Research Paper   **Marketing**

Usage pattern of Credit Card holders in Bhavnagarcity

* Dr K.S. Vataliya **Rajesh A. Jadav ***Malhar G. Trivedi

* Principal M.J College of Commerce,Bhavnagar University, Bhavnagar.

** Lecturer , M.J. College of Commerce ,Maharaja Krishanakumarsinhji Bhavnagar University, Bhavnagar

***Lecturer , M.J. College of Commerce , Maharaja Krishanakumarsinhji Bhavnagar University, Bhavnagar.

ABSTRACT

Credit cards are now one of the basic needs in our lives. The lifestyles of peoples are changing which requires the facilities like credit card. Credit cards have become normal for day to day payments. People are prefers to use credit cards in stand of cash because there is lot of benefits' like reward points by the bank, no worries about risk of theft of cash etc. Thus, the middle class peoples are also prefers to use the credit cards for the various payments. Under the study data were collected through filled questioner by respondents. Respondents are credit card users from Bhavnagar city. Study concludes that most of the credit card users are of young age & salaried persons who use the credit cards to meet the liquidity crises which can be solved by quick payments which is paid to bank after they got the salary.

Keywords : Consumer usage pattern, Credit cards, Bhavnagar city

Introduction

Credit card or the plastic money, as it is popularly referred to, was slow to enter the Indian market because of the high sentimental value that Indian consumers attach to hard cash. Prevalence of small value transaction, credit shy culture and inadequate banking habits of the population were other hindrances. Credit cards arrived in India about two decades ago. In the early stages its growth was very slow in terms of number and value. Even the number of players was limited and mainly foreign banks like HSBC, Citibank and Standard Chartered Bank dominated the market. Indian banks did not show much interest in the product in the initial stages. This is evident from the fact that it took State Bank of India (SBI), India's largest bank, almost a decade to begin dealing in credit cards. SBI, despite its widespread reach, has aggressively started promoting credit cards only three years ago.

Indians are still not sure of the plastic money. Credit cards spend as a proportion of the total expenditure by Indians is one of the lowest in the world. While Indians swiped plastic money worth $6 billion in 2006, credit card users in Korea cumulatively spent $136 billion.

Indians spend just 1% of their total purchases through credit cards while the Koreans make one-fifth of their total purchases through credit cards. The world average hovers around 9%.."The very low levels of penetration in India offer immense potential for credit card companies. Also, there are fewer credit card companies than those in other parts of the world. The high growth in spending is attracting a lot of entrants into the segment. What is drawing a large number of companies and financial institutions including Life Insurance Corporation of India (LIC) to India is the 61% year-on-year growth being witnessed in retail spending, the highest in the world.

Objectives of the Research

The primary objective is categorized into following sub-topics:

➢ To study the demographic factors of credit card holders.
➢ To know the using purpose of credit card by the holders.
➢ To assess the behavioural changes of credit card holders.
➢ To examine the consumption pattern of credit card hold-

ers.
➢ To find out the satisfaction level of existing credit card holders.
➢ To suggest measures to improve the credit card system in India

Data sources

v Primary sources

Primary data has been collected through the structured questionnaire consisting mainly of the closed ended questions.

v Secondary sources

Secondary data has been collected from the internet, journals, reference books etc.

Scope of the Research

All the questions have been analysed by adding up the responses against each alternative and answers from the various respondents. The collected data has been subject to statistical analysis to draw inferences and suitable conclusions. Statistical tools like chi-square and percentage are used. For calculating the table value for analysis with chi-square, 5% significance level is used.

Research Methodology

The research is based on primary data, which has been collected from the credit card users with the help of a well drafted and structured questionnaire. For the collection of primary data, we have confined ourselves to Bhavnagar. Our sample consists of a total of 100 respondents. The respondents are basically credit card users, who have been selected by following the non-probabilistic sampling, simple purposive sampling and convenience sampling techniques. Further, it is essential to mention two things: firstly, in convenience-sampling, respondents (who were seen using/have possession of credit cards) were selected because they happened to be in the right place at the right time and secondly, convenience sampling technique is not recommended for descriptive or casual research, but they can be used in exploratory research for the generation of ideas . The questions inquired the choice of credit card. In addition, the respondents had to rate the credit cards according to the importance, on the `five-point Likert scale.'

Sampling Plan
Target Population: Credit Card holders

Sample Size: 100 respondents

Sampling technique: Convenience sampling

Research Design
The research design that has been used is Descriptive Research.
➤ Involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data.
➤ Uses description as a tool to organize data into patterns that emerge during analysis.
➤ Often uses visual aids such as graphs and charts to aid the reader
Description Research takes a "what if" approach
➤ Refers to the nature of the research question
➤ The design of the research
➤ The way that data will be analyzed for the topic that will be researched
The methods used for this research would be mainly by the response to the questionnaire by the credit card holders.

ANALYSIS AND INTERPRETATION
1. Which type of credit card do you use?

Type of Cards	No. of Respondents
Visa	32
Master Card	35
Classic	16
Gold	9
Platinum	8

The above table suggests that MasterCard leads the competition in the Bhavnagar city. 35 of the respondents use the MasterCard. It is followed by visa which is being used by 32 of the respondents. The two are followed by classic, gold & diners and platinum respectively.

2. Since how long you have been using the credit card?

Time Period	No. of Respondents
< 2 years	2
2 – 4 years	26
4- 6 years	59
Above 6 years	13

Above table suggests that 59 of the respondents has been using the credit card for more than 4 years but less than 6 years. 26 of the respondents fall in the category of 2 – 4 years, 13 percent of them have been using the card for more than 6 years. Only 2 of the respondents are such who have used credit card for less than 2 years.

3. How much satisfied you are with your existing credit card?

Level of Satisfaction	No. of Respondents
Highly satisfied	1
Satisfied	36
Neutral	43
Dissatisfied	9
Highly Dissatisfied	11

Majority of the respondents had not much to comment on how satisfied they are. It can be seen from the above table. 43 of the respondents are neither satisfied nor dissatisfied with the card that they are using i.e. they are neutral. 36 of the respondents says that are satisfied with their credit card facility. Only says they are highly satisfied and 9 says that they are dissatisfied with the facility that they have. 1 of the respondents are highly dissatisfied with the credit card facility.

4. What percentage of income do you save monthly?

Percentage	No. of Respondents
<10%	0
10-20%	24
20-30%	63
Above 30%	13

Saving level of the respondents has turn out to be largely in the range of 20% - 30%. 63% of the respondents claims that they save 20% - 30% of their monthly income. 24% of them saves between 10% - 20% and 13% of them saves above 30% of their monthly income. None of them saves less than 10%.

5. What are the major purposes for which you use credit card?

Purposes for uses	No. of Respondents
Shopping	11
Hotels	15
Health	10
Petrol	32
Travel & Others	32

The main use of credit card if for refueling vehicles and for shopping. 32% of the card usage is at petrol pumps and for shopping. For hotels and restaurants bill payments the card usage is 15%, for travelling and others its 11% and for health related payments card usage is merely 10%.

6. Occupation:

Occupation	No. of Respondents
Self Employed	14
Business	14
Private Sector	37
Professional	21
Govt. Sector	14

From the sample surveyed, 37% of the respondents were from the private sector, 21% were professionals, and 14% each from govt.sector, business and self employed. It shows people working in the private sector are the major target audience of the credit card companies.

7. Sex:

Sex	No. of Respondents
Male	76
Female	24

The chart shows that more than 2/3rd of the respondents were male. The major reason for this could be that male have regular source of income. 76 % of the respondents were male compared to just 24% of the female respondents. This Many of the housewives who uses the credit card are those which are been issued as free card along with existing card.

TEST OF HYPOTHESIS
ISSUING BANK AND THE SEX OF THE CARD HOLDER

	Gender	
	Female	Male
State Bank of India	5	17
HDFC Bank	8	20
ICICI Bank	3	18
HSBC Bank	3	13
Others	5	8

The above table shows the relationship between the credit card issued by different bank such as SBI, HDFC, ICICI, HSBC and Others and the sex of the card holders.

Null Hypothesis: There is no significant association between the issuing bank and the sex of the cardholder.

More than 75 % of the cardholders are male because they stable source of income. Most of the females, who are housewives, use the additional cards which are issued at concessional fee for family members. 71% of the cardholders use SBI, HDFC and ICICI.

Conclusion: The Null hypothesis is accepted as the calculated value = 3.159 and the table value is 9.488.

ISSUING BANK A ND AGE OF CARD HOLDER

	Age				
	<18	18-25	25-40	40-60	More then 60
State Bank of India	0	3	9	7	3
HDFC Bank	0	0	15	9	4
ICICI Bank	0	1	10	8	2
HSBC Bank	0	3	7	5	1
Others	0	2	2	9	0

The table and the graph have been drawn to show if the issuing bank varies among the card holders of different age group. It is clear from the table that nearly 52% cardholders belong to the age group of 18 – 40 years. This category consists of students who are using add on cards or youngsters who are yet to settle in life; these people have a greater need for credit cards. On the other hand, the number of cardholders in the age group of above 40 years is low comparatively. These people are settled in life, they have the propensity to save more than spend.

Null Hypothesis: There is no significant association between the issuing bank and age of the cardholder.

Calculated Value = 15.243, Table Value = 21.026

Conclusion: Since the calculated value of chi-square is less than the table value, the hypothesis that the credit card chosen by the cardholder does not depend on the age is accepted.

ISSUING BANK AND OCCUPATION OF CARD HOLDER

	Occupation				
	Self-Employed	Business	Private Sector	Professional	Govt. Sector
State Bank of India	4	1	9	4	4
HDFC Bank	3	2	15	4	4
ICICI Bank	1	5	4	9	2
HSBC Bank	6	1	4	3	2
Others	0	5	5	1	2

From the table it can be seen that more than 50 % of the cardholders belong to the salaried class i.e. the private and government sector employees, as they have a limited source of income whereas the other 49% cardholders belong to the self employed and professional group. The credit card helps the cardholders to meet sudden expenses in case of non-availability of cash.

Null Hypothesis: There is no relationship between the issuing bank and the occupation of the card holder.

Conclusion: Calculated Value = 31.779 Table Value = 26.296. Therefore the null hypothesis that there is no relation between issuing bank and the occupation of the cardholder is rejected.

ISSUING BANK AND INCOME OF CARD HOLDER

	Income			
	<Rs.10,000	Rs.10,000-Rs.15000	Rs.15,000-Rs.20,000	Above Rs.20,000
State Bank of India	0	1	7	14
HDFC Bank	0	0	6	22
ICICI Bank	0	4	6	11
HSBC Bank	0	3	5	8
Others	0	0	3	10

The above table and graph has been drawn to determine the relationship between the different banks issuing credit cards and the monthly income of the card holders. Most of the people who have taken credit cards are those whose income is greater than 10000 pm. Those with higher income are more willing to avail the type of services offered by banks. Also banks take all precautions in selecting the cardholders; they generally do not issue cards to a person unless they are satisfied about the credit worthiness of the applicants.

Null Hypothesis: There is no association between the issuing bank and the monthly income of the card holders. Calculated Value = 11.987, Table = 15.507

Conclusion: The Chi-square value is less than the table value. The Hypothesis that there is no association between the credit card selected and monthly income of the card holder is true.

ISSUING BANK AND SAVINGS OF CARD HOLDER

	Savings			
	<10%	10%-20%	20%-30%	Above 30%
State Bank of India	0	3	13	6
HDFC Bank	0	9	18	1
ICICI Bank	0	4	16	1
HSBC Bank	0	6	9	1
Others	0	2	7	4

The table shows the relationship between bank issuing credit cards and savings of the cardholders. Savings is shown as a percentage of the monthly income. Approximately, the tendency of the people is to above something in between 20% - 30% of their monthly income. Credit cards not only help the cardholders to acquire purchasing power, but also help in rotation of funds.

Null Hypothesis: The issuing bank and monthly savings of the cardholder are independent of each other.

Calculated Value: 14.696, Table Value = 15.507

Conclusion: The calculated value of chi-square is less than the table value, hence it can be inferred that the basis on which the cardholders selects the issuing bank doesn't depend on their monthly income.

CHANGE IN BUYING BEHAVIOUR AND SEX OF CARD HOLDER

	Gender	
	Female	Male
Yes	11	19
No	13	57

This table is drawn to show if the change in buying behaviour of a credit card holder is associated with sex. Respondents were asked to tick either "Yes" or "No" to show if credit cards have brought a change in their buying pattern and the data collected was tabulated. About 30% of them feel that credit cards have changed their buying behaviour significantly. They go for instant purchases or meet sudden cash shortage with the help of cards. Comparatively, 84% of females feel that there is a change in their buying behaviour.

Null Hypothesis: The change in buying behaviour is not related to the sex of the card holder.

Calculated Value = 3.770, Table Value = 3.841

Conclusion: Since the calculated value is less than the table value, the hypothesis that changes in buying behaviour are not related to the sex of the card holder is accepted.

PURPOSE OF CREDIT CARD AND INCOME OF CARD HOLDER

	Income		
	Rs.10,000-Rs.15000	Rs.15,000-Rs.20,000	Above Rs.20,000
Shopping	1	9	16
Hotels	3	8	8
Health	0	2	2
Petrol	5	6	35
Travel & Others	1	2	2

The above table determines the relationship between the purpose for which the credit card is used and the income of the cardholders. If a person wants to make purchase, he needs money; otherwise he has to postpone the purchase. But credit cards help him to purchase whatever he wants and pay later.

Null Hypothesis: The purpose for which the credit card is used is independent of the card holders' income.

Calculated value = 12.239, Table Value = 15.507

Conclusion: The value of chi-square is less than the table value, hence the hypothesis is accepted.

Findings of the Study

The following are the major findings with regard to the study on the usage pattern of the credit card holders.

1. Most of the respondents are male cardholders, because they are employed and have a good source of income. (76%)
2. Most of the respondents are in the age group 25 – 40 years. The tendency and need to purchase is more at this age. (43%)
3. Majority of the cardholders belong to the salaried class of the Government and Private Sector, when their salary is exhausted at the end of the month, the credit card helps them to overcome a temporary cash crisis. (51%)
4. Respondents with higher salary utilize the cards to the maximum whereas those with lower salary are more cautious.
5. Credit cardholders with higher income feel that credit cards have changed their consumption pattern. The credit card purchase is not always a rational buy; some part of it is also impulse buying.
6. Consumers are catching on the convenience of plastic. The number of card holders has increased in the recent as it is evident from the rise in the number of members in two years.
7. Salesmen of the banks are the main source of awareness to the cardholders.
8. Master and visa cards are two of the leading card brands in India. One of the main reasons for MasterCard's dominance is its advertising which is appropriately 'Indianized'.
9. HDFC bank cards are more popular and widely accepted. On the main reasons for HDFC dominance is its advertising. The bank has done really good job by attracting the number of customers through personal contacts and advertisements. HDFC provide a lot of additional benefits like phone banking, bonus points and internet banking etc to meet the needs of the different class of people.
10. In recent years, the number of member establishments accepting credit cards has increased which induces the customer to avail the credit facility and increase their purchasing power.
11. It is seen from the finding of the study that credit cards are mostly used by cardholders for purchase. Hence credit cards help the conscious consumers of the largest group of salary class to enhance their purchasing power.
12. Lower the savings, higher is the requirement for the use of cards. Purchases can be made through cards and can be paid from next month's salary because the limit is 45 days for settling the dues.
13. Male respondents feel that there is a definite change in their consumption behaviour. Credit cards can be used for both personal and business purpose. There is no need for postponement of purchases due to cash shortage.

Conclusion

From the analysis of the individual questions we can come to the conclusion that most preferred bank by the credit card holders is HDFC bank followed by ICICI bank. MasterCard is the widely preferred card company. Majority of the respondents approached were using credit card for the period of 4 – 6 years. Almost 80% of the respondents are in the range of neutral to satisfied level with their credit card service. Credit cards are widely used by respondents for mainly two purposes viz. Fuel and shopping. Savings as percentage of monthly income is largely in the 20% to 30%.

Majority of the null hypothesis has been accepted except relationship between occupation of the cardholder and monthly spending limit and monthly income of the cardholder. This clearly means that there is no explicit relationship between other variables other than occupation and monthly income and spending limit monthly income of the card holders. This is obvious as banks do consider the occupation and the income level of the card holders while granting the spending limit for each card holder.

Correlation analysis reveals that the correlation exists between spending limit and the gender and also with the income level of the respondents. Also the usage pattern and the occupation of the card holders are correlated as private are more in need of the credit at the end of the month.

REFERENCES

C. R. Kothari, (2004), Research Methodology Methods & Techniques, New Age International Publishers. | Ausubel I (1991), "The failure of competition in the credit card markets", American Economic Review, Vol. 81, No.1 pp.50-81. | Brito D L and Hartleyp (1995) "Consumer rationality and Credit cards", Journal of political economy, Vol.103, pp. 400-433. | Calem P S and Mester L J (1995)' "Consumer behavior and stickiness of credit card interest rates", American Economic Review, Vol 85, No. 5, PP. 1327-1336. | Berlin M and Mester J (2004), "credit card rates and consumer search", Review of financial Economics Vol.13, pp. 179-198. | ICFAI Journal of Service Marketing. Volume 6, 2008. | ICFAI Journal of Service Marketing. Volume 4, 2008. | http://www.rupeetalk.in | http://www.creditbhai.com | http://www.hsbc.co.in/1/2/personal/credit-cards | http://www.icicibank.com/pfsuser/cards/creditcard/cc_home.htm | http://www.cybercellmumbai.com/cyber-crimes/credit-card-fraud | http://www.hdfc.com |