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INDEX

Sr. No.	Title	Author	Subject	Page No.
1	Current Issues In Indian Capital Market	Bhavin S. Shah	Accountancy	1-3
2	Accounting Standard (AS) 30 Accounting for Financial Instruments	Kalola Rimaben A, Chauhan Lalit R.	Accountancy	4-6
3	A Study on Lithology and Petrography of the Tipam Sandstones Exposed along the Tipong Pani River Section of Upper Assam Basin	Dr. Pradip Borgohain	Applied Geology	7-11
4	Study of Fluvial Geomorphic Features of the Lower Subansiri Basin, North-East India using Remote Sensing and GIS.	Dr. Uttam Goswami	Applied Geology	12-14
5	Sheared volcanics in the north of Pugging, East Siang District, Arunachal Pradesh	T. K. Goswami, P. Bhattacharyya, D. Bezbaruah	Applied Geology	15-18
6	Heavy Metal Biosorption Using A Biopolymer Chitin	D. Saravanan, P. N. Sudha	Chemistry	19-23
7	Impact of peripheral cues on rural consumer buying decision for FMCG products with special reference to Palitana (Gujarat)	Dr K.S. Vataliya, Bhavik .P. Parmar	Commerce	24-26
8	A Growth of Rural Postal Life Insurance in India [A Study with special Reference to Dharmapuri District]	Dr. A. Vinayagamoorthy K. Senthilkumar	Commerce	27-28
9	Promotional Strategies for International Markets with respect to Agricultural Products	Dr. B. B. Bhosale	Commerce	29-30
29	Business Risk And Financial Risk - Indian Corporate Sector	Dr. M. Dhanabhakyam, P. Balasubramanian	Commerce	31-33
10	"Customer Relationship Management"- In Banking Industry	G.V. Kori, Sri. Basavaraj Huggi	Commerce	34-36
11	Role of Investment Banks and Institutions in Economic Development	Jitendra Dhirajlal Karia, Dr. (Prof.) Vijay Kumar Soni	Commerce	37-38
12	Nature Of Information Shared And Communication Methods Used In Small Manufacturing Firms	Vipul Chalotra	Commerce	39-41
13	China's WTO Accession: An Empirical Assessment of Merchandise Trade with India	Anjali Tandon	Economics	42-45
14	Regional Disparities - Social Sector Expenditure in Rural-Urban India	Dr. Shankar B. Ambhore, Dr. Ashok S. Pawar	Economics	46-47
15	(Presenting Thought About Industry, Trade And Co-operation Of Rajarshri Shahu Maharaj)	Dr. Ashok Shankarrao Pawar, Dr.Sunita J. Rathod	Economics	48-49
16	An Assessment On Poverty Alliviation Programmes In Rural India-A Case Study	Dr. Parvathamma G. L.	Economics	50-55
17	Liveability in Guwahati: A Factor Analytic Approach	Dr. Daisy Das, Dr. Ratul Mahanta	Economics	56-58
18	Backward Class Disparities in higher Education in India	Dr. Shankar B. Ambhore, Dr. Pawar Ashok S.	Economics	59-60
19	Revenue and Expenditure Pattern of Municipal Corporations of Punjab	Naresh Kumar	Economics	61-66

20	Livelihood Security of Traditional Fishermen of Kerala: Analysing and Identifying the Roles of Self Help Groups	(Dr.) D. Rajasenan, Rajeev B.	Economics	67-70
21	Levels and Types of Questions Raised by EFL Teachers In Southern Al-Mazar Directorate of Education	Dr. Jihad Al-Turki	Education	71-74
22	Issues And Recommendations Of National Knowledge Commission In Higher Education System	Vidhi Bhalla	Education	75-77
23	Multiple Sequence Alignment of Different Species	Perna, Pankaj Bhambri, Dr. O.P. Gupta	Engineering	78-82
24	Analyzing the Phylogenetic Trees with Tree- building Methods	Jasmine, Pankaj Bhambri, Dr. O.P. Gupta	Engineering	83-85
25	Low Power High Speed with Improved Noise Margin for Domino CMOS Inverter.	Pushpa Raikwal, Dr.Vaibhav Neema, Dr.Sumant Katiyal	Engineering	86-88
26	Analysis of Drag for an Aircraft Wing Model with and without Winglet	Mitul Patel, Sharvil Shah, Dharmendra Dubey	Engineering	89-91
27	Cognitive Radio	Chauhan Jayesh R.	Engineering	92-95
28	Problems In Teaching English As A Compulsory Subject	Prof. Madhvi R. Acharya	English	96-97
30	Financial Banking Is The Science Of Managing Money: Indian Financial System	Dr. Shailesh N. Ransariya, Dr. Shailesh N. Ransariya	Finance	98-100
31	Carbon Trading a Step towards Green Environment	Ashok R. Bantwa	Finance	101-102
32	Effect of Supplementation of A Multinutrient Chocolate Bar on Nutritional Status and Athletic Performance	P. Muhtulakshmi, Dr. M. Sylvia Subapriya	Home Science	103-104
33	Imperatives of Inclusive Growth for Sustainable Development of Indian Economy Post Globalization	Dr Mahalaxmi Krishnan	Indian Economy	105-107
34	RIGHT TO INFORMATION ACT AND THE ROLE OF PRESS, MEDIA & NGO'S	Dr. Krushna Chandra Dalai	Law	108-109
35	``Thesis: A Powerful Source Of Information``	Arvind M Bhadrashetty	Library Science	110-111
36	Present Day English and Inflections	Dr Syed Mohammed Haseebuddin Quadri	Literature	112-113
37	Jigsaw II: An Effective Strategy To Develop Reading Comprehension Of High School Students	Dr. P. Nagaraj, Sindhu Thamba	Literature	114-115
38	CAPITAL STRUCTURE ANALYSIS (An Empirical Study of Paper Mills in India)	Ashok Mundhra	Management	116-118
39	Emerging Trends In Indian Rural Market	Dr. N. Ramanjaneyalu	Management	119-121
40	Credit Card Usage in Coimbatore	G. Murali Manokari, Dr. R. Ganapathi	Management	122-126
41	Micro Credit – Two Sides of the Same Coin	R. Durga Rani, J. Gnanadevan, Dr. R. Ganapathi	Management	127-130
42	Work Place Stress and Yoga Therapy	K. Revathi, Dr. R. Ganapathi	Management	131-132
43	Customer's Satisfaction Towards Modernized Petrol Stations With Reference to Coimbatore City	Dr. R. Ganapathi	Management	133-137

44	Evaluation Tactics: A tool to evaluate success of corporate training programme	Dr. Shobha Dedhia	Management	138-140
45	A Preliminary Study On Issues And Challenges Faced In Measurement Of Social Media Return On Investment	Khushbu Pandya	Management	141-142
46	Profitability Analysis (A Case Study of Selected Public and Private Sector Companies)	Manish Manglik	Management	143-144
47	Performance Management System	S.Jayakrishna, N.Sainath, M.V.Subbareddy, N.Raji Reddy	Management	145-147
48	A Study On Organizational Culture In Bharath Heavy Eletrical Limited, Ranipet	S.Sridhar, D.Yuvaraj, V. Kandasamy	Management	148-150
49	Cost Effective Transportation	Sarada Prasanna Patra Dr. Manjusmita Dash	Management	151-154
50	A Study On Efficiency Of Outbound Training With Reference to Titan Industries, Hosur	V. Kandasamy, D. Yuvaraj, S. Ragothaman	Management	155-157
51	Performance Improvement Enhance The Efficiency	Vidya L. Hulkund	Management	158-159
52	Packaging- The Salient Seller	Vidya L. Hulkund	Management	160-161
53	An Empirical Study Of Student Satisfaction With Reference To Gujarat Technological University (Gtu)	Dr. Vijay K. Patel	Management	162-163
54	Maximizing Customer Profitability in Retailing Industry (Durable Goods) - Role of Analytical CRM -A Case Analysis	Dr.A.R.Krishnan, R.Selvamani	Management	164-165
55	Financial Inclusion - Role Of Banking Industry	Dr. K. Marutha Muthu, Ms.T. A.Tamilselvi	Management	166-167
56	The Growth of Self Help Groups in India: A Study	S.Ravi, Dr. P. Vikkraman	Management	168-170
57	Role of E-Banking	K. K. Devi	Marketing	171-172
58	Reasons after the war of going Green –Green Marketing	Kavita A. Trivedi	Marketing	173-175
59	Strongly Minimal Generalized Boundary	K. Chandrasekhara Rao, P . Padma	Mathematics	176-177
60	ACCESSORY RENAL ARTERY: A CASE REPORT	Archana U Shekokar, Vandana A Tendolkardolkar	Medical Science	178-179
61	Fibrinous Pericarditis: A Case Report	Vandana A Tendolkar, Archana U Shekokar	Medical Science	180-181
62	Social life, Addictions and Subjective Wellbeing of the Transsexuals	Seemanthini.T.S, Manjula. M. Y	Psychology	182-184
63	Using E-Content In Science Class: The Effect Of Treatment, Gender, And Their Interaction On Science Achievement	Suman Rani	Psychology	185-188
64	Bullying - Societal Curse- A Serious Issue	Latha Janaki. R, Dr.Kalyani Kenneth	Social Science	189-191
65	Factor Influencing Foetal Wastage	Dr. Dipti Bhavsar, Dr. C. D. Bhavsar	Environment	192-195
66	Approach Of Universilization Educational And Women Empowerment Of Rajarshri Shahu Maharaj	Dr. Ashok Shankarrao Pawar, Dr. Sunita J. Rathod	Economics	196-199



Credit Card Usage in Coimbatore

* G. Murali Manokari ** Dr. R. Ganapathi

* Assistant Professor in Management Studies, Nehru Institute of Engineering and Technology, Coimbatore

** Assistant Professor in Commerce, Directorate of Distance Education, Alagappa University, Karaikudi

ABSTRACT

A survey was conducted among the credit card holders in and around Coimbatore to find out the usage and level of satisfaction on the various components of credit cards. Data was collected from a sample of 200 respondents comprising salaried class, business community and professionals. The study revealed that majority of the card holders utilized the cards for purchase of consumer goods and grocery. The respondents agreed that there was a perceptible change in their spending behaviour. While 56% of the respondents used the cards often, 24% used it very often. Nearly 20% used it very rarely. Some of the card holders (43%) felt that the cash withdrawal charges were high. By and large the respondents were satisfied with the convenience and services offered by credit cards. Chi-square analysis indicated that there was significant association between educational background of the respondents and frequency of usage of cards, occupation and usage of cards, various income groups and satisfaction level and occupation and adequacy of credit limit.

Classification : Research paper under banking sector

Keywords : Plastic money

INTRODUCTION

Dubbed as 'Plastic Money', credit card has come to stay. The initial scepticism has gradually given way to the inevitability of the credit cards. Nevertheless, the arguments and counter-arguments on the desirability of owning a credit card varies from individual to individual. The availability of ready cash at any hour of the day, interest free usage for a limited period, safety, easy loan etc may be a boon. But the exorbitant interest after the interest free period, late-payment fees, indulgence in over-spending etc could be the deterrents for many. Though the credit cards offer many facilities, they are also beset with some undesirable characteristics. The present study was undertaken to gauge the perceptions of the credit card users with the following objectives:

1. To find out the type of cards used and frequency of usage.
2. To know the reasons for possessing credit cards.
3. To assess the level of satisfaction of the card users.
4. To look into the association, if any, between the personal factors and usage of credit cards.

METHODOLOGY

Data was collected through a structured, validated questionnaire from a sample of 200 respondents. The target population was the credit card users in Coimbatore city. Among the respondents 33% owned Citi Bank card, 25% ICICI card and Stanchart 15%. The rest possessed cards of Bank of Baroda, Indus Ind, HDFC, HSBC and State Bank of India.

As the real population of the study was not clear, convenience sampling technique was used. The survey was conducted during the period from January to April 2008. Chi-square analysis (Test of independence) was carried out to find out the association, if any, between the personal factors and the opinions of the respondents. The sample statistics are presented in Table 1.

TABLE 1

SAMPLE STATISTICS – (DETAILS OF THE CREDIT CARD

USING RESPONDENTS)

Sl. No.	CHARACTERISTICS	NUMBER OF RESPONDENTS	PERCENT-AGE
	Age Group		
1.	21 – 30 years	52	26.00
	31 – 40 years	88	44.00
	41 – 50 years	50	25.00
	> 50 years	10	5.00
	Gender		
2.	Male	124	62.00
	Female	76	38.00
	Educational Qualification		
3.	Graduates	62	31.00
	Post Graduates	50	25.00
	Professional Degree Holders	68	34.00
	Others	20	10.00
	Occupation		
4.	Salaried	84	42.00
	Professional	68	34.00
	Business	28	14.00
	Others	20	10.00
	Annual Income		
5.	< Rs.1,00,000	50	25.00
	Rs.1,00,000 – Rs.1,50,000	100	50.00
	> Rs.1,50,000	50	25.00

Source: Primary Data

**TABLE 2
KNOWLEDGE OF CREDIT CARD**

Sl. No.	Knowledge of Credit Cards	Number of Respondents	Percentage
1.	Advertisement	100	50.00
2.	Friends & Relatives	48	24.00
3.	Representative	42	21.00
4.	Others	10	5.00
	TOTAL	200	100.00

Source: Primary Data

The above table shows that 50% of respondents came to know of the credit card through advertisements, 24% of the respondents through friends and relatives, 21% of the respondents through representatives and 5% through other ways. It is indicated that majority of the respondents acquired the knowledge of credit card through advertisements.

**TABLE 3
TYPE OF CREDIT CARDS POSSESSED**

Sl. No.	Type of Cards Possessed	Number of Respondents	Percentage
1.	Master Card	122	61.00
2.	Visa Card	66	33.00
3.	American Express	10	5.00
4.	Others	2	1.00
	TOTAL	200	100.00

Source: Primary Data

The above table shows that 61% of respondents have Master Card and 42% of the respondents hold Visa Card, 5% of the respondents hold American Express card and the rest 1% are using other types of card. The study indicated that majority of the respondents use the Master Card network.

**TABLE 4
REASONS TO OWN CREDIT CARD**

Sl. No.	Reasons	Number of Respondents	Percentage
1.	Safety	52	26.00
2.	Convenience	134	67.00
3.	Status	8	4.00
4.	Others	6	3.00
	TOTAL	200	100.00

Source: Primary Data

The above table shows that 67% of respondents are using the credit card for convenience, 26% of the respondents are using it for safety purpose and the rest 7% of the respondents for status and other purpose. It is found that majority of the respondents own the card for the purpose of convenience.

RELATIONSHIP BETWEEN EDUCATIONAL QUALIFICATION AND USAGE OF CREDIT CARD

In order to find the relationship between the educational qualification of the respondents and the usage of credit card, chi-square test was used and the result of the test is shown in the following table 5.

**TABLE 5
EDUCATIONAL QUALIFICATION AND USAGE OF CREDIT CARD**

Sl. No.	Educational Qualification	Usage of Credit Card			Total
		Often	Very Often	Rarely	
1.	Graduate	44	18	20	82
2.	Post Graduate	28	6	16	50
3.	Professional	40	20	8	68
	TOTAL	112	44	44	200

Source: Calculated from Primary Data

(Figures in brackets are shown Expected Frequency)

Null hypothesis: The association between the educational qualification of the respondents and their usage of credit card is not significant.

As the calculated Chi-square value (9.872) is greater than the table value (9.488) at 5% level of significance for 4 degrees of freedom, the null hypothesis is rejected and it could be concluded that the association between the educational qualification of the respondents and their usage of credit card is significant.

RELATIONSHIP BETWEEN EDUCATIONAL QUALIFICATION AND SATISFACTION OF PRESENT CARD

In order to find the relationship between the educational qualification of the respondents and the satisfaction of present credit card, chi-square test was used and the result of the test is shown in the following table 6.

**TABLE 6
EDUCATIONAL QUALIFICATION AND SATISFACTION OF PRESENT CREDIT CARD**

Sl. No.	Educational Qualification	Satisfaction of Credit Card			Total
		Very Much	Some Extent	Not At All	
1.	Graduate	38	60	6	104
2.	Post Graduate	16	46	6	68
3.	Professional	2	24	2	28
	TOTAL	56	130	14	200

Source: Calculated from Primary Data

(Figures in brackets are shown Expected Frequency)

Null hypothesis: The association between the educational qualification of the respondents and their satisfaction present credit card is not significant.

As the calculated Chi-square value (10.868) is greater than the table value (9.488) at 5% level of significance for 4 degrees of freedom, the null hypothesis is rejected and it could be concluded that the association between the educational qualification of the respondents and their satisfaction of present credit card is significant.

RELATIONSHIP BETWEEN OCCUPATIONAL STATUS AND ADEQUACY OF CREDIT LIMIT

In order to find the relationship between the occupational status of the respondents and the adequacy of credit limit, chi-square test was used and the result of the test is shown in the following table 7.

**TABLE 7
OCCUPATIONAL STATUS AND ADEQUACY OF CREDIT LIMIT**

Sl. No.	Occupational Status	Adequacy of Credit Card		Total
		Satisfied	Not Satisfied	
1.	Salaried	38	60	104
2.	Professional	16	46	68
3.	Business	2	24	28
	TOTAL	56	130	200

Source: Calculated from Primary Data

(Figures in brackets are shown Expected Frequency)

Null hypothesis: The association between the occupational status of the respondents and their adequacy of credit limit is not significant.

As the calculated Chi-square value (5.032) is less than the table value (5.991) at 5% level of significance for 2 degrees of freedom, the null hypothesis is accepted and it could be concluded that the association between the occupational status of the respondents and their adequacy of credit limit is not significant.

RELATIONSHIP BETWEEN OCCUPATIONAL STATUS AND USAGE OF CREDIT CARD

In order to find the relationship between the occupational status of the respondents and the usage of credit card, chi-square test was used and the result of the test is shown in the following table 8.

**TABLE 8
OCCUPATIONAL STATUS AND USAGE OF CREDIT CARD**

Sl. No.	Occupational Status	Usage of Credit Card			Total
		Often	Very Often	Rarely	
1.	Salaried	45	45	32	104
2.	Professional	45	45	8	68
3.	Business	22	22	4	28
	TOTAL	112	112	44	200

Source: Calculated from Primary Data

(Figures in brackets are shown Expected Frequency)

Null hypothesis: The association between the occupational status of the respondents and usage of credit card is not significant.

As the calculated Chi-square value (17.997) is greater than the table value (9.488) at 5% level of significance for 4 degrees of freedom, the null hypothesis is rejected and it could be concluded that the association between the occupational status of the respondents and their usage of credit card is significant.

RELATIONSHIP BETWEEN OCCUPATIONAL STATUS AND PROCEDURE ADOPTED FOR ASSESSMENT

In order to find the relationship between the occupational status of the respondents and the procedure adopted for assessment, chi-square test was used and the result of the test is shown in the following table 9.

**TABLE 9
OCCUPATIONAL STATUS AND PROCEDURE ADOPTED FOR ASSESSMENT**

Sl. No.	Occupational Status	Procedure Adopted		Total
		Satisfied	Not Satisfied	
1.	Salaried	76	28	104
2.	Professional	54	14	68
3.	Business	22	6	28
	TOTAL	152	48	200

Source: Calculated from Primary Data

(Figures in brackets are shown Expected Frequency)

Null hypothesis: The association between the occupational status of the respondents and procedure adopted for assessment is not significant.

As the calculated Chi-square value (1.023) is less than the table value (5.991) at 5% level of significance for 2 degrees of freedom, the null hypothesis is accepted and it could be concluded that the association between the occupational status of the respondents and the procedure adopted for assessment is not significant.

RELATIONSHIP BETWEEN OCCUPATIONAL STATUS AND SATISFACTION WITH PRESENT CREDIT CARD

In order to find the relationship between the occupational status of the respondents and the satisfaction with present credit card, chi-square test was used and the result of the test is shown in the following table 10.

**TABLE 10
OCCUPATIONAL STATUS AND SATISFACTION WITH PRESENT CREDIT CARD**

Sl. No.	Occupational Status	Satisfaction		Total
		Satisfied	Not Satisfied	
1.	Salaried	92	12	104
2.	Professional	60	8	68
3.	Business	24	4	28
	TOTAL	176	24	200

Source: Calculated from Primary Data

(Figures in brackets are shown Expected Frequency)

Null hypothesis: The association between the occupational status of the respondents and the satisfaction with present credit card is not significant.

As the calculated Chi-square value (0.613) is less than the table value (5.991) at 5% level of significance for 2 degrees of freedom, the null hypothesis is accepted and it could be concluded that the association between the occupational status of the respondents and the satisfaction with present credit card is not significant.

RELATIONSHIP BETWEEN ANNUAL INCOME OF THE RESPONDENTS AND FREQUENCY OF USAGE OF CREDIT CARD

In order to find the relationship between the annual income of the respondents and the frequency of usage of credit card, chi-square test was used and the result of the test is shown in the following table 11.

**TABLE 11
ANNUAL INCOME AND FREQUENCY OF USING CREDIT CARD**

Sl. No.	Annual Income	Frequency of Usage			Total
		Often	Very Often	Rarely	
1.	Less Than Rs.1,00,000	25	9	16	50
2.	Rs.1,00,000 – Rs.1,50,000	59	19	22	100
3.	Above Rs.1,50,000	28	16	6	50
	TOTAL	112	44	44	200

Source: Calculated from Primary Data

(Figures in brackets are shown Expected Frequency)

Null hypothesis: The association between the annual income of the respondents and the frequency of using credit card is not significant.

As the calculated Chi-square value (8.073) is less than the table value (9.488) at 5% level of significance for 4 degrees of freedom, the null hypothesis is accepted and it could be concluded that the association between the annual income of the respondents and the frequency of using credit card is not significant.

RELATIONSHIP BETWEEN ANNUAL INCOME OF THE RESPONDENTS AND SATISFACTION WITH PRESENT CREDIT CARD

In order to find the relationship between the annual income of the respondents and the satisfaction with present credit card, chi-square test was used and the result of the test is shown in the following table 12.

TABLE 12
ANNUAL INCOME AND SATISFACTION WITH PRESENT CREDIT CARD

Sl. No.	Income Per Annum	Procedure Adopted		Total
		Satisfied	Not Satisfied	
1.	Less Than Rs.1,00,000	36	14	50
2.	Rs.1,00,000 - Rs.1,50,000	90	10	100
3.	Above Rs.1,50,000	5	0	50
	TOTAL	176	24	200

Source: Calculated from Primary Data

(Figures in brackets are shown Expected Frequency)

Null hypothesis: The association between the annual income of the respondents and the satisfaction with present credit card is not significant.

As the calculated Chi-square value (19.318) is greater than the table value (5.991) at 5% level of significance for 2 degrees of freedom, the null hypothesis is rejected and it could be concluded that the association between the annual income of the respondents and the satisfaction with present card is significant.

RELATIONSHIP BETWEEN ANNUAL INCOME OF THE RESPONDENTS AND OPINION ABOUT ANNUAL FEE CHARGES

In order to find the relationship between the annual income of the respondents and the opinion about annual fee charges, chi-square test was used and the result of the test is shown in the following table 13.

TABLE 13
ANNUAL INCOME AND OPINION ABOUT ANNUAL FEE CHARGES

Sl. No.	Income Per Annum	Annual Fee Charges		Total
		High	Moderate	
1.	Less Than Rs.1,00,000	30	20	50
2.	Rs.1,00,000 - Rs.1,50,000	58	42	100
3.	Above Rs.1,50,000	22	28	50
	TOTAL	110	90	200

Source: Calculated from Primary Data

(Figures in brackets are shown Expected Frequency)

Null hypothesis: The association between the annual income of the respondents and the opinion about annual fee charges is not significant.

As the calculated Chi-square value (3.313) is less than the table value (5.991) at 5% level of significance for 2 degrees of freedom, the null hypothesis is accepted and it could be concluded that the association between the annual income of the respondents and the opinion about fee charges is not significant.

RELATIONSHIP BETWEEN ANNUAL INCOME OF THE RESPONDENTS AND OPINION ABOUT CHARGES FOR CASH WITHDRAWAL

In order to find the relationship between the annual income of the respondents and the opinion about charges for cash withdrawal, chi-square test was used and the result of the test is shown in the following table 14.

TABLE 14
ANNUAL INCOME AND OPINION ABOUT CHARGES FOR CASH WITHDRAWAL

Sl. No.	Income Per Annum	Charges for Cash Withdrawal		Total
		High	Moderate	
1.	Less Than Rs.1,00,000	20	30	50
2.	Rs.1,00,000 - Rs.1,50,000	50	50	100
3.	Above Rs.1,50,000	16	34	50
	TOTAL	86	114	200

Source: Calculated from Primary Data

(Figures in brackets are shown Expected Frequency)

Null hypothesis: The association between the annual income of the respondents and the opinion about charges for cash withdrawal is not significant.

As the calculated Chi-square value (4.651) is less than the table value (5.991) at 5% level of significance for 2 degrees of freedom, the null hypothesis is accepted and it could be concluded that the association between the annual income of the respondents and the opinion about charges for cash withdrawal is not significant.

RELATIONSHIP BETWEEN ANNUAL INCOME OF THE RESPONDENTS AND OPINION ABOUT UNNECESSARY PURCHASE

In order to find the relationship between the annual income of the respondents and the opinion about unnecessary purchase, chi-square test was used and the result of the test is shown in the following table 15.

TABLE 15
ANNUAL INCOME AND OPINION ABOUT UNNECESSARY PURCHASE

Sl. No.	Income Per Annum	Unnecessary Purchase		Total
		Yes	No	
1.	Less Than Rs.1,00,000	24	26	50
2.	Rs.1,00,000 - Rs.1,50,000	40	60	100
3.	Above Rs.1,50,000	20	60	50
	TOTAL	84	116	200

Source: Calculated from Primary Data

(Figures in brackets are shown Expected Frequency)

Null hypothesis: The association between the annual income of the respondents and the opinion about unnecessary purchase is not significant.

As the calculated Chi-square value (0.985) is less than the table value (5.991) at 5% level of significance for 2 degrees of freedom, the null hypothesis is accepted and it could be concluded that the association between the annual income of the respondents and the opinion about unnecessary purchase is not significant.

FINDINGS OF THE STUDY

1. The study revealed that about 50% of the respondents were hooked on to credit cards through the spicy advertisements. While 24% were influenced by the bank representatives, an equal number were influenced by friends and relatives.
2. It was noted that while 74% possessed only one card, 16% had two. But very few (8%) owned more than 3 cards. It was also noted that while Master card users

- were nearly 60%, visa card users were only 33% and American Express card in circulation was negligible (5%).
3. Majority of the respondents (67%) have gone in for credit cards mostly for convenience of usage. 26% opined that safety was their prime reason in owning credit cards. Very few (4%) possessed credit cards as status symbol.
 4. In the case of credit limit, majority had a limit up to Rs.45,000. Very few have credit limit over Rs.45,000.
 5. Only 25% of the respondents availed the facility of additional card.
 6. It was found that majority of the credit card holders (65%) used the cards to purchase consumer goods and groceries. The rest used the cards to book train / flight tickets, to pay hotel bills and to buy jewellery.
 7. Majority of the respondents (72%) agreed that their purchase habits got changed considerably after possessing credit cards.
 8. Nearly 80% of the respondents were satisfied with the cash limit offered by their respective credit cards.
 9. A good number of the respondents (65%) are not so satisfied about the credit limit.
 10. It was observed that (56%) used the credit cards often, 24% very often and 20% rarely.
 11. While 75% agreed that there were no problems, the rest were not happy about the credit cards.
 12. Regarding cash withdrawal charges, 43% considered that these charges were high, others opined that it was moderate.
 13. While 42% accepted that the credit cards forced them to make unnecessary purchases, the rest did not agree.
 14. Most of the respondents (80%) were satisfied with the security measures.
 15. With regard to over all opinion, 88% were satisfied with the credit cards.

RESULTS OF CHI - SQUARE ANALYSIS

1. There was a significant association between the educational background of the respondents and the frequency of card usage. It was found out that professional degree holders used the cards more frequently than Graduates and Post Graduates.

2. The significant association between occupation and usage of cards revealed that business people used the credit cards more often than salaried and professionals as expected.
3. With regard to satisfaction, the respondents in the higher income group were more satisfied than the lower income group.
4. In the case of adequacy of credit levels, as expected, the business community was not fully satisfied.
5. No significant relationships were observed between educational background and satisfaction of card usage, occupational status and satisfaction, annual income and frequency of usage, annual income and usage charges.

Gordon and Natarajan (1999) opined that, if wisely used, credit cards could provide extra money without interest. Kalavathy (2000), in her study on credit cards observed that the popularity of credit cards had shifted from being a status symbol to that of convenience, security and world wide acceptance. In her study on the usage of credit cards, Choodambigai (2005) noticed that non-requirement of deposits influenced people to own credit cards, she further reported that the salaried class occupied the number one position in owning credit cards.

CONCLUSION

Today, in India, there is a general change in the lifestyle of the younger and the middle aged generations. The Indian psyche which was perceived to be extremely conservative about money and geared towards saving for the future, is fast changing. The consumer is borrowing money to buy things he wants and not merely what he can afford. The western idea of "Spend today save tomorrow" is becoming the order of the day. The increase in the personal disposable income and the increased tendency to spend created the kind of environment for the credit card culture to gain a foothold in India. Credit cards are becoming an instrument to fulfill tomorrow's aspirations today. The credit cards have made changes in purchase pattern, it was felt that if the cards were used sensibly and prudentially, it does not lead to overspending. So the cards can be used purposefully. The cards are used by the various classes of people with different qualification, annual income and occupation. The services were widely spread. The permanent success of this card in long run depends on how customer satisfied fully by the services rendered by the issuer of cards.

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