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# A Study on Customers' Perception Towards Credit Cards

KEYWORDS

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**ABSTRACT** *The growth of credit card culture in India has been predominant in the last few years. So the present study tries to analyze the customer's perception towards credit cards. The data was collected using convenience sampling. The study finds that the present generation is using credit cards for their daily needs –instead of using cash- due to the reason it is easy to handle, zero interest rate for a certain period and the global acceptance of credit card everywhere*

*Today many people feel that a wallet without a credit or debit card is empty. The use of these instruments is becoming popular not only among the affluent classes of people, but also with people in all walks of life. Consequently, we find that during the last one decade, there has been an exponential growth in the issue of credit cards and their usage.*

## IMPORTANCE

The important factor that is driving the growth of plastic money in India is that the people are fast adapting to the cash free culture. It offers greater convenience, security and flexibility than cash for dealings and also complements the modern life style of customers. Additionally with the IT revolution and young generation entering employment, the credit adverse attitude has changed and a majority of the young generation prefers plastic money over conventional money. These factors together with constant innovation and expanding networks of banks have enabled the growth of the credit card industry in a big way. The number of nationalized and private banks issuing credit cards has increased significantly and credit cards are now not only an integral part of the consumers' life in metros but also even the residents of smaller cities and towns have taken to them.

## REVIEW OF LITERATURE

Arpita Khare, 2012 opines that use and convenience are the major determinants of credit card use among Indian customers. In the study life style and values are considered as the predictors to credit card use in India. Even though the study doesn't considered demographic variables which plays a significant role in the perception of the people it finds that in the future years there should be a projected growth in the credit card industry. Kumar, 2013 finds that customers are better off with credit cards than without them. However he finds that certain pratices of the credit card issuers are viewed negatively by the customers. Sharmila Pudaruth, 2013 explored the broad factor that leads to the adoption of plastic card among customers. Customers are inclined to plastic cards not only because of the worldwide acceptance, convenience and security reasons but also the modern life style; status and innovative features pull the customers towards adoption. Afshan Ahmed, 2009 views that profession play a significant role in the attitude of customers towards credit cards. Sudhagar, 2012 says that majority of his respondents holds a positive attitude and perception towars credit card. Yilmaz, 2013 also conducted a study to evaluate the effect of perception on customer satisfaction and loyality towards credit cards. Weng Marc Lim, 2014 finds that consumer culture was shifted from saving first, spending later to spending now, thinking later which leads to a postive indication to the growth of credit cards. Shafinar Ismail, 2014 finds that knowledge, media awareness, perceptions and family influence are instrumental in determining consumer attitudes toward credit card usage.

## OBJECTIVES OF THE STUDY

The objectives of the present study "Customers' Perception towards Credit Card" are:

- To find out the nature and type of cards possessed by the respondents
- To ascertain the frequency of using credit cards and the benefits perceived by users.
- To analyze the credit card holder's awareness and preference towards credit cards.
- To identify the main problems faced by the credit card holders.

## METHODOLOGY

The study uses survey method for collecting relevant information from the respondents. The methodological design of the study is described below. Both primary and secondary data has been used for the study. Primary data has been collected from the respondents by using a structured questionnaire developed by the researcher. The population of the study consists of all the users of credit cards in the selected area namely, the Kottayam district. Considering the scope, availability of resources such as time and money, the researcher has decided upon the use of convenience sampling for choosing the respondents. The total numbers of respondents were 100. For analysis of data, various statistical tools are used. For hypothesis testing and statistical analysis the tools that have been applied were percentage analysis and chi-square test.

## LIMITATIONS OF THE STUDY

The study is based on the sample of 100 respondents only and the sample is collected using convenience method of sampling

The universe of the study is limited mostly to the respondents of Kottayam district. Therefore the study need not throw light on the attitude of the credit card holders as a whole.

Most of the information is subjective data collected through personal interaction with people transacting with

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plastic money as a result the personal biases of individuals could affect the study.

**Profile of Respondents**

The profile of the respondents in terms of age, gender, marital status, education, occupational status and nature of the geographical area in which they reside is as below.

| AGE WISE CLASSIFICATION OF RESPONDENTS | | |
|---|---|---|
| 20-30 | 21 | 21 |
| 30-40 | 38 | 38 |
| 40-60 | 33 | 33 |
| Above 60 | 8 | 8 |
| Total | 100 | 100 |
| **GENDER WISE CLASSIFICATION OF RESPONDENTS** | | |
| Male | 57 | 57 |
| Female | 43 | 43 |
| Total | 100 | 100 |
| **AREA WISE CLASSIFICATION OF RESPONDENTS** | | |
| Urban | 44 | 44 |
| Rural | 20 | 20 |
| Suburban | 36 | 36 |
| Total | 100 | 100 |
| **CLASSIFICATION OF RESPONDENTS ON THE BASIS OF THEIR QUALIFICATION** | | |
| Post graduate | 29 | 29 |
| Graduate | 27 | 27 |
| Professional | 33 | 33 |
| Technical | 6 | 6 |
| Others | 5 | 5 |
| Total | 100 | 100 |
| **CLASSIFICATION ON THE BASIS OF OCCUPATION** | | |
| Govt. employee | 15 | 15 |
| Pvt. employee | 34 | 34 |
| Business man | 21 | 21 |
| Professional | 24 | 24 |
| Others | 6 | 6 |
| Total | 100 | 100 |
| **ANNUAL INCOME WISE DISTRIBUTION OF RESPONDENTS** | | |
| Below 1,00,000 | 11 | 11 |
| 1,00,000-3,00,000 | 34 | 34 |
| 3,00,000-5,00,000 | 37 | 37 |
| Above 5,00,000 | 18 | 18 |
| Total | 100 | 100 |
| **CLASSIFICATION ON THE BASIS OF MARITAL STATUS** | | |
| Married | 77 | 77 |
| Unmarried | 23 | 23 |
| Total | 100 | 100 |

**PERCEPTION OF RESPONDENTS**

The opinions of respondents about various factors are given below

| CLASSIFICATION ON THE BASIS OF MEDIA OF AWARENESS | | |
|---|---|---|
| Advertisements | 52 | 52 |
| Friends & Relatives | 30 | 30 |
| Bank employees | 18 | 18 |
| Total | 100 | 100 |
| **CLASSIFICATION ON THE BASIS OF TYPES OF CARDS POSSESSED** | | |
| Master card | 41 | 41 |
| Visa card | 34 | 34 |
| American express | 8 | 8 |
| Gold card | 7 | 7 |
| Platinum card | 6 | 6 |
| Others | 4 | 4 |
| Total | 100 | 100 |
| | | |
| **CLASSIFICATION ON THE BASIS OF FREQUENCY OF USING CREDIT CARDS** | | |
| Frequently | 30 | 30 |
| Monthly | 21 | 21 |
| Occasionally | 27 | 27 |
| Only on emergency | 22 | 22 |
| Total | 100 | 100 |
| **THE NO OF RESPONDENTS USING CREDIT CARDS FOR ONLINE SHOPPING** | | |
| Using credit cards | 49 | 49 |
| Not using credit cards | 51 | 51 |
| Total | 100 | 100 |
| **THE PERIOD OF CREDIT ENJOYED BY THE RESPONDENTS** | | |
| Around 30 days | 44 | 44 |
| Around 45 days | 42 | 42 |
| More than 60 days | 14 | 14 |
| Total | 100 | 100 |
| **THE POSSESSION OF ADD ON CARDS BY THE RESPONDENTS** | | |
| Possessing add on cards | 43 | 43 |
| Not possessing add on cards | 57 | 57 |
| Total | 100 | 100 |

| THE PERSON WHO POSSES ADD ON CARDS | | |
|---|---|---|
| Spouse | 21 | 48.8 |
| Children | 12 | 27.9 |
| Parents | 7 | 16.3 |
| Others | 3 | 6.9 |
| Total | 43 | 100 |
| **DEGREE OF SAFETY OF USING CREDIT CARDS** | | |
| Highly safety | 26 | 26 |
| Adequately safety | 34 | 34 |
| Moderately safety | 29 | 29 |
| Risky | 11 | 11 |

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| | | |
|---|---|---|
| Total | 100 | 100 |
| **CLASSIFICATION OF RESPONDENTS ON THE BASIS OF PROBLEMS ENCOUNTERED** | | |
| Yes | 53 | 53 |
| No | 47 | 47 |
| Total | 100 | 100 |
| **NATURE OF PROBLEMS FACED BY RESPONDENTS** | | |
| Error in statement | 18 | 33.96 |
| High service charges | 9 | 16.98 |
| Low credit limit | 8 | 15.10 |
| Late fees & over limit fees | 8 | 15.10 |
| High interest rate and short repayment period | 10 | 18.86 |
| Total | 53 | 100 |

**HYPOTHESES TESTING**

The frequency of usage of credit card depends upon many variables such as levels of income of the user, nature of occupation, perceived convenience of using credit cards vis a vis cash, difficulty of procuring cash from banks and so on. As such, it was felt pertinent to examine whether there is any significant difference between the occupational status of the respondents and the frequency of usage of credit cards.

The null hypothesis was set as:

Ho: There is no significant relationship between occupational status and frequency of using credit cards

Table showing relationship between occupational status and frequency of using credit card

| Occupation Status | Frequency of using credit card | | | | |
|---|---|---|---|---|---|
| | Frequently | Monthly | occasionally | Only on emergency | Total |
| Govt. employee | 2 | 4 | 3 | 6 | 15 |
| Pvt. Employees | 8 | 9 | 12 | 5 | 34 |
| Business man | 9 | 5 | 3 | 4 | 21 |
| Professional | 10 | 2 | 7 | 5 | 24 |
| Others | 1 | 1 | 2 | 2 | 6 |
| Total | 30 | 21 | 27 | 22 | 100 |

**RESULT OF THE TEST**

| Test | CHI-SQUARE TEST |
|---|---|
| Calculated $\chi 2$ value | 13.143 |
| Degree of freedom | 12 |
| Level of significance | 5% |
| Table value | 21.026 |
| Ho : accepted/rejected | Fail to reject |

As the calculated value is less than the table value, the null hypothesis is retained ie there is no significant relationship between occupational status and frequency of using credit cards.

Online purchases using credit cards are done by different types of people. Since occupational status is presumed as a major determinant, we examined the following hypothesis in respect of online purchase

**Ho: There is no significant relationship between occupational status and their opinion regarding online purchasing.**

Table showing relationship between occupational status and Opinion on online purchasing

| Opinion on online purchasing | Occupational status | | | | | |
|---|---|---|---|---|---|---|
| | Government employee | Private employee | Business man | Professional | Others | Total |
| Use credit cards | 3 | 10 | 12 | 22 | 2 | 49 |
| Doesnot use credit cards | 12 | 24 | 9 | 2 | 4 | 51 |
| Total | 15 | 34 | 21 | 24 | 6 | 100 |

**RESULT OF THE TEST**

| TEST | CHI-SQUARE TEST |
|---|---|
| CALCULATED $\chi^2$ VALUE | 28.89 |
| DEGREE OF FREEDOM | 4 |
| LEVEL OF SIGNIFICANCE | 5% |
| TABLE VALUE | 9.488 |
| Ho: ACCEPTED/REJECTED | REJECT |

As the calculated value is more than the table value, the null hypothesis is rejected ie there is a significant relationship between occupational status and use of credit card for online shopping.

Add on cards facilitate the use of the card by multiple users and therefore are generally subscribed by people who have spouse /children etc. Here, we examine whether there is any association between marital status of the respondent and possession of add on cards.

The null hypothesis for this test is:

**Ho: There is no significant relationship between marital status of the respondents and possession of Add on cards.**

**Table showing relationship between marital status and possession of Add on cards**

| MARITAL STATUS | possession of Add on cards | | |
|---|---|---|---|
| | MARRIED | UNMARRIED | TOTAL |
| Possessing add on cards | 35 | 8 | 43 |
| Not possessing add on cards | 45 | 15 | 57 |
| Total | 77 | 23 | 100 |

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**RESULT OF THE TEST**

| TEST | CHI-SQUARE TEST |
|---|---|
| CALCULATED $\chi$2VALUE | 0.769 |
| DEGREE OF FREEDOM | 1 |
| LEVEL OF SIGNIFICANCE | 5% |
| TABLE VALUE | 3.841 |
| Ho: ACCEPTED/REJECTED | ACCEPTED |

As the calculated value is less than the table value, the null hypothesis is retained ie we conclude that the data provides evidence of no significant relationship between marital status and possession of add on cards.

Different variants of cards offer different facilities and as such, the nature of problems faced by each may be expected to vary with the nature and characteristics of the offers made by the cards. Therefore, we found it relevant to test whether there is any significant relationship between the type of card possessed by the respondents and the problems faced by them.

Ho: There is no significant relationship between type of card possessed by the respondents and the problems faced.

Table showing relationship between types of card and the problems faced.

| Problems faced by card holders | TYPES OF CARD | | | | | |
|---|---|---|---|---|---|---|
| | Master | Visa | American express | Gold | Platinum & others | Total |
| Problems faced | 18 | 21 | 3 | 2 | 3 | 47 |
| Do not face problem | 23 | 13 | 5 | 5 | 7 | 53 |
| Total | 41 | 34 | 8 | 7 | 10 | 100 |

**RESULT OF THE TEST**

| Test | CHI-SQUARE TEST |
|---|---|
| Calculated $\chi$2 value | 5.508 |
| Degree of freedom | 4 |
| Level of significance | 5% |
| Table value | 9.488 |
| Ho: accepted/rejected | Fail to reject |

As the calculated value is less than the table value, the null hypothesis is retained and we conclude that there is no significant relationship between types of card possessed and the problems faced by the respondents.

Similarly, it was hypothesized that educational qualification of the respondents are not significant determinants of awareness regarding hidden charges levied by the bank.

Ho: There is no significant relationship between the educational qualification and the awareness of hidden charges levied by the bank

**Table showing relationship between educational qualification and the awareness of hidden charges levied by the bank**

| **AWARENESS OF HIDDEN CHARGES** | **QUALIFICATION** | | | | |
|---|---|---|---|---|---|
| | **Post graduate** | **Graduate** | **Professional** | **Technical & others** | **Total** |
| Aware about hidden charges | 15 | 9 | 12 | 3 | 39 |
| Doesnot aware about hidden charges | 14 | 18 | 21 | 8 | 61 |
| Total | 29 | 27 | 33 | 11 | 100 |

**RESULT OF THE TEST**

| TEST | CHI-SQUARE TEST |
|---|---|
| CALCULATED $\chi$2 VALUE | 3.2721 |
| DEGREE OF FREEDOM | 4 |
| LEVEL OF SIGNIFICANCE | 5% |
| TABLE VALUE | 9.488 |
| Ho : ACCEPTED/REJECTED | ACCEPT |

As the calculated value is less than the table value, the null hypothesis is accepted ie there is no significant relationship between educational qualification and knowledge of hidden charges levied on by the bank.

The frequency of usage of credit card depends upon many variables such as levels of income of the user, nature of occupation, perceived convenience of using credit cards vis a vis cash, difficulty of procuring cash from banks and so on. As such, it was felt pertinent to examine whether there is any significant difference between the annual income of the respondents and the frequency of usage of credit cards.

The null hypothesis was set as:

Ho: THERE IS NO SIGNIFICANT RELATIONSHIP BETWEEN ANNUAL INCOME AND FREQUENCY OF USING CREDIT CARDS

TABLE SHOWING RELATIONSHIP BETWEEN ANNUAL INCOME AND FREQUENCY OF USING CREDIT CARDS

| ANNAUL INCOME | FREQUENCY OF USING CREDIT CARDS | | | | |
|---|---|---|---|---|---|
| | FREQUENTLY | MONTHLY | OCASSIONALLY | ONLY ON EMERGENCY | TOTAL |
| BELOW 1,00,000 | 2 | 3 | 1 | 5 | 11 |
| 1,00,000-3,00,000 | 5 | 9 | 9 | 11 | 34 |
| 3,00,000-5,00,000 | 13 | 6 | 14 | 4 | 37 |
| ABOVE 5,00,000 | 10 | 3 | 3 | 2 | 18 |
| TOTAL | 30 | 21 | 27 | 22 | 100 |

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**RESULT OF THE TEST**

| TEST | CHI-SQUARE |
|---|---|
| CALCULATED $\chi$ 2 VALUE | 20.018 |
| DEGREE OF FREEDOM | 6 |
| LEVEL OF SIGNIFICANCE | 5% |
| TABLE VALUE | 12.592 |
| Ho:ACCEPTED/REJECTED | REJECT |

As the calculated value is more than the table value the null hypothesis is rejected. So there is a significant relationship between annual income and frequency of using credit cards.

**FINDINGS**

The present study, titled CUSTOMERS' PERCEPTION TOWARDS CREDIT CARDS was based on a survey of opinions of 100 respondents in respect of their use of various types of cards for facilitating cash transactions.

Following are the findings of the study.

More than half, i.e. 57% of the respondents were males

Majority of the respondents (71% ) were in the age group 30-60 years

Geographical distribution of respondents show that 44% of them were domiciled in urban area, while 36% belonged to sub urban area.

Distribution of respondents on the basis of educational qualifications revealed that 29% of them were post graduates and 33% were professionals.

Only 15% of the respondents were government employees.

Income wise distribution of respondents show that 18% of the respondents had an annual income above 5,00,000 where as 71% of the respondents had income between 1,00,000 to 5,00,000

77% of the respondents were married

The distribution of sources of information regarding credit cards show that 52% of eth respondent came to know about the credit card through advertisements and 30% from friends and relatives.

The type of credit cards used by them revealed that master card was used by 41 % of respondents while visa card was used by 34% of the respondents.

The distribution of frequency of credit card usage showed that 30% of the respondents used credit cards frequently where as 22% of them used credit cards only in emergency situations.

51% of the respondents did not use credit cards for online shopping.

Majority of the respondents enjoy credit for less than 45 days and only 14% of the card holders enjoy credit for more than 60 days.

As high as 57% of the respondents did not posses add on cards.

Out of the 43% who possessed add on cards, only 27.9% of the add on cards are possessed by the children of the respondents and 48.8% of the cards are possessed by the spouses of the respondents.

A little more than one fourth of the respondents (26%) of the respondents had the opinion that it is highly safe to use credit cards while 11% of the respondents felt that it is risky to use credit cards.

47% of the respondents did not face any problems with the existing cards and 53% of the respondents face problems with the existing cards. Nearly one third of the respondents (33.96%) reported that they faced problems due to errors in the statement.

Only 32.08% of the respondents revealed that their complaints have been immediately redressed

As high as 61% of the respondents were not aware of the hidden charges levied on them by the bank.

**The results of the hypothesis tests ($\chi$2) showed that**

There is no significant relationship between the frequency of credit card usage and the occupational status of the respondents.

There is a significant relationship between occupational status and frequency of using credit cards for online shopping.

There is no significant association between marital status and possession of add on cards.

There is no significant relationship between types of card possessed by the respondents and the nature of problems faced.

There is no significant relationship between the educational qualifications of the respondents and their knowledge of hidden charges levied on the cards by the banks.

There is a significant relationship between annual income and frequency of using credit cards.

**CONCLUSION**

The growth of credit card culture in India has been predominant in the last few years. Not only credit cards but also other innovative products like charge cards, debit cards etc are catching up fast. Now days the present generation is using credit cards for their daily needs –instead of using cash- due to the reason it is easy to handle, zero interest rate for a certain period and the global acceptance of credit card everywhere. The increased use of credit cards increases the purchasing and spending behavior of customers and would create a positive impact on the growth of business.

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