Disadvantages of Credit Cards and Views of Customers- Behavior Evaluation: A survey

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INTRODUCTION TO CREDIT CARD

Almost from the very beginning of civilization, man had to give up direct exchange and had to make use of intermediate commodities which were used to buy and sell all goods and services and were always accepted in exchange for goods and services. This intermediate commodity would have to be familiar, easily recognizable and generally acceptable as it has to be used as the medium of exchange which is known as money.

Welcome to the world of plastic and the allure of its buying power. A world where dreams are turned to reality with the flash of a credit card. Where the facility of buying now and paying later, thanks to the credit issuers, has guaranteed the facilities which were, till now, considered luxuries by the burgeoning middle class, are now entering right into their drawing rooms. The credit card as a concept is not new, but its use is catching on in our country where traditionally cash has been the king.

Issuing banks try to expand the Cardholders base by introducing new services to the cardholders to exhibit their individuality as well as their uniqueness. A credit card is a plastic card with a magnetic strip on which the required vital information of identity like the name of the cardholder, account number, credit limit, date of validity, issuing organization, specimen signature of the cardholder is enclosed. A credit card enables the holders to the cashless purchase of goods and services at selected places. Credit card can be called an equivalent of a loan sanctioned by the bank to the customer. Credit card facilitates and makes it possible to 'use first and pay later '.

TECHNICAL SPECIFICATION

The size of most credit cards is 85.60 by 53.98 millimeters (3 ⅜ In.× 2⅛ In.)   and rounded corners with a radius of 2.88-3.48 milliliters (9/80In.-11/80 In.) conforming to the ISO/ IEC 7810-1 standard, the same size as ATM cards and other payment cards, such as debit cards.

Disadvantages to the cardholders

- Credit cards do not come free. They need to pay annual fees, joining fees and interest on late payments, fine etc.
- It allows the customers to spend more than the means.
- Customers are also exposed to credit card fraud.

Disadvantages to member establishments

- A part of the revenue goes to the banker who provides the credit card acceptance facilities. It is as high as 1% to 4% of the sale proceeds.
- In isolated cases the credit card fraud also affects the merchants about 2% to 3% loss due to fraud.
- The merchants' membership fees are also very high and are affordable, only if the increase in sales is substantial.

Disadvantages to the Banks

- It is basically an unsecured consumer loan, so there is a possibility of bad debt and generation of Non-Performing Asset (NPA).
- A lot of manpower is needed which involves a lot of cost.
- Huge promotion is needed which is expensive.
- In the credit card business it is always a cut throat competition.

Disadvantages from the viewpoint of economy as a whole

- Again, from the viewpoint of the economy as a whole, perhaps the only drawback of the credit card business is the possibilities of various credit card fraud in the economy which leads to misuse of money and ultimately generates black money in the country. Though, not as significant as fraud, bad debt and NPA is another aspect of the business which indirectly affects the economy.

LITERATURE REVIEW

Wright & David (2002) conducted a research study entitled "Comparative evaluation of

Electronic Payment Systems" This study evaluated 3 types of credit card payment systems, an e-check system and 2 digital cash systems, from the viewpoints of: privacy, traceability, transaction cost, and the ability to build up the customers' purchasing pattern. It also evaluated their advantages and disadvantages to the customer, the merchant, the e-payment service provider and the financial institution. According to the researcher, these systems employed cryptography to provide security. However many consumers were still reluctant to purchase over the Internet because they were concerned about hackers accessing their financial information. The paper concluded with a description of a new system, which was designed to relieve that concern by allowing payments over the telephone network for purchases made over the Internet[11].

CONSUMER ATTITUDES AND BEHAVIOUR

The Indian consumer can be classified into three categories

        a) The hedonists who are not inclined to postpone their desires

        b) The hard nosed realist who weighs the trade-off between waiting for a long time for acquiring something and a viable option available today

        c) The die-hard traditionalist who is debt averse and will do his utmost to live within his means.

Credit card issuers provide the cardholders with necessary information, administrative facilities and impose charges in the form of joining fee, annual fee and interest for the credit utilized. Credit card is a convenient means of payment, at the same time credit card fraud is one of the threats to the cardholders.

ATTITUDE OF CARDHOLDERS TOWARDS CREDIT CARDS

Attitudinal behavior of credit cardholders determined based on ' Fishbein's Attitude Model' indicated that majority of the sampled credit card holders (71.25%) have positive attitude towards credit cards 'Availability of emergency funds through credit cards' and 'shopping without paying cash immediately contributed more towards the positive attitude of cardholders. However, 28.75% of the cardholders have a negative attitude and higher rate of interest charged is the cause of this negative attitude.

Regarding the demographic and credit card related variables influencing cardholders' attitude the logit analysis revealed that two variables namely credit card holders' family income and eligible credit limit significantly influenced their attitude. This is understandable in view of the economic conditions of the cardholders.

GENDER AND DISSATISFACTION OF CREDIT CARD HOLDERS

There may be variation in the level of dissatisfaction depending upon the gender of the customers. In India, females are less aspiring and do not have high expectations and will be satisfied with what they get.

The sample credit card holders include 288 male and 112 females. The distribution of sample respondents according to gender and dissatisfaction categories appears in Table.

GENDER AND LEVEL OF DISSATISFACTION

DISSATIS FACTION Level gender	ASPECTS OF DISSATISFACTION															
	Issue of Credit Cards				Operation of Credit Cards				Charges on Credit Cards				Overall DISSATISFACTION			
	LOW	MEDIUM	HIGH	TOTAL	LOW	MEDIUM	HIGH	TOTAL	LOW	MEDIUM	HIGH	TOTAL	LOW	MEDIUM	HIGH	TOTAL
Male	24 (8)	207 (72)	57 (20)	288 (100)	18 (6)	209 (73)	61 (21)	288 (100)	180 (63)	61 (21)	47 (16)	288 (100)	22 (8)	1922 (66)	74 (26)	288 (100)
female	6 (5)	96 (86)	10 (9)	112 (100)	14 (12)	86 (77)	12 (11)	112 (100)	42 (38)	27 (24)	43 (38)	112 (100)	14 (12)	80 (72)	18 (16)	112 (100)
Total	30	303	67	400	32	295	73	400	222	88	90	400	36	272	92	400

It obvious from Table that the least satisfied as regards issue (8%) and charges on credit cards (63%) are the male respondents

Overall dissatisfaction is found higher among a higher percentage of the male respondents.

In order to study the relationship between gender and dissatisfaction of the male and female cardholders, mean dissatisfaction scores have been calculated and are presented in Table.

CREDIT CARD HOLDERS' GENDER AND DISSATISFACTION - MEAN DISSATISFACTION SCORES

Gender	No. of Respondents	Issue of Credit Cards	Operation of Credit Cards	Charges on Credit Cards	Overall DISSATISFACTION
Male	288 (72)	12.361	12.681	11.229	36.271
Female	112 (28)	11.929	12.125	11.634	35.687

According to Table mean dissatisfaction score of male cardholders is greater than that of female cardholders for all the aspects except charges on credit cards. Hence it is inferred that male cardholders derive more dissatisfaction than the female cardholders. The significance of this relationship has been analyzed by formulating a null hypothesis which has been statistically tested Table shows the results.

H_0: Mean dissatisfaction scores of the male and female cardholders do not differ significantly.

SUMMARY OF ANOVA 'F' RATIOS FOR GENDER AND DISSATISFACTION

DISSATISFACTION	Issue of Credit Cards	Operation of Credit Cards	Charges on Credit Cards
'F' RATIOS	11.55**	9.101**	18.383**

** Significant @ 1% level,   NS - Not Significant

It is observed from Table that there were significant differences in the mean dissatisfaction scores of the two gender groups with respect to issue of credit cards, operation of credit cards and charges on credit cards.

Hence the null hypothesis is rejected for issue, operation and charges on credit cards.

OCCUPATION AND CREDIT CARD HOLDERS' DISSATISFACTION:

The nature of occupation of credit cardholders' is likely to influence their feeling and level of expectation about the services of the credit card and issuing banks.

The distribution of sample respondents by occupational status such as Business, Profession, Employed and Agriculture and their dissatisfaction levels are presented in Table.

CREDIT CARDHOLDERS' OCCUPATION AND LEVEL OF DISSATISFACTION

DISSATISFACTION Level Occupation	ASPECTS OF DISSATISFACTION															
	Issue of Credit Cards				Operation of Credit Cards				Charges on Credit Cards				Overall dissatisfaction			
	LOW	MEDIUM	HIGH	TOTAL	LOW	MEDIUM	HIGH	TOTAL	LOW	MEDIUM	HIGH	TOTAL	LOW	MEDIUM	HIGH	TOTAL
Business	6 (3)	162 (76)	45 (21)	213 (100)	28 (13)	157 (74)	28 (13)	213 (100)	117 (55)	67 (31)	29 (14)	213 (100)	32 (15)	136 (64)	45 (21)	213 (100)
Profession	6 (7)	68 (75)	16 (18)	90 (100)	-	61 (68)	29 (32)	90 (100)	57 (63)	15 (17)	18 (20)	90 (100)	-	63 (70)	27 (30)	90 (100)
Employed	18 (21)	61 (72)	6 (7)	85 (100)	-	75 (88)	10 (12)	85 (100)	42 (49)	6 (7)	37 (44)	85 (100)	-	71 (84)	14 (16)	85 (100)
Agriculture	-	12 (100)	-	12 (100)	4 (33)	2 (17)	6 (50)	12 (100)	6 (50)	-	6 (50)	12 (100)	4 (33)	2 (17)	6 (50)	12 (100)
Total	30	303	67	400	32	295	73	400	222	88	90	400	36	272	92	400

As per Table low level of dissatisfaction is found among higher percentage of the employed (21%), Agriculture (33%) and the professional Group (63%) for the aspects - issue of credit cards, operation of credit cards and charges on credit cards respectively. Overall dissatisfaction is high among higher percentage (50) of the agricultural. Mean dissatisfaction scores have been computed to understand the differences in the dissatisfaction level of the various occupational categories. Table shows this classification.

CREDIT CARD HOLDERS OCCUPATIONAL STATUS AND DISSATISFACTION-MEAN DISSATISFACTION SCORES

Occupation	No. of Respondents	Issue of Credit Cards	Operation of Credit Cards	Charges on Credit Cards	Overall Score
Business	213 (53)	12.380	12.244	10.953	35.578
Profession	90 (23)	12.389	13.289	11.700	37.378
Employed	85 (21)	11.718	12.377	11.894	35.988
Agriculture	12(3)	12.333	12.833	11.667	36.833

It could be noted from Table that the mean dissatisfaction scores were different for the four occupational categories with respect to the three aspects of dissatisfaction and overall dissatisfaction related to credit cards. In order to understand whether there are differences in the mean dissatisfaction scores of the occupational categories, analysis of variance has been performed and in this connection, the following null hypothesis has been tested.

H_0: The mean dissatisfaction scores of the various occupational categories of respondents do not have significant differences.

The summary of ANOVA 'F' ratios for occupation and dissatisfaction of credit card holders has been presented in

SUMMARY OF ANOVA 'F' RATIOS FOR OCCUPATION AND DISSATISFACTION OF CREDIT CARD HOLDERS

dissatisfaction	Issue of Credit Cards	Operation of Credit Cards	Charges on Credit Cards
'F' RATIOS	7.702**	16.42**	9.103**

** Significant at 1% level.

All the three aspects of dissatisfaction emerged significant as per Table. Therefore it is concluded that credit card holders' dissatisfaction differs according to the differences in their occupation.

CONCLUSION

The credit card issue in terms of number of credit cards witnessed a whopping growth during the past sixty years. In terms of key players ICICI has notched the landmark figure of 10.6 million credit cards by 2020 taking into number one player in the segment. It is further concluded that there are a number of bank customers who do not have any knowledge about credit cards. Many people have knowledge about credit cards, but do not possess credit cards because of the fear of falling into debt trap. Higher income earners and highly educated class use credit cards more, availing high credit limits. Extent of usage of credit cards is smaller among a higher proportion of the cardholders. Customer dissatisfaction is found to be less because of a higher rate of interest. Customers perceive core services and facilitate services at higher levels. Cardholders face the major problem of lack of proper advice from banks. Credit card market is yet to realize its potential.

SCOPE FOR FURTHER RESEARCH

The researcher is pleased to offer the following areas for further research by future researchers undertaking research in credit cards:

- Credit card usage behavior among rural and semi-urban consumers.
- Attitudinal and behavioural orientation of users of various types of credit cards.

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