

Types of Credit Cards and its advantages: An Overview

Harpreet Singh, Research Scholar, Deptt. of Economics, SunRise University, Alwar (Rajasthan)
Dr. Mahesh Chandra, Professor, Research Scholar, Deptt. of Economics, SunRise University, Alwar (Rajasthan)

INTRODUCTION

Origin of credit cards

Bank issued charge cards originated in 1946 when a Brooklyn banker named John Biggins launched the charge-it card. Charge-it purchases were forwarded to Biggins bank, the middleman that reimbursed the merchant from customers in what “closed- loop” system. which debuted in 1950, earlier by an “aha” named Frank McNamara attending a business major cabin grill. Months later, McNamara and his partner, Ralph Schneider, returned to the restaurant with a small cardboard card and a proposal that resulted in the Diners club card. In 1961, the ‘Diners club’ was introduced by Mr. Kali Mody who was responsible for bringing the credit card system to India and he can be called the ‘Father of credit card in India’.



The credit card market in India remained non-competitive until 1980, when the central bank of India launched ‘CENTRAL CARD’, the first bank credit card in India. Further competition arose with the affiliation of the central card with both Visa and MasterCard. This was followed by the launch of ‘ANDHRA CARD’ by the Andhra bank in 1981 which was also affiliated to Visa. The foreign banks have a dominant share due to various reasons like having been in the field for decades, sound operational and financial strength, strong board reorganization etc. Later, with the aggressive entry of SBI, ICICI, and HDFC Bank, the rules of the game changed. Credit cards were positioned in a manner which gave an impression that the cards can be acquired by people from not only the upper class but also the middle income categories. The new private sector banks like ICICI and HDFC have adopted a strategy of reaching lower down the income strata by lowering down their eligibility norms. Today, the credit card industry is highly competitive and almost all the banks are offering credit cards in association with VISA international or MasterCard.

Credit card system in India

In India the usage of credit cards gained its momentum in the early 90’s with the liberalization of the economy. As different ranges of foreign goods are flourishing the Indian market, the need for financing comes to the forefront. Where credit card plays its role. In the early 90’s only few banks were offering credit cards but by 2001 all the foreign banks and many private banks were offering credit cards along with the leading nationalized banks. It is estimated that the credit card volume is increasing around 45% p.a. on an average for the last 15 years and volume of transactions increased by 25% p.a. on an average during the last 15 years in India. Under the credit card scheme, an individual can get a credit card from a bank with a specified credit limit as determined by the bank based on his income, the bank in turn will enter into a contract with different shopping establishments all over the country, covering almost every aspect of human necessity, right from hotels and restaurants to departmental stores, petrol retail outlets, cloth shops, rail and air travel agencies and jewellery shops to sell goods on the basis of credit cards. The cardholders can buy goods from the affiliated member merchant establishments by producing his card and signing sales bills/ charge slips produced before him; the charge slips/ sales bills, evidencing purchases made by the cardholders are transmitted by the shopping establishments to the banks which pays it, the cost of purchases by the cardholders directly after deducting in commission and the bank in due course, collects the amount from the cardholders, they have the option to settle monthly statement in full or take credit and pay a specified amount every month.

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.

The claim that each of the eight financial activities significantly increased work satisfaction is called into question by **Shujaat, S., Sana, S., Aftab, F., and Ahmed, I. (2020)**. They researched how different financial practices influenced the level of job satisfaction workers in Pakistan's banking business reported having. According to their findings, factors other than remuneration methods, employee performance evaluation processes, promotion practices, and empowerment practices are more likely to be accurate predictors of work satisfaction. The processes of finance are essential to the accomplishment of organizational goals and the maintenance of a competitive advantage. Financial operations encompass all of a company's endeavours to manage its pool of human resources and make certain that those resources are being utilized effectively to advance the organization's objectives. Financial methods, often known as people management approaches, are used inside the internal environment of an organization. They encompass the actions, procedures, and practices that are involved in planning, recruiting, producing, hiring, assessing, maintaining, and maintaining the necessary quantity and capability balance of personnel in order to meet the objectives of the firm.

Lawler, E. E., Boudreau, J. W., Mohrman, S. A., Mark, A. Y., and Osganian (2016) states that the function of human resources is centered on the development of human resources that drive the execution of operational activities. An in-depth analysis of the relevant literature suggests that the organization achieves a competitive advantage and increases profits by utilizing its workforce to build productive capacity. This workforce is properly and continuously trained, and it has been established through the process of productive capacity building. The financial job, which ultimately deals with all issues connected to employment relationships in the organization, such as recruiting, establishing, empowering, and maintaining a successful staff, must be handled conscientiously in strategic partnership with the financial expert. This is because the financial job ultimately deals with all issues connected to employment relationships in the organization. According to the findings of the study, managers should implement the financial strategies and best practices that are suggested in order to provide their employees with the most potential benefits. These tactics range from recruiting the most qualified applicants to bolstering organizational incentives via employee empowerment, skill development, and active involvement.

According to Agarwala, T. (2018), employees had a number of significant advantages for the business, which helped keep financial activities and job satisfaction in the banking sector. [Citation needed] For instance, the author investigated the relationship between financial and job satisfaction, and evidence was gathered from two hundred workers at twenty significant organizations in both the private and public sectors. For example, the findings of the tests conducted in the prior studies [59-66] were all over the place. The use of deferred payment, collaborative effort, rotatable tasks, and empowered employees are only some of the strategies that have been implemented. The findings of the methodological research indicate that employee participation in decision-making is the most important factor in determining whether or not employees are happy⁵².

D'Souza, (2017) conducted an analysis of the organizations that use new financial practices with devotion and discovered that these organizations continued to have an advantage over

their rivals.

BRANDS OF CREDIT CARDS AND LEVEL OF SATISFACTION

The brands of credit cards held by the respondents have been identified as SBI Card, HDFC card, Axis Card, PNB Card and ICICI Card. The level of satisfaction of these categories is presented in Table 1.. Each brand of credit card has various types which are presented as follows.

Types of SBI CARD:

1. International Card,
2. SBI Gold Card,
3. SBI Gold / MasterCard

Types of AXIS CARD:

1. Axis Card Visa / International,
2. Axis Card / Visa Corporate
3. Axis Card / Master

Types of PNB Card:

1. Silver
2. Exclusive / Women / Youth / General
3. Gold
4. Corporate / Global

Types of ICICI CARD:

1. ICICI Silver,
2. ICICI Gold,
3. ICICI Amex Gold
4. ICICI with Amway / Big Bazaar / BPL Mobile / HPCL Silver / Pru. Life / Sterling Silver / True Value / Affinity Cash Card Silver
5. Solid Gold/ HPCL Gold /Affinity Gold / Cash Card Gold,
6. American Exp @ Green Card, and
7. American Exp @ Gold.

Types of HDFC CARD:

1. HDFC Regalia credit card,
2. HDFC Millennia credit card,
3. HDFC Titanium Times credit card,
4. HDFC Diners club black credit card,
5. HDFC Indian oil credit card,
6. HDFC Diners Club privilege credit card.

TABLE 1
BRANDS OF CREDIT CARD AND LEVEL OF SATISFACTION

Satisfacti on level Brands of credit card	Aspects of satisfaction															
	Issue of credit cards				Operation of credit cards				Charges on credit cards				Overall satisfaction			
	Lo w	Mediu m	Hig h	Tot al	Lo w	Mediu m	Hig h	Tot al	Lo w	Mediu m	Hig h	Tot al	Lo w	Mediu m	Hig h	Tot al
SBI	10 (12)	52 (66)	17 (12)	79 (100)	6 (8)	63 (80)	10 (12)	79 (100)	58 (74)	9 (11)	12 (15)	79 (100)	6 (8)	55 (70)	18 (22)	79 (100)
AXIS BANK	10 (10)	71 (70)	20 (20)	101 (100)	10 (10)	54 (53)	37 (37)	101 (100)	41 (40)	24 (24)	36 (36)	101 (100)	11 (11)	68 (67)	22 (22)	101 (100)
PNB	2 (2)	94 (90)	8 (8)	104 (100)	16 (15)	81 (78)	7 (7)	104 (100)	42 (40)	21 (20)	41 (40)	104 (100)	19 (18)	46 (44)	39 (38)	104 (100)
ICICI	8 (7)	86 (74)	22 (19)	116 (100)	-	97 (84)	19 (16)	116 (100)	81 (70)	34 (29)	1 (1)	116 (100)	-	103 (89)	13 (11)	116 (100)
Total	30	303	67	400	32	295	73	400	222	88	90	400	36	272	92	400

As per Table 1 majority of the low satisfaction group in respect of issue of credit cards and charges on credit cards consisted of the SBI card holders. As regards the high overall satisfaction group, the majority (38%) are the PNB Card holders.

An analysis has been made here to understand whether there exist significant differences in the level of satisfaction of different brands of credit cardholders. For this purpose mean satisfaction scores have been computed and analysis of variance applied.

PROS AND CONS OF CREDIT CARD BUSINESS

In any system there are advantages and disadvantages; credit card is not an exception. Let us consider the pros and cons of credit cards from various angles.

Advantages to the cardholders

- It is convenient for him as it enables cashless transactions. Thus the risk of carrying cash is avoided.
- The cardholders can enjoy an interest free credit up to 50 days in many cases.
- It enhances the prestige, status and credit worthiness of the card holders.
- It also facilitates insurance cover/ discount.
- Card holders get credit from banks without going through the time consuming formalities.
- It provides immediate cash for general use and in emergencies through ATMs (Automated teller machines) located throughout the country and world at large.

- It increases the temporary purchasing power of the consumer.

Advantages to member establishments

- Acceptance of credit cards boosts up sales because of increased purchasing power of the cardholders due to credit available to the cardholders.
- Systematic accounting, since sales receipts are routed through banking channels.
- Acceptance of credit cards assures zero bad debt and no collection cost.
- Advertising and promotional support on a national level.
- Avoids all the cost and security problems involved in handling cash.
- Assured and immediate payment by the banks.

Advantages to the Banks

- Disbursement of a high amount of consumer loan automatically with a potential to earn a very high rate of interest, as high as 2% to 3% p.m. or 24% to 36% p.a. compared to about 7% to 15% p.a. on other loans.
- Helps in establishing banking relationships with new customers.
- Substantial income through membership fees and by way of interest.
- Provide opportunities to render additional services to the existing clients.

Advantages from the viewpoint of economy as a whole

From the viewpoint of the economy as a whole, credit cards are having a tremendous positive impact by way of providing employment, enhancing the spending, boosting up consumerism etc. which is proven in acceleration of the economic growth. In India, since 1991 till date is the golden period of credit card business in the country. It grows up parallel with the business and economic development. It reduces the dependence on paper currency.

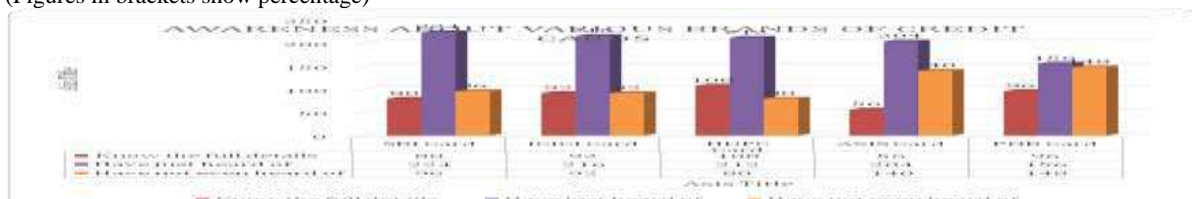
AWARENESS ABOUT VARIOUS BRANDS OF CREDIT CARDS

The awareness of bank customers who do not hold credit cards, about the various brands of credit cards has been ascertained from the responses of the customers. Bank customers were asked about their awareness about the popular brands of credit cards issued by Indian banks. Table 2 presents this information.

TABLE 2: AWARENESS ABOUT VARIOUS BRANDS OF CREDIT CARDS

Brands of Credit cards	Customer Response / No. of Respondents		
	Know the full details	Have just heard of	Have not even heard of
SBI Card	80 (20)	224 (56)	96 (24)
ICICI Card	92 (23)	216 (54)	92 (23)
HDFC Card	108 (27)	212 (53)	80 (20)
AXIS Card	56 (14)	204 (51)	140 (35)
PNB Card	96 (24)	156 (39)	148 (37)
	432*3 = 1296	1012*2 = 2024	556*1 = 556

(Figures in brackets show percentage)



It could be understood from Table 4.1 that HDFC card is the most popular credit card among the sampled bank customers i.e., 27% of the respondents were found to have full knowledge and also 53% have heard of this brand of credit card. This was followed by ICICI cards with 23% having full knowledge and 54% have heard about this brand of credit card. The next

most popular credit card is SBI Card. AXIS and PNB are the credit cards which are less popular among the sampled respondents. It is found that in the case of AXIS cards 35 percent of the respondents and for PNB Cards 37 percent have not even heard of the existence of these types / brands of cards. Heavy promotional measures through agents for ICICI cards made it more popular among the respondents. In the case of SBI cards the sampled respondents' source of information are the advertisements.

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 HDFC has notched the landmark figure of 21 million credit cards by 2025 taking it 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 satisfaction 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.

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