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Study on use of credit cards by the Consumers for day to day expenditures



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Abstract

Present study was conducted to find out as to, how many people as consumers use credit cards, as short term loan, from various lending institutions, such as, banks, for their expenditures. The study included thirty respondents of both the sexes, aging over twenty years. Questionnaire method was used, data collected and analyzed. The study used credit cards for various personal benefits like-online purchase, security in terms of theft, no hassle of carrying cash, easy payment for booking, the travelling tickets, shopping, hotel reservation & payments etc., beyond their instant financial budgets. Most of the respondents used credit cards of H.D.F.C bank as a lender.

Keyword: card,consumers,expenditure,lending agencies

Introduction

A credit card is a payment card, issued to users as a system of payment. It allows the card holder to pay for goods services based on the holder's promise to pay for them. (1) The issuer of the card creates a revolving account & grants a line of credit to the consumer . (2) Credit card allows the consumer a continuing balance of debt; subject to interest, being charged.(3) Credit card involves a third party entity that pays the seller & is reimbursed by the buyer. The size of most credit cards is $3\frac{1}{8} \times 2\frac{1}{8}$ (85.60x53.98 mm) (4) Conforming to the ISO/IEC 7810 ID – 1 Standard. Credit cards have an embossed bank card number complying with the ISO/IEC 7812 numbering standard.(5) The concept of using a card for purchases in his utopian novel- "Looking Backward", and the term credit card was used eleven times in novel. The modern credit card was used for the first time in 1940 in U.S.A., specifically to sell fuel to the automobile owners Early credit cards were made up of celluloid plastic, then metal & fiber, then paper and are now mostly polyvinyl chloride (P.V.C) plastic. When a purchase is made the credit card user agrees to pay the card-issuer. The card holder indicates consent to pay by signing a receipt with a record of the card details and indicating the amount to be paid or by entering a personal identification number. (PIN) Many merchants now accept verbal authorization via telephone an electronic authorization using the internet, known as card not present transaction (CNP) Each month the credit card holder is sent a statement indicating the purchases undertaken with the card and the total amount owed.(6) Many banks now offer the option of electronic statements either in lieu of or in addition to physical statements, which can be viewed at any time by the card holder via the issuer's online banking website.(7) The benefits of using credit card is convenience and allows short term loans(8)Credit cards become detrimental to the customers, when they become dependent with loan & interest to their card provider that they are driven to bankruptcy. Credit cards are more secure than cash because they discourage theft and reduce the amount of cash on premises (9) Parties involved in electronic business are a card holder i.e. customer, card issuing financial institution i.e. bank & a merchant who sells the products or provides services to the customer (10) The number found on credit cards have a certain amount of interval structure & share a common numbering scheme. The credit card's prefix, called the bank Identification Number, is the sequence of six digits at the beginning of the number that determines the bank to which a credit card number belongs; the next nine digits are the individual account. Number & the final digit is a validity check code (11)

Most of the people carry credit cards these days, which simplifies the complicated banking, process for an individual, in case the person is short of cash, during shopping or at the time of emergency. (12)A credit card generally renders its holders an immediate authority to purchase

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goods, travel or hotel reservations or shopping for merchandise in & outside the country i.e. the use of credit card is just like taking a short term loan; that is repaid to the credit card company (lender). If the money is not paid back within the provided time limit, an interest charge is applied. The credit cards come with the credit limit, a pre determined amount of money which its lender is offering as credit to the credit card holder to spend whenever he or she wants to. (13) Many banks in India are offering their credit cards to the customer's like- HDFC State bank of India (SBI), Bank of India, and PNB. ICICI, CITI-Bank, BOB, HSBC & Standard chartered Bank to name a few (14).

Keeping in view, the advantages of use of credit cards, the present study was conducted, with the objective as to find out the number of consumer/user of different credit cards, in Jabalpur city. Age, of randomly selected respondents, taken for the study, was above twenty years for both sexes i.e. males as well as females. The respondents taken up for the present study were natives of different localities of Jabalpur city.

Methodology

Data was collected by the use of questionnaire method, which was in Hindi & English languages. Primary source of data collections was group of thirty respondents both male and female from middle and high income groups, aging above twenty years. Secondary source being documentary and for this the information was collected from different books, magazines, journals, news scripts and internet surfing. An introductory letter was provided to the respondents along with the questionnaire. Respondents were explained with the purpose of the present study. Detailed instructions regarding questionnaire were given to the respondents. Only two days were given, to answer the questionnaire, to the respondents. Then all the questionnaire forms were collected & analyzed for the interpretation & results. The survey was completed in two months only, i.e., April & May 2013.

After Collection of data, it was then tabulated and analyzed.

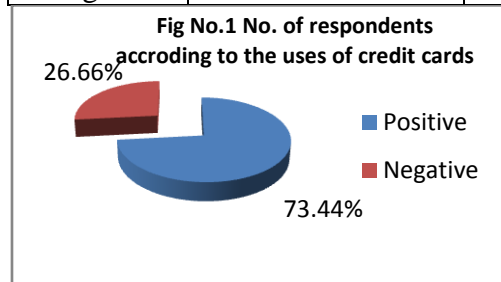
TABULATION & ANALYSIS

Discussion:

Table No.1

No of respondents according to the uses of credit card

Response	No. of respondent	
Positive	22	73.44
Negative	8	26.66

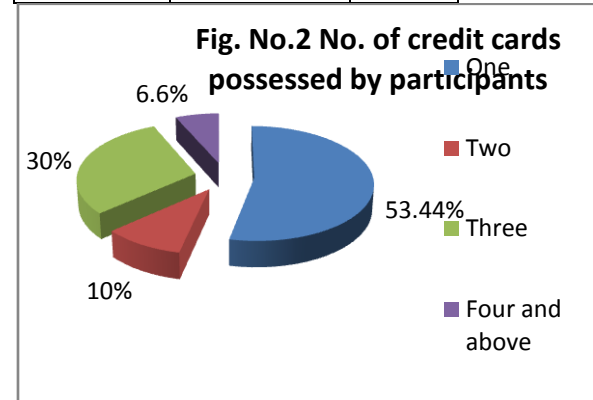


There are total of 30 respondents. Out of these 22 (73.44%) respondents used the credit cards and 8 (26.66%) respondents never used the credit cards.

Table No.2

No. of credit cards possessed by people

No. of Credit card	No. of respondent	
1	16	53.44
2	3	10
3	9	30
4 and above	2	6.66

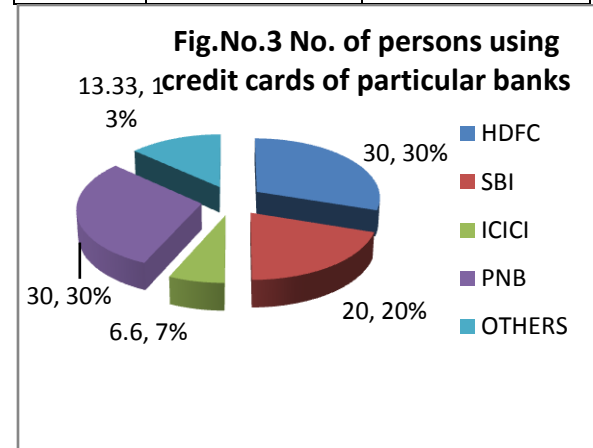


Out of 30 respondents, 16 (53.44%) respondents had 1 credit card 3 (10%) respondents possessed 2 credit cards and 9 (30%) respondents had 3 credit cards and 2 (6.66%) had 4 & above credit cards.

Table No.3

No. of persons using credit cards of particular bank

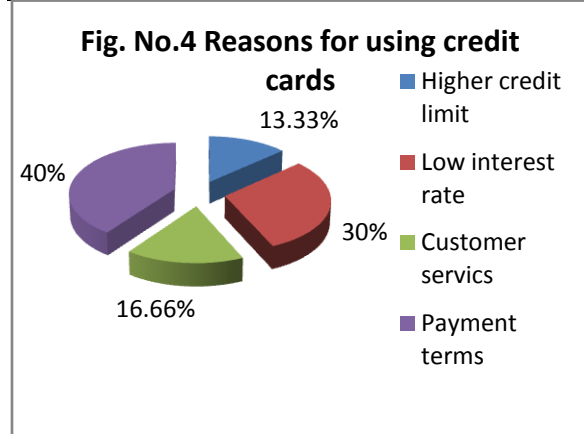
Banks	No. of respondent	%
HDFC	9	30
SBI	6	20
ICICI	2	6.6
PNB	9	30
OTHERS	4	13.33



The maximum credit cards of HDFC Bank were used i.e. 9(30%) by the respondents. 6(20%) respondents used SBI Bank credit card and 4(13.33) respondent used other Banks' credit cards.

Table No.4
Reasons for using Credit card

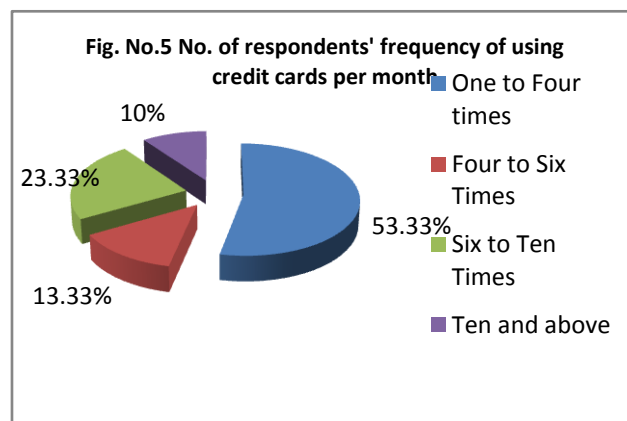
S. No	Reasons	No. of Respondent	%
A	Higher credit limit	4	13.33
B	Low interest rate	9	30
C	Customer service	5	16.66
D	Payment terms	12	40.00



Out of 30 respondents, 4 (13.33%) respondents used their credit cards because of higher credit limit, 9 (30%) respondent chosen their credit card because of low interest rate. 5 (16.66%) respondents used their credit cards because of customer service offered.

Table No.5
No. of respondents' frequency of using credit cards per month:

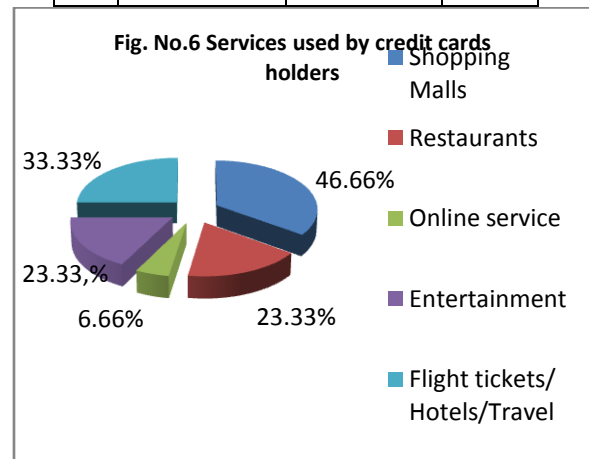
Time	No. of Respondent	%
1-4	16	53.33
4-6	4	13.33
6-10	7	23.33
10- above	3	10



Total no. of respondent is 30 and out of this 16 (53.33%) respondents used their credit card 1-4 times per month, 4 (13.33%) respondents used 4-6 times, 7 (23.33%) respondent used 6-10 times and 3 (10%) respondent used their credit cards 10-& above times.

Table No.6
Services Used By Credit Card Holders:

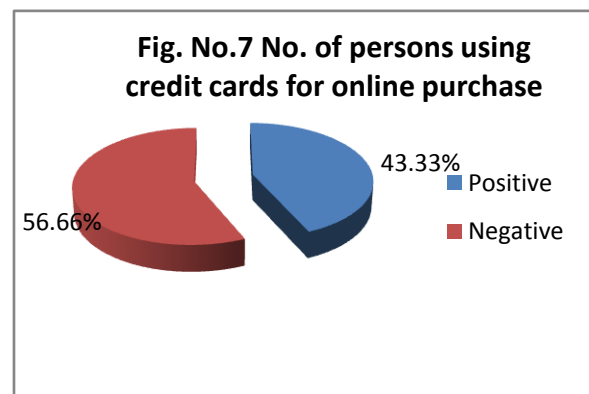
S.No	Services	No. of Respondent	%
A	Shopping mall	14	46.66
B	Restaurant	7	23.33
C	Online service	2	6.66
D	Entertainment	7	23.33
E	Health/sport	-	-
F	Flight Ticket/Hotels/Travel	10	33.33
G	Other	-	-



Out of 30 respondents maximum people used their credit cards in shopping malls, then for hotels and travels, restaurants and entertainment respectively.

Table No.7
No. of persons using their credit card for online purchase.

Response	No. of respondent	%
Yes	13	43.33
No	17	56.66

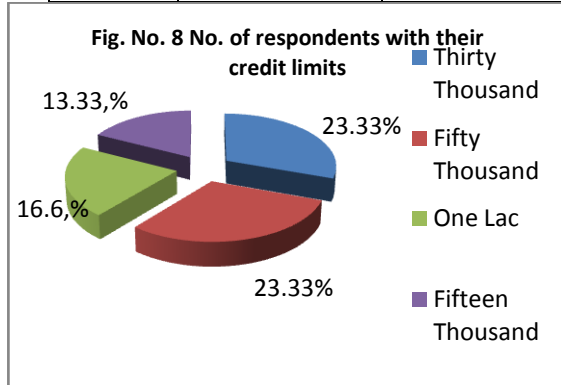


Out of 30 respondents 13 (43.33%) respondents used their credit cards for online purchases and 17 (56.66%) respondents do not use their credit card for online purchases.

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Table No.8
No Of Respondents With Their Credit Limits

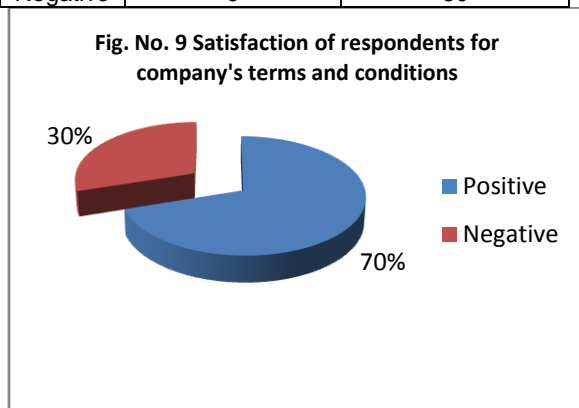
Credit Limit	No. of respondents	%
30,000/-	7	23.33
50,000/-	8	23.33
1,00,000/-	9	16.6
15,000/-	5	13.33



Out of 30 respondents, 23.337% respondents had credit limit of 30, 000, 23.33% respondents had 50,000, 16.6% respondents with 1, 00,000 & 13.33% respondents with 75,000 credit limits.

Table No.9
Satisfaction Of Respondents For Company's Terms And Conditions:

Response	No. of respondent	%
Positive	21	70
Negative	9	30



70% of respondents were found to be satisfied with their credit card company's terms and conditions but 30% respondents were not satisfied.

Analysis of Data

Taking into consideration, various benefits prefer its use. The study concludes that out of total respondents, 73.44% respondents used credit cards and 53.44% of the respondents possessed only one credit card. 30% respondents used credit card of HDFC bank, while 30 % used that of PNB. 30% of the participants used credit cards for its low interest rate. Percentage of participants who used credit cards for one to four times per month, only 10% used it for ten or more than that times per month. 46.66% participants

of the study used their credit cards for shopping in the malls, flight tickets and travelling. 56.66% people did not use their credit cards for on line shopping. 23.33% people had their credit limits of thirty thousand and fifty thousand, Only 16.6% had their credit card limit of rupees one lac. 70% of the participants of the study were found to be satisfied by the terms and conditions of the issuing agencies.

Conclusion

The present study concludes that the use of credit cards is common these days, due to its benefits and advantages. Use of credit cards removes chances of frauds. It is cumbersome to carry cash during travelling, its use provides easy mode of payments. Special offers are sometimes given by various agencies while paying through credit cards. Certain companies give reward points by the use of credit cards. Use of credit cards provide handy financial management. There is no need to dig into existing resources for the people who use credit cards because their potential sources are significant.

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