

## Research Paper



## CONSUMER AWARENESS AND PERCEPTION ABOUT CREDIT CARDS: A PRELIMINARY STUDY

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### ABSTRACT

Today, every credit card carries an identifying number that speeds shopping transactions. Credit card in India are gaining relevance to facilitate industrial and commercial transaction as payments are not made by cheques any more since the dealer is always apprehensive whether the cheque would be honored and dealer would deliver the goods after a couple of days once the payment was made with the introduction of plastic money all these problems have been taken care of. Individuals today own more than one card in their wallet such as credit card, debit card, ATM card, smart card etc... which takes care of all expenses for the day whether durables are to be bought, restaurant bills to be cleared or even for the payment for conveyance, a person just has to use the appropriate card and the transaction is complete. To this background the present study made an attempt that consumer awareness and perception about credit cards: a preliminary study. For this purpose the researcher used primary data, the required data has been collected by using structured questionnaire and statistical tools like, Mean, Percentage and Chi Square have been used for the purpose analysis. Finally the study reveals that, the scenario of credit cards during present day is very significant many card holders surrender their credit cards and instead of using credit cards the banks customers prefer cash. The credit card too helps credit them avoid carrying cash and enables with drawal of cash through ATM and they need not be afraid of falling into debt trap as in the case of credit cards.

**KEYWORDS:** Credit card, Perception, Customer, Banking.

### INTRODUCTION

Money in the twenty first century is found in the form of coins, currency notes, and now in the form of plastic money. Today, every credit card carries an identifying number that speeds shopping transactions. Credit card in India are gaining relevance to facilitate industrial and commercial transaction as payments are not made by cheques any more since the dealer is always apprehensive whether the cheque would be honored and dealer would deliver the goods after a couple of days once the payment was made with the introduction of plastic money all these problems have been taken care of. Individuals today own more than one card in their wallet such as credit card, debit card, ATM card, smart card etc... which takes care of all expenses for the day whether durables are to be bought, restaurant bills to be cleared or even for the payment for conveyance, a person just has to use the appropriate card and the transaction is complete.

Today credit card industry is highly comparative and almost all the banks are offering credit card in association with visa international or master card. There is now a flood of Indian banks offering credit card to the potential customer. Multinational banks operating in India have also joined the

bandwagon with high voltage advertising and seemingly competitive reward programmes for loyal credit card user. Bank's income from revolving fee (interest charge for revolving credit) and other fee. Indian credit card market is growing at almost 30-40 per cent annually and the number of credit card in circulation is twenty seven and half million as reported by credit card issuers.

### REVIEW OF LITERATURE

A review of literature is a text written by different scholar to consider the critical point of current knowledge including substantive finding as theoretical and methodological contribution to a particular topic review of literature are secondary source and as such, do not report any new or original experimental work, also a literature review can be interpreted as a review of an abstract accomplishment. Most often associated with academic-oriented literature, such as these is a review of literature usually precedes a research proposal and results section. Its main goals are to situate the current study within the body of literature and to provide context for the particular reader.



**Gupta(2003)**, Legal and regulatory framework of credit cards asserts that the regulation of credit card business in India is need to be streamlined .where as in developed countries the law on credit card business in comprehensive and straight forward, its Indian version requires a structural changes .hence, there is a need to explore that various legislative premises of the inferior and under Indian version for protection of interest of card holders and healthy growth of the industry.

**Bandyopadhyay (2004)** in his article “credit card look for an ace” put the light on various issues like, major card players are issuing card without much checking credential. It adds to non –performing assets (npa) levels in its portfolio but overall about 0.6 percent of consumption expenditure in India is through credit card. He suggested that increasing card use could be by making all utility payment through cards by installing more electrical draft capture 2) the government can do by waiving the tax on credit cards which is a big disincentive for card users 3) to bring down the default rates. Bank must set up credit bureau. This will enable banks to deleted the first sign of default .in advance and sound a red alert so that prospective defaulters can be weeded out.

**Bhargava(2004)**;debit card a new generation plastic money analyses that debit cards are fast catching up with customers. A combination of factors like ease of availability, debit-averse profile of customer and zero interest rates are propelling the usage of debit cards. The study emphasizes to increase the usage of these cards .bank will need to improve infrastructure and continues to focus an increasing installations of point of sale (pos) in smaller cities and on the locations which are frequently used by card holders ,and to develop new marketing programmers that educate customers on the benefits of replacing cash with plastic.

**Easwar and Kumar (2004)**:assets in the studies titled credit card on a growth trajectory that the perception of owning credit card has changed and they are viewed as being convenient substitute to carrying cash and also availing credit for share period but in the context of home country, Indian ranks at the bottom in terms of usage of credit cards when compared to chain ,Taiwan and Malaysia.

**Humphrey (2004)**: Replacement of cash by cards in us consumer payments authors uses over the past 25 years time series data ,the results shows that the share of cash in consumer payment appears to have fallen from 0.31 in 1974 to 0.20 in 2000 cheques replacement both cash and cheque in the 1990s. authour feds even though ,cash and not projected to go to anytime.

**Swan (2004)**; made a survey on credit cards.”A credit card; a competitive market.” It observed that will the more entrants in the field of credit card .major players are trying to gain a market share with aggressive promotional strategies and addition value added service. Some bank through offer international level of services and credit support to card holders but has failed to make an impressive in market due to lack of awareness and low key advertising. It also observed that in spite of effort of the banks vast majority of the Indian population is yet to come to grips with credit cards.

**Vorn and gidwani (1993)**: plastic at a premium shows the usage facilities and varieties of cards. Research shows that the credit card is extremely useful these people who is as to increase their purchasing power through the plastic card. Different card provide the different packages to attract the

customers like ,discount, insurance Coverage and provide a reward point etc...According to author the card holders market has a potential to growth to 7 million, if all taxpaying citizens are taken into account. But this manful effort at upgrading services can only have a limited impact as the Indian customer remains credit shy. For this, they have to change their spending habits and keep their card active .so that a piece of plastic becomes a premium card in an effective way.

**Chakravorti (2003)**:Theory of credit card network a survey of the literature shows that credit card provide benefits to customers and merchants not provided by the other payment instruments as evidenced by their explosive growth in the number and value of transactions over the last 20 year .recently ,credit card to network participants are discussed focusing on interrelating bilateral transaction several theoretical models ,have been constructed to study the implications of several business practices of credit cards networks.

**Costazo Chris (2009)**, Consumer spending on credit cards plunged due to recession , consumer responded by slowing down on credit card spending and meeting their financial requirements through debt usage. Prasad lyre, a master card vice president, summarizes “while 2009 was the of cutting back and 2010 was the year of spending on necessities 2011 Resulted in financial optimization of funds “by banks providing person financial management tools and mobile related services to its customer.50 per cent of the house hold expenditure is still meeting through cash development of mobile technology will cater to better transaction with the use of credit card between individual and service provider.

**Huffington Arianna (2009)** The credit card crisis is likely to hit the US very soon as most people reach for credit cards to pay for essentials like food, clothing medical the cost of which escalates as a result the debt rises and it gets harder to keep up to the payments and on the other end banks hike the interest rates and impose other would penalties which the consumers are unable to pay off resulting in the credit card debt crisis.

**K Govindarajan, Vijiay And S. Balachandra (2012)**, Highlights a clear shift in the use of plastic money among Indians with more Preference give to credit card than debit card. As most of the outlets \merchants Have started accepting credit cards therefore making it convenient to make payment At the point of purchase terminal it also states that consumer are using credit cards not only as a security measures but as a status symbol causing them to spend more.

## STATEMENT OF PROBLEM

A concise description of the issue that need to be addressed by me ,as a researcher ,the statement of problem below addresses the question the problem the research will be address. The research question to be addressed is “what are the factors affecting the spending consumer awareness and perception about credit card “in Tumkur city. the apparent enhancement of spending with credit card is the characteristics of primary concern in this research, as this study proposes to examine the experience of the credit card users, the benefits that accrue to them along the problems of excessive spending as credit card are the most convenient from of making payment, especially in the current scenario when everything is purchased online the difficulties that the customer’s encounter in its day usage and the precaution to be taken by the card users while using the credit cards are looked into in this paper.

**OBJECTIVE OF THE STUDY**

1. How age, income, gender, and material statues would have an impact on the use of credit card.
2. To analyze how effective payments of credit card dues will results in good credit cards.
3. To bring out the main purpose that has facilitated in use of credit card.
4. To identify whether online shopping has of credit cards.
5. To analyze how effective impact on consumer awareness and perception about credit cards.

**HYPOTHESES OF THE STUDY**

- There are no significant differences in the means satisfaction scores of the card holders holding different brands of credit cards.
- Means satisfaction scores of card holders do not differ significantly according to the difference in their eligible credit limit
- Size of family and extent of usage of credit card are not significantly associated.
- There are no significant differences in the means satisfaction scores of the credit card holder differing in their attitude towards credit cards.

**RESEARCH METHODOLOGY**

This research will be descriptive in nature descriptive research including surveys. Fact findings and enquiries of different kind's .the major purpose of descriptive research are descriptive of the state of affairs as it exists at present.

- **Data collection:** The requiring data for the study will be collected using both primary and secondary sources. **Primary data-**Will be gathered by administering questionnaire, using schedule and conducting personal interviews with respondent. **Secondary data-**Will be from already published and available data on websites, various research article, and related journals.

- **Sampling Design:** The data will be collected through the simple random sampling method, with the help of questionnaires form 100 people who are using or have used credit cards. Care will be taken to see that the sample is a true representation of the population; these respondents will be limited to Tumkur city. This technique is considered easiest, cheapest and least time consuming. this is the reason they are chosen as subject on purpose.

- **Analysis tools:** The collected data will be analyzed with help of statistical tools and techniques both parametric techniques will be used to analyze the data .the chi-square test will be used to test the null hypothesis tables ,charts and diagrams will be used to analyze the data in a presentable manner.

**LIMITATIONS OF THE STUDY**

- The sampling will be based on sample random sampling and the data will be collected from those using credit cards.
- An extensive research could not be undertaken due to major time constrains.
- Since the number of credit card holders is very large, a sample 100 customer has been selected.
- As this study is undertaken for academic purpose only, the findings cannot be generalized to entire study.
- Credit card holder and non holders who do not included in this study.

**ANALYSIS AND INTERPRETATION**

**Demographic Analysis of respondents:** The demographic profile of the respondents such as gender, age, educational qualification, occupation, income of the respondents and number of dependents in the family are incorporated.

**Table-1: Demographic Analysis of respondents**

	AGE	NUMBE OF RESPONDENTS	PERCENTAGE
AGE WISE CLASSIFICATION OF RESPONDENTS	20-30	50	50
	30-40	28	28
	40-50	20	20
	50 ABOVE	2	2
	TOTAL	100	100
OCCUPATIONS OF RESPONDENTS	Occupation	No of respondents	Percentage
	Business	30	30
	Private sector	36	36
	Professionals	18	18
	Govt. sector	16	16
	<b>Total</b>	<b>100</b>	<b>100</b>
ANNUAL INCOME OF THE RESPONDENTS	Below 25000	28	28
	Rs25000-50000	24	24
	Rs50000-100000	30	30
	above100000	18	18
	<b>Total</b>	<b>100</b>	<b>100</b>

Source: Primary data



From above table-1, it is observed that, 50% of the credit card holder fall within the age bracket 20-30, there has been gradually fall in the use of credit cards as they grow older, with in percentage dropping 28% the age bracket 30-40, 20% of use of credit cards within the age of 40-50 and 2% of the credit card holders above 50 years would prefer to use credit card. It can also seen that 36% of the credit card holder private sector, working for the private sector are employed in multinational companies .and 30% of the credit card holders

have their own business where as only 18% of professional would make use of credit card and the remaining 16% belong to the government sector and would be careful on the way they spend money through credit card. Regarding the monthly income of respondents there are four classification with income range from less than 25000,25000-50000,50000-100000,above 100000, 28 percent,24 pre cent,30 percent , 18 percent, receptively.

**Table -2 Reasons for Using Credit card**

Usage pattern	Yes		No		total
	No of respondents	Percentage (%)	No of respondents	No of respondents	
Avoidance of risk	98	98	2	2	100
Convenience	88	88	12	12	100
Status	51	51	49	49	100
Immediate payment	90	90	10	10	100
Cash with drawl	93	93	7	7	100
Benefits	85	85	15	15	100

Source: Primary data

From the above the table it is observed for using credit cards as a mode of payment,98% tend to use credit cards only to avoid risk of carry a huge sum of money 88% would prefer using credit card due to the convenience place 51% would prefer to use it as a status symbol, 90% would

make use of credit cards for immediate payments for health care of travel ,any 93% would prefer credit cards to with draw cash with drawl and the remaining 25% use credit cards for the benefits by banks for every transaction.

**Table-3: Repayment of Credit Card**

Duration of payment	No of respondents	Percentage (%)
With 30days	79	79
Above30days	21	21
Total	100	100

Source: Primary data

From the above table highlight the repayment for credit card charges within 30days when all credit card dues are paid before 30 days, then the credit card holder is not

subject to any interest on the amount used. Above 30 days when the card holder is credit card fails to pay his credit card uses.

**Table-4: Perception towards Safety Modes Of Transaction  
Use of credit card is safety modes of transactions**

Scale	Respondents number=100	
	Number	Percentage(%)
Strongly agree	40	40
Agree	52	52
Neutral	4	4
Disagree	1	1
Strongly disagree	3	3
total	100	100

Source: Primary data

From the above table one can observe that majority of the sample respondents approves use of credit card is safety modes of transaction with 92.

**Table -5: Interest Rate of Credit Card**

Statement	Respondents no=100			
	Yes		No	
	number	percentage	number	Percentage
Do you know the interest rate of each of your credit card	64	64	36	36

Source: Primary data

Most of the bank customers are aware the credit card and their interest rate . what they are using for the transaction 64% of the majority respondents know their

interest rate of each credit cards .while 36 per cent of the respondents acceded with that they don' t know the interest rate of their credit card.

**Table -6: Level of Satisfaction.**

Statement	Scale	Respondents n-100	
		Number	Percentage
Are you satisfied with your Credit card	Very satisfied	40	40
	Satisfied	58	58
	Not satisfied	2	2
	Total	100	100

Source: Primary data

40% of the respondents are highly satisfied with their credit card services offered to them in the bank. Whereas 58% per cent of the respondents stated that they

are just satisfied with their credit card services, only 2% per cent of the respondents were not satisfied with their credit card services provided to them.

**Table-7: Chi square test for Hypotheses testing**

Factor	X <sup>2</sup>	Sig*	D.F	REMARKS
Satisfaction level of credit card services	<b>49.54</b>	9.21	2	H <sub>0</sub> Rejected
credit card safety modes	<b>116.5</b>	13.28	4	H <sub>0</sub> Rejected
credit card services provider averse to rural areas	<b>41.6</b>	13.28	4	H <sub>0</sub> Rejected

Source: Primary data, \*at 1% level of significance

The chi-square test reveals that the calculated chi-square test value is less than the table value and result is significant at 1% level. Hence hypothesis "satisfaction level of credit card services holds good, from the analysis, it can be inferred that there is a close relationship between satisfied with credit card services. The chi-square test reveals that the calculated chi-square test value is less than the table value. And result is significant at 1% level. Hence hypothesis "use of credit card safety modes of transaction" "holds good. From the analysis .it can be inferred that there is a close relationship between satisfied with credit card services. The chi-square test reveals that the calculated chi-square test value is less than the table value and result is significant at 1% level. hence hypothesis " credit card services provider averse to the rural areas. " holds good from the analysis .it can be inferred that there is a close relationship between satisfied with credit card services.

**SUMMARY OF FINDINGS**

From this study on the spending consumer awareness and perception about credit card in Tumkur city the researchers wants to highlights on the major purpose for which credit cards have been swiped by the credit cards holders in Tumkur and how this mode of payment has increased .their consumption and what are the prime factors for credit card to take a predominate position among credit card holder card holders in Tumkur .

**Findings**

1. Consumer awareness and perception about credit card in Tumkur city is influenced by the age as those with in age bracket of 20-30 is more this age group ,has those within this age group would be in the mindset of spend now pay later and not much importance is given to the future financial security.
2. With the credit card credit industry in India being affected by fraudulent activities women folk's get too skeptical when it comes to swiping credit card.
3. It found that maximum number of respondents is come lender income category less than 25000 per month

4. It found that majority of respondents are belongs to male.
5. With private in Tumkur offering a a high pay package and more access to quality life style the use of credit cards have increased.
6. With hectic work schedule online shopping is becoming popular in Tumkur these days online shopping websites like Amazon, flip kart, eBay and deal offers vast easy and inters.
7. It is quiet easy to pay off a credit cards as long as you make sure that you do not spend more than you earn.
8. It is seen that credit cards have been swiped more for shopping, than any other purpose, as most of the banks issuing credit cards offers various benefits such as discount, reward point and cash back scheme when purchases are made at recognized outlets.

**CONCLUSION**

The credit card issue in terms of number of credit cards witnesses a whopping growth during the past five years. It is further concluded that there are a number of bank customers who do not have any knowledge about credit card, many people have knowledge about credit card more, availing high credit limits. Extent of usage of credit cards is smaller among higher proportion of the card holder. Customer satisfaction is found to be less because of high rate of interest customer perceived core services and facilitating services at higher level .card holder face the major problem of lack of proper advice from banks .credit card market is yet to realize its potential.

The scenario of credit cards during 2014-15 is very significant many card holders surrender their credit cards and instead of using credit cards the banks customers prefer cards. The credit card too helps credit them avoid carrying cash and enables with drawl of cash through ATM and they need not be afraid of falling into debt trap as in the case of credit cards. Dues to financial inflation, many banks have stopped issuing credit card to their customer .as people are yet to realized the complete potential of credit card

Its market is falling down.



The new payment solution would help customers purchase a wide range of goods and services, pay insurance premium, recharge mobile, phones, or buy movies, theatre and events ticket at the convenience of their home or office with their cards it would also allow customer to make card payments at the point of purchase itself at the retail outlets, thereby avoiding long queues at payment counter in these store. There by these cards have played a vital role in improving the life style of each credit card holder in Tumkur city.

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