cards to suit customers' needs.
- Variety of cards should be introduced by the banker based on their earning capacity of holders.



- Customer's education is required for increased awareness and to make the best use of the card. TM Banks should attract more customers by making the transactions more transparent and also simplify the proceedings.
- Banks may conduct periodical surveys and take customers' views and opinions on the simplicity and ease of operations. TM
- Banks should establish credit bureaus within their organizations to assess the credit reliability and payback capabilities of cardholders.
- Through accepting the authorized amount as a reasonable sum in the form of deposits, banks should take steps to minimize high default rates and bad debts from credit cardholders who hold assets.

11.0 CONCLUSION

A credit card is also referred to as "plastic money" in some circles. It has become a need in situations where currency conversion and tracking of money spent are required. It is a safer and more convenient alternative to cash than traditional methods. Individuals' purchasing power is increased via the use of credit cards, which has a positive influence on the growth of the economy. It is seen as a status symbol as well as a medium for consumerist consumption. Credit cards are playing an increasingly important part in people's busy schedules, yet they are most commonly seen among urban populations than among the rest of the population. It is also essential to stimulate credit cards in rural areas as well, since this will result in an increase in personal income, the expansion of bank operations, and the overall growth of a country's economy and financial sector.

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