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## SATISFACTION OF THE CREDIT CARD HOLDERS OF THE PUBLIC, PRIVATE AND FOREIGN SECTOR BANKS

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### ABSTRACT

*Payment system has under gone drastic change world wide, starting from barter system of payment to metal coins, from metal coins to paper currency and from paper currency to the present plastic money. Plastic money is considered as a preferred way of payment by the people in the developed countries and also in the developing countries. Credit cards had a slow start in India in the early Eighties and predominately in the hands of a few foreign sector banks. Following the economic boom in the Nineties, there is more disposable income in the hands of people in India, and that has changed their spending, consumption and payment habits. The conservative Indian consumer started to prefer payment through credit cards than cash and debit cards. As credit card use started to pick up, some of the private sector banks and public sector banks also showed interest in investing in the credit card business. The present study tries to evaluate the growth of credit card business in India and Satisfaction of the Public, Private and Foreign Sector bank credit card holders.*

**Keywords:** Payment, Credit, Banks

### 1. INTRODUCTION:

The current boom in plastic money is one of those rare moments in history when that agreement shifts and one payment form overtakes another as the preferred way to pay. The first such change came sometime between the 10<sup>th</sup> and 6<sup>th</sup> centuries B.C., when Greece and India introduced metal coins, which surpassed barter or the shell currencies of earlier times. Coins dominated trade upto 2000 years, until the introduction of cheque, by Italian merchants in the Middle Ages. In 1690, Massachusetts became the first of the colonies to introduce paper money. Cash took decades to gain broad acceptance, but eventually became the standard of payment for the next three centuries.<sup>1</sup>

Although plastic money is in vogue the world over, it still has to catch up on India. For the year 2007-08, the total Personal Final Consumption Expenditure (PFCE) stood at Rs.26,07,584 crores, of which 2.22 percent of payments happened through credit cards.<sup>2</sup> The personal consumption expenditure through credit cards is one of the lowest at 1.6 percent in India compared to World average of 8.6 percent, Asia Pacific's 6 percent and even China's 3 percent.<sup>3</sup> Thus, people in India rely on cash particularly for all their transactional needs. This increases the amount of currency in circulation, which is around 16 percent of the total money supply - M<sub>3</sub>.<sup>4</sup>

At the end of 2008, there are more than 5 billion credit cards in the world. The total number of credit card users in India as at June 2008 was 27.02 million, which were issued by more than 29 banks having transactional value of Rs.57958 crores.<sup>6</sup>

The credit cards being one of the modes of electronic payment will help the economy, because, the total annual cost to an economy of maintaining a cash-payment system was at 5 per cent of GDP. Electronic payment systems cost 4 per cent.<sup>7</sup>

### OBJECTIVES OF THE PAPER:

1. To study the Year on Year (YoY) growth rate for number of credit cards issued.
2. To analyze the satisfaction of credit cardholders of the Public sector banks.
3. To analyze the satisfaction of credit cardholders of the Private sector banks
4. To analyze the satisfaction of credit cardholders of the Foreign sector banks
5. To present the association between satisfaction of the credit cardholders of Public, Private and Foreign sector banks.

## HYPOTHESES OF THE STUDY:

The following null hypotheses are drawn for testing:

$H_{01}$ : *There is no significant difference in the satisfaction of the credit cardholders of public, private and foreign sector banks.*

## 2. METHODOLOGY:

This study is based on both primary data as well as secondary data. The secondary data has been collected from RBI publications, banks reports, journals, periodicals etc. The primary data has been collected, through a separate pre-tested schedule from 250 credit card holders located at Hyderabad and Secunderabad of Andhra Pradesh. The credit cardholders were selected from public sector banks, foreign banks, and private banks giving almost equal representation.

## STATISTICAL TOOLS USED:

The following statistical techniques have been used to analyze the data, Principal Component Analysis (PCA) Test and Chi-square ( $\chi^2$ ) Test by using SPSS software package in addition to percentages, averages.

## SAMPLING TECHNIQUE:

Convenience Sampling has been adopted to select the sample size. The sample size consists of 250 Credit cardholders they are further classified in:

- **Bank-wise classification:**  
120PSB:144PVT:141FSB = 405 Credit Cards
- **Sector-wise classification:**  
113 PSB: 122 PVT: 120FSB = 355 Responses.

**Note:** - PSB means Public Sector Banks, PVT means Private Sector Banks and FSB means Foreign Sector Banks

## Results:

To know whether association between the satisfactions of the credit cardholders of the different Banking s (Public, Private and Foreign sector banks), Pearsons analyzed through Chi-Square the results are followed.

To test the significant differences of opinion between the credit cardholders of public, private and foreign sector banks, the following null hypothesis is drawn-up:

$H_{01}$ : *There is no significant difference between the Satisfaction of the Public, Private and Foreign sector banks credit cardholders.*

## CHI-SQUARE TEST ( $\chi^2$ ) FOR SATISFACTION OF THE CREDIT CARDHOLDERS OF PUBLIC, PRIVATE AND FOREIGN SECTOR BANKS:

From Table-1, the following observation can be made:

- (a) Annual Fee: As Calculated Value (C.V) =23.645 is more than Table Value (T.V) =15.51 at 8 D.O.F and at 5 percent L.O.S., the null hypothesis ( $H_{03}$ ) is rejected. So, it can be stated that, "*There is significant difference between the satisfaction of the Public, Private and Foreign Sector credit cardholders in regard to of free Annual fee*";
- (b) Availability of ATMs: As Calculated Value (C.V) =26.351 is more than Table Value (T.V) =15.51 at 8 D.O.F and at 5 percent L.O.S., the null hypothesis ( $H_{03}$ ) is rejected. So, it can be stated that, "*There is a significant difference between the satisfaction of the Public, Private and Foreign sector banks credit cardholders in regard to Availability of ATMs*";
- (c) Merchant Outlets: As Calculated Value (C.V) =25.054 is more than T.V=15.51 at 8 D.O.F and at 5 percent L.O.S., the null hypothesis ( $H_{03}$ ) is rejected. So, it can be stated that, "*There is a significant difference between the satisfaction of the Public, Private and Foreign Sector credit cardholders in regard to Merchant outlets*";

- (d) Freebies and Gifts: As Calculated Value (C.V) =18.749 is more than Table Value (T.V) =15.51 at 8 D.O.F and at 5 percent L.O.S., the null hypothesis ( $H_{03}$ ) is rejected. So, it can be stated that, "There is a significant difference between the satisfaction of the Public, Private and Foreign Sector credit cardholders in regard of Freebies and Gifts";
- (e) Add-on Fee: As Calculated Value (C.V) =19.662 is more than Table Value (T.V) =15.51 at 8 D.O.F and at 5 percent L.O.S., the null hypothesis ( $H_{03}$ ) is rejected. So, it can be stated that, "There is a significant difference between the satisfaction of the Public, Private and Foreign sector banks credit cardholders in regard to Add-on fee";
- (f) For the remaining 'nineteen' variables: As the Calculated Value (C.V) is less than the Table Value (T.V), the null hypothesis ( $H_{03}$ ) is accepted. So, it can be stated, "There is insignificant difference between the Satisfaction of the Public, Private and Foreign sector banks credit cardholders in regard to these 'nineteen' variables".

So, it can be inferred that majority of the variables have shown a similar level of satisfaction by the credit cardholders of the public, private and foreign sector banks. So, it is suggested that banks should work on the other variables to increase their market share.

### 3. CONCLUSIONS

Credit cards have become a part of life, enabling currency conversion and tracking of money spent. The demographic transition has created a lot of demand in the recent years. Therefore, there is a lot of scope for credit cards business in India. The economic growth and purchasing power of the average Indian population is expected to rise, which will induce the consumption of spending on the credit cards, which in turn will boost the manufacturing and service industry.

As for the year 2007-08, there were around 27 million credit cards issued by more than 29 banks in 150 cities in India with transactional value recorded at Rs. 228203 crores. The CAGR for the period 2003-04 to 2007-08 is 23.47 percent. But then there was a steep fall in the growth rate of credit cards in the year 2007-08, may be due to global recession.

The majority of credit cardholders are in the age bracket of 26-35 years and from the income group the majority are from the Rs.12,500 – Rs.25,000 p.m. bracket. It was also observed that, 85-71 percent of the respondents belong to six banks (viz., ICICI, SBI, Citi Bank, HDFC, HSBC and StanChart).

The credit cardholders of the public sector banks consider eleven 'very important' variables which "Satisfied" them are: *Joining Fee, Annual fee, Minimum payment due, Cash withdrawal possibility, Availability of ATMs, Life Insurance Cover, Card replacement fee, Air insurance, Baggage cover, lost card liability-after losing the card and lost card liability-before losing the card.* The credit cardholders of the private sector banks consider, ten 'very important' variables that "Satisfied" them are: *Joining Fee, Annual fee, Free credit period, Minimum payment due, Cash withdrawal possibility, Renew Fee, Air insurance, Baggage cover, lost card liability-after losing the card and lost card liability-before losing the card.* The credit cardholders of the foreign sector banks consider, nine 'most important' variables that "Satisfied" them are, *Joining Fee, Cash withdrawal possibility, Freebies and gifts, Renew fee, Card replacement fee, Add-on fee, Air insurance, Baggage cover and lost card liability-before losing the card.* There is significant difference between the satisfaction of the Public, Private and Foreign credit cardholders in regard to:(a) *Annual fee* (b) *Availability of ATMs* (c) *Merchant outlets* (d)*Freebies and Gifts* and(e)*Affinity card facility*. As a result of the thriving economy, increase in disposable income and consequently a rise in consumer expenditure. In line with growing affluence levels and consumer sophistication, which are the usual developments accompanying a booming economy, credit cards will witness a robust growth. The credit card culture is influencing into the daily purchasing habits of Indian consumers and especially in smaller cities, and credit cards are gaining increasing relevance to facilitate industrial, commercial and agricultural transactions also, the participants in the credit card industry will be going to have a very bright future ahead of them.

Table-8: Consolidated chi-Square test for satisfaction of the credit cardholders of public, private and foreign sector banks.

Degrees of Freedom (D.O.F): 8			Level of Significance (L.O.S): 0.05 percent		
Sl.No	Variable	$\chi^2$ Value Calculated (C.V)	Table Value (T.V)	INFERENCE	DIFFERENCE Significant or Insignificant
1	Brand Name	10.076	15.5	H <sub>03</sub> Accepted	Insignificant
2.	Joining Fee	5.539	15.5	H <sub>03</sub> Accepted	Insignificant
3.	Annual Fee	23.645	15.5	H <sub>03</sub> Rejected	Significant
4.	Free Credit period	7.196	15.5	H <sub>03</sub> Accepted	Insignificant
5.	Interest rate	7.702	15.5	H <sub>03</sub> Accepted	Insignificant
6.	Min Payment due	7.406	15.5	H <sub>03</sub> Accepted	Insignificant
7.	Cash withdrawal possibility	14.757	15.5	H <sub>03</sub> Accepted	Insignificant
8.	Availability of ATMs	26.351	15.5	H <sub>03</sub> Rejected	Significant
9.	Merchant Outlets	25.054	15.5	H <sub>03</sub> Rejected	Significant
10.	Reach Across Country	12.645	15.5	H <sub>03</sub> Accepted	Insignificant
11.	Reach Across World	8.961	15.5	H <sub>03</sub> Accepted	Insignificant
12.	Insurance Cover	9.555	15.5	H <sub>03</sub> Accepted	Insignificant
13.	Help line availability	9.866	15.5	H <sub>02</sub> Accepted	Insignificant
14.	Freebies, Gifts	18.749	15.5	H <sub>03</sub> Rejected	Significant
15.	Add-on card facility	19.662	15.5	H <sub>03</sub> Rejected	Significant
16.	Affinity card facility	7.490	15.5	H <sub>03</sub> Accepted	Insignificant
17.	Renew fee	9.872	15.5	H <sub>03</sub> Accepted	Insignificant
18.	Photo card fee	5.329	15.5	H <sub>03</sub> Accepted	Insignificant
19.	Card replacement fee	3.401	15.5	H <sub>03</sub> Accepted	Insignificant
20.	Add-on fee	4.605	15.5	H <sub>03</sub> Accepted	Insignificant
21.	Air Insurance cover	5.772	15.5	H <sub>03</sub> Accepted	Insignificant
22.	Baggage cover	3.887	15.5	H <sub>03</sub> Accepted	Insignificant
23.	Lost card liability- before losing card	7.430	15.5	H <sub>03</sub> Accepted	Insignificant
24.	Lost card liability- after losing card	5.477	15.5	H <sub>03</sub> Accepted	Insignificant

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