**A STUDY ON CUSTOMER BEHAVIOUR TOWARDS CREDIT CARDS WITH SPECIAL REFERENCE TO TENKASI AREA**

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**1.1 INTRODUCTION**

A Credit card is a payment card issued to users (cardholders) to enable the cardholder to pay a merchant for goods and services based on the cardholder’s accrued debt (i.e. promise to the card issuer to pay them for the amounts plus the other agreed charges). The card issuer (usually a bank or credit union) creates a revolving account and grants a line of credit to the cardholder, from which the cardholder can borrow money for payment to a merchant or as a cash advance. There are two credit card groups: consumer credit cards and business credit cards. Most cards are plastic, but some are metal cards (stainless steel, gold, platinum, titanium), and a few gemstone – encrusted metal cards.

**1.2 RATIONALE BEHIND THE STUDY**

Almost all the banks have issued credit cards and debit cards to the customers. Credit cards have been possessed by a large segment of our society. Hence, there arises a need to study the customer behavior towards credit cards.

**1.3 REVIEW OF LITERATURE**

1. Warwick and Mansfield (2000), “credit card consumers: college students knowledge and attitude” took a different approach to analyzing knowledge, choosing to focus on individuals’ knowledge of the various interest rates and limits on their own credit cards. Of primary interest to Warwick and Mansfield’s analysis and others like it is overall awareness and understanding of the Annual Percentage Rate (APR) associated with a given individual’s card, as well as awareness of balance limits or other associated fees.
2. ParkandBurns(2012), “Fashion orientation credit card use, and compulsive buying.”The study was to identify the direct impact of fashion-related factors on compulsive buying and the indirect impact of fashionrelated factors on compulsive buying through credit card use. It was found credit card usage to be the most influential factor followed by expenditure on fashion goods. Research shows that fashion orientated consumers are heavy credit card users. Consumers who tend to have fashion leadership and know the importance of being well dressed might use their credit card more while those who have anti–fashion attitude are least likely to use their creditcards.The authors observe that the credit card is the most significant factor in encouraging compulsive buying and suggest that since other antecedent’s of such behavior are hard toping down, regulatory action should focus on the control of credit.
3. Mann Ronald J. (2002) made a study on “Credit Cards and Debit Cards in the United States and Japan”. He compared the usage of Credit and Debit cards in United States and Japan. Mann identified some differences between the size of the nation and the attitude of the cardholders. Average spending and use of Credit card in the US was at a high level. Japan being a smaller nation its telecommunication cost was high which affected the retailers. Moreover the Japanese preferred to pay to clear their dues in one go on the due date.
4. Humphrey D.B. (2004) studied about the “Replacement of Cash by Cards in US Consumer Payments” based on an econometric model. Over a period of twenty five years the use of cash has fallen as people went for cashless transactions. Over the years, cash was replaced by cheques, cheques were replaced by credit cards and now debit cards have replaced both cheques and cash. Thus economics all over the world are changing from cash to cards in their day to day transactions.
5. Stix, Helmut (2004)2 in their paper studied “How do Debit Cards Affect Cash Demand? Survey Data Evidence”, focussed how EFTPOS payments and ATM withdrawals affect cash demand. The study revealed that cash demand was affected by debit card usage and that there were significant differences in cash demand for individuals with different debit card usage frequencies. Additionally the cause of EFTPOS payments at the point-of-sale was also discussed.
6. Saha, Tapash Ranjan (2006) in their article “Debit Cards Overtaking Credit Cards in India”, established comparative characteristics of both credit cards and debit cards and their volume of transactions from 1995 to 2005, which showed that debit cards growth has outpaced by credit cards.

**1.4 OBJECTIVES OF THE STUDY**

* To study the customer’s behavior of credit cards.
* To know about the credit card services.
* To pinpoint the problems faced by customers while using credit cards.
* To give a valuable suggestions on the basis of the study.

**1.5 RESEARCH METHODOLOGY**

This research work has been conducted on the basis of scientific methods through the following sequence of activities:

**1.5.1 Types of Research**

The present research is empirical in nature. In this type of research, empirical evidences are analysed quantitatively and qualitatively. Empirical data have been collected through an interview schedule in order to achieve the objectives.

* + 1. **Data Used**

In this study, both primary and secondary data have been used. The primary data has been used in order to fulfill the objectives of the research work. The secondary data has been used for gathering the theoretical and conceptual background on the study area. Published and unpublished sources of information have been used for the secondary data.

* + 1. **Collection of Data**

The primary data is collected through questionnaire. The secondary data is collected from various books, journals, magazines, theses, study papers, and websites.

**1.6 SAMPLING DESIGN**

To study the customer behavior towards credit cards, a survey has been conducted among 250 customers by using Questionnaire. Convenient random sampling technique was used to identify the sample respondents around the study area

* 1. **STATISTICAL ANALYSIS**
* Percentage analysis
* Factor analysis
* Garatte Ranking method
  1. **LIMITATIONS OF THE STUDY**
* The sample selected for study is only for Tenkasi area.
* Only 250 credit card holders were selected for this study.

**1.9 ANALYSIS AND INTERPRETATION OF DATA**

**TABLE NO: 1**

**SOCIO – DEMOGRAPHIC PROFILE OF CREDIT CARD USERS**

|  |  |  |  |
| --- | --- | --- | --- |
| **MAIN HEADS** | **CATEGORIES** | **FREQUENCY** | **PER CENT** |
| **Age** | Below 25 years | 22 | 9 |
| 26 – 35 years | 45 | 18 |
| 36 – 45 years | 123 | 49 |
| Above 46 years | 60 | 24 |
| **Total** | **250** | **100.0** |
| **Gender** | Male | 131 | 52 |
| Female | 116 | 46 |
| Others | 3 | 1 |
| **Total** | **250** | **100.0** |
| **Literacy Level** | Uneducated | 12 | 5 |
| Upto Hr. Secondary | 32 | 13 |
| Graduate | 145 | 58 |
| Post Graduate | 61 | 24 |
| **Total** | **250** | **100.0** |
| **Marital Status** | Married | 133 | 53 |
| Unmarried | 91 | 36 |
| Single | 26 | 10 |
| **Total** | **250** | **100.0** |
| **Occupation** | Government | 89 | 36 |
| Private | 111 | 44 |
| Self employer | 50 | 20 |
| **Total** | **250** | **100.0** |
| **Monthly Income** | Below 20,000 | 28 | 11 |
| 20,001 – 30,000 | 33 | 13 |
| 30,001 – 40,000 | 88 | 35 |
| Above 40,000 | 101 | 40 |
| **Total** | **250** | **100.0** |

Source: Primary data

**TABLE NO. 2**

**NUMBER OF CREDIT CARDS**

|  |  |  |  |
| --- | --- | --- | --- |
| **S.NO.** | **NUMBER OF CREDIT CARDS** | **FREQUENCY** | **PER CENT** |
| 1 | One | 98 | 39 |
| 2 | Two | 86 | 34 |
| 3 | Three | 51 | 20 |
| 4 | Above three | 15 | 6 |
| **Total** | | **250** | **100.0** |

Source: Primary data

**TABLE NO. 3**

**TYPES OF BANK**

|  |  |  |  |
| --- | --- | --- | --- |
| **S.NO.** | **TYPES OF BANK** | **FREQUENCY** | **PER CENT** |
| 1 | Nationalized bank | 111 | 44 |
| 2 | Private bank | 139 | 56 |
| **Total** | | **250** | **100.0** |

Source: Primary data

**TABLE NO. 4**

**CUSTOMER SATISFACTION OF CREDIT CARD**

|  |  |  |  |
| --- | --- | --- | --- |
| **S.NO.** | **SATISFIED** | **FREQUENCY** | **PER CENT** |
| 1 | Yes | 129 | 52 |
| 2 | No | 121 | 48 |
| **Total** | | **250** | **100.0** |

Source: Primary data

**1.9.1 CREDIT CARD SERVICES**

To examine the credit card services and the responses given by the respondents are analyzed using Factor Analysis Tool.

The factors ‘credit PIN generation’; ‘card control’; ‘reward subscription plan’; ‘EMI on call’; ‘quick loan’; ‘instant EMI’; ‘card protection plan’; ‘express loan’ and the like are reported by the respondents. So, a detailed study in this regard has been made and the responses are analysed accordingly.

**TABLE NO. 5**

**ROTATED FACTOR MATRIX**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **S. NO** | **VARIABLES** | **F1** | **F2** | **F3** | **F4** | **F5** | **F6** |
| 1 | Credit card PIN generation | 0.834 | 0.321 | 0.211 | 0.110 | -0.777 | 0.101 |
| 2 | Card control | 0.670 | 0.366 | 0.112 | 0.223 | 0.210 | 0.298 |
| 3 | Card protection plan | 0.613 | 0.412 | 0.111 | 0.124 | 0.162 | 0.131 |
| 4 | EMI on call |  | 0.186 | -0.985 | 0.167 | 0.111 | 0.105 |
| 5 | Instant EMI | 0.275 | 0.898 | 0.316 | 0.217 | 0.288 | 0.111 |
| 6 | Quick loan | 0.193 | 0.848 | 0.850 | 0.142 | 0.319 | 0.215 |
| 7 | Express loan | 0.314 | 0.638 | 0.912 | 0.290 | 0.113 | 0.173 |
| 8 | Rewards subscription plan | 0.268 | 0.231 | 0.710 | 0.118 | 0.121 | 0.100 |

Source: Primary data

**Factor 1 (F1)**

In the first factor variables, “Credit card PIN generation (0.834)”, “Card control (0.670)” and “Card protection plan” (0.613)” have the highest significant positive loading. As these credit card services are pertaining to the protection aspect, factor 1 is called as **“Security”**.

**Factor 2 (F2)**

In the second factor variables, “EMI on call (0.186)”and “Instant EMI (0.898)” have the highest significant positive loading. As these credit card services are related to the EMI aspect, factor 2 is called as **“Installment”**.

**Factor 3 (F3)**

In the third factor variables, “Quick loan (0.850)”, “Express loan (0.912)” and “Rewards and subscription plan” (0.710)” have the highest significant positive loading. As these credit card services are connected with rewards, factor 3 is called as **“Loans and Rewards”**.

**1.9.2 PROBLEMS FACED BY CUSTOMERS**

Problems are analysed by using Garrette Ranking Technique. The percentage position of each rank is converted into scores using Garrett table. The percentage position is determined with the help of the following formula:

Percentage position = 100 (R – 0.5) / N

Where

R = Rank assigned for the statements by the respondents.

N = Number of statements ranked by the respondents.

**TABLE NO: 6**

**PROBLEMS FACED BY CUSTOMERS WHILE USING CREDIT CARD**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **S.NO** | **PROBLEMS** | **RANK SCALE VALUE** | **I** | **II** | **III** | **IV** | **V** | **TOTAL SCORE** | **GARETTE MEAN SCORE** | **MEAN RANK** |
| X | 75 | 60 | 50 | 40 | 25 |
| 1 | Card declined | F | 95 | 86 | 51 | 09 | 09 | 250 | 62 | **I** |
| FX | 7,125 | 5,160 | 2,550 | 360 | 225 | 15,420 |
| 2 | Late or missing repayments | F | 21 | 30 | 82 | 85 | 32 | 250 | 47 | **IV** |
| FX | 1,575 | 1,800 | 4,100 | 3,400 | 800 | 11,675 |
| 3 | High annual fee | F | 55 | 51 | 45 | 68 | 31 | 250 | 52 | **II** |
| FX | 4,125 | 3,060 | 2,250 | 2,720 | 775 | 12,930 |
| 4 | Too much debt | F | 44 | 40 | 48 | 44 | 74 | 250 | 47 | **III** |
| FX | 3,300 | 2,400 | 2,400 | 1,760 | 1,850 | 11,710 |
| 5 | Doesn’t work in foreign countries | F | 35 | 43 | 24 | 44 | 104 | 250 | 43 | **V** |
| FX | 2,625 | 2,580 | 1,200 | 1,760 | 2,600 | 10,765 |

Source: Primary data

**Interpretation**

It is evident from the table 5 that with the highest mean score of 62, “Card declined” has been ranked 1st by the respondents. “High annual fee” and “Too much debt” has been ranked 2nd and 3rd respectively.

**1.10 FINDINGS**

* 49 percent respondents belong to the age group of 36 – 45 years, 52 percent of the respondents belong to the male category, 58 percent of the respondents are graduates, 53 percent respondents are married, 44 percent of the respondents are doing private job and 40 percent of the respondents have monthly income of more than Rs.45,001.
* 39 percent of the respondents own one card.
* 56 percent of the respondents are having account in private banks.
* 52 percent of the respondents are satisfied with the credit cards

**1.11 SUGGESTIONS**

* Banks should conduct awareness program regarding their schemes.
* The bankers should inform customers in advance about card rejection.
* Before using the credit cards, the customers should know about the terms and conditions of it.
* Special offer and discount should be providing at the time of festival season.
* The bankers should provide some rewards frequently so that customer eager to use two or more credit cards.

**1.12 CONCLUSION**

Credit cards provide a convenience to consumers, acting as both a method of payment and a flexible credit instrument. Most customers would pay a modest net monetary cost to access this convenience. A credit card generally operates as a substitute for cash or a check and most often provides an unsecured revolving line of credit. Credit card being one of the payment instruments across the world. The paper shows that there are many reasons influence the selection of credit card. To obtain the maximum advantage, proper cash transactions, terms and conditions and customer awareness regarding the responsible and secure use of credit card are necessary.

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