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PROBLEMS FACED BY CREDIT CARD USERS IN COIMBATORE CITY: AN ANALYSIS

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ABSTRACT

Today, Credit Cards are not just merely accepted, but are being used exponentially across the country for several reasons and the usage is increasing day by day due to digitalization and due to the concept of 'Buy now and Pay later'. Hence an attempt was made to study the problems faced by credit card users in Coimbatore city. The main objective of the study is to examine the socio-economic profile of the respondents in Coimbatore city and to identify the problems faced by the customer's while using credit cards and also give suggestions to solve the problems. Hypothesis of the study found that **t**he problems like higher service charge, higher interest rate, fraudulent and delay in transaction were faced by the respondents while using credit card. The population of the study initially consisted of all banks in Coimbatore city. From these selected banks, 100 respondents were chosen adopting incidental purposive sampling technique, during December 2018 to January 2019. Techniques were applied like Garrett's Rating Scale, Likert's Summated Scale and Factor Analysis. The study found that customers faced problems like higher service charge, higher interest rate on credit cards, fraudulent and delay in transaction while using credit card for their day-to-day spending activities.

KEYWORDS:
High interest rate, transaction, credit card, fraudulent, bank statement

INTRODUCTION

The credit card market in India started out in 1981 when Visa issued the card. Andhra Bank was the pioneer of credit cards in India. Though City Bank introduced Diner's Club card in 1969, the credit card industry gained popularity only after Andhra Bank introduced its own credit card. In 1985, the Central Bank of India, along with Vysya Bank and United Bank of India, introduced the Central Card. In the same year, the Bank of Baroda and the Allahabad Bank together launched the Bob card. ANZ Grindlays Bank introduced Visa classic card by 1989.

In 1987, when HSBC Bank introduced the ATM concept in India for the first time, people were so excited that they won't need to visit banks, stand in long queues, and fill the form to withdraw money. People were happy withdrawing cash from their bank accounts, and spend it on their expenses. The ATM and Debit Cards' boom in India has been growing since that invention. Nowadays, people can't imagine going through the same old process anymore. Today, most of the bank account holders have an ATM or Debit Card. However, unlike Debit Cards, **Credit Cards** took so long to get the acceptance among Indian customers. Credit Cards were seen as a liability in India and people were resistant to accept that transformation in the way transaction used to happen. The number of credit card in India has since grown rapidly, with a compounded growth of 25-30% annually. In August 2018, the number of debit cards increased to 980 million, with 18.2 million new cardholders, while a total of 41 million credit cards were in operation, with the addition of 0.87 million cards, according to the Reserve Bank of India. Between August 2017 and August 2018, India added about 8.4 million credit cards and 169.3 million debit cards.

Card usage spiked during the months of November 2016, December 2016 and January 2017, following the demonetization of Rs 500 and Rs 1000 notes. The unavailability of cash forced cardholders to use cards. But since February 2017, both debit card and credit card usage has been range-bound. In June 2017, debit cards were down by 86.2 million to 793.83 million, shaving off most of the increase that demonetization brought in (Verma, 2018). The number of transactions using credit cards at POS terminals or swipe machines grew by 25% year-on-year, while it increased by 34.6% for debit cards for the 12 month period ending August 2018.

In August, the total number of POS transactions through credit cards was 144.2 million, while the figure for debit cards was 357.17 million. At POS terminals, average amount transacted per transaction using

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credit cards- which is an indication of the amount people are willing to spend in one transaction- increased 5.7% between August 2017 and August 2018. For debit cards, it grew 3% during the same time period. According to Tamil Nadu State Level Committee report on December 2018, total number of bank branches in Coimbatore were 828. Among them 155 in rural area, 260 in Semi-urban area and 413 in urban area. According to RBI report January 2019, the total number of credit cards in India were 4,51,71,042. The credit cards usage is increasing day by day due to digitalization and due to the concept of 'Buy now and Pay later'. Hence an attempt was made to analyse the problems faced by customers while using credit card facility in Coimbatore city.

OBJECTIVES

The main objective of the study is to examine the socio-economic profile of the respondents in Coimbatore city and to identify the problems faced by the customer's while using credit cards and also give suggestions to solve the problems. Hypothesis of the study found that the problems like higher service charge, higher interest rate, fraudulent and delay in transaction were faced by the respondents while using credit card.

METHODOLOGY

The population of the study initially consisted of all banks in Coimbatore city. The banks were divided into three categories namely public sector banks, private sector banks and foreign banks. From these selected banks, 100 respondents were chosen adopting incidental purposive sampling technique, during December 2018 to January 2019. Techniques were applied like Garrett's Rating Scale, Likert's Summated Scale and Factor Analysis.

RESULTS AND DISCUSSION

Socio-Economic Status of the Respondents

socio-economic characteristics found to be significant in describing consumer credit card ownership and usage practices are age, sex, marital status, the level of education, the number of dependents in the family, monthly income, the length of credit card ownership, and debt ceiling (e.g. Hirschman, 1979; Kaynak and Harcar, 2001; Lee and Kwon, 2002; Slocum and Matthews, 1970). Hence an attempt was made in the present study to explore the socio-economic profile of 100 credit card customers in Coimbatore city were surveyed as follows;

Gender: More recently, evidence revealing the female's involvement with financial decisions in the household has been uncovered (e.g. Plank et al., 1994). With regard to the present study, majority of the respondents were male (65 percent) and remaining 35 percent were female.

Age: Mathur and Moschis (1994) found that age is inversely related to credit card use; younger adults use credit cards significantly more than older adults. The present study found that younger generation are more potential to use credit cards than older generation.

Marital Status &Type of Family: are also found to influence credit card ownership and use, where married persons are found to possess more credit cards than any other civil status group (e.g. Delener and Katzenstein, 1994). The current study follows the earlier studies, majority of the respondents were married (51 percent) and majority of them were belongs to nuclear family category (59 percent).

Educational Qualification: majority of the credit card users (73) were graduated and fifteen percent of them were finished their diploma course. The earlier study also provides evidence for a positive relationship between the level of education and credit card usage, where respondents with a high level of education tend to own and use credit cards more often (e.g. Lee and Kwon, 2002).

Occupation: Higher status occupations are defined in terms of ownership, control of the means of production, and control over the labour power of others (Kohn et al., 1990). The study findings accepts the earlier studies that majority of the customers were holding own business (48 percent). Hence, credit cards users were belongs to higher stratum of the occupation.

Annual Income: is also identified as having a strong positive relationship with credit card usage, where a higher-income groups are found to possess a large number of credit cards and spend more on different product categories than a lower-income groups (e.g. Barker and Sekerkaya, 1992; Kaynak and Harcar, 2001).With regard to the present study, it found that high income groups were utilizing the credit cards for their living purposes.

Problems of Credit Card Holders

People do not prefer much use of plastic money because of high rate of interest and fraudulent transaction and increased burden of debt on consumers (Patil, 2014). This involves different type of risk that is physical risk,

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financial risk, and performance risk, social risk. The cultural factors also restrict the use of plastic money like credit cards. The conservative nature of people restricts the adoption of credit cards. From the banker point of view the preference of debit cards over credit cards, limits the earning potential of banks. It is found that almost 80% or about 1.04 million (10.4 lakh) users are not paying any interest on credit cards, leaving all issuers with only 260,000 (2.6 lakh) users from whom banks can earn some money (Bhosale & Karbhar, 2013). Hence, in this section an attempt was made to identify the problems faced by the respondents while using credit cards.

Factor Analysis

Factor analysis was used to identify the underlying pattern of relationship between the various dimensions of problems in using credit cards and whether these problems can be grouped in terms of a composite variable. Cronbach's alpha test conducted for the constructs for each of the three bank groups was found to be 0.807 in all banks exceeding the minimum alpha of 0.7 (Nunnally,1978), indicating good reliability of all items. To determine the appropriateness of applying factor analysis, the KMO and Bartlett's test measures were computed and the results are presented in the table 1.

Table -1

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.807
Bartlett's Test of Sphericity	Approx. Chi-Square	271.269
	Df	28
	Sig.	.000

KMO statistics for customers in all banks were 0.807 signifying higher than acceptable adequacy of sampling. The Bartlett's test of Sphericity was also found to be significant at one percent level providing evidence of the presence of relationship between variables to apply factor analysis.

The communalities for each variable were assessed to determine the amount of variance accounted by the variable to be included in the factor rotations. All the variables had a value greater than 0.50 signifying substantial portions of the variance accounted by the factors.

Table-12
Rotate component matrix

Problems	Component	
	1	2
The services charge is higher	0.827	
Interest rate is higher for credit card	0.704	
Account statement in difficult to understand	0.667	
Possibility of fraudulent transaction		0.858
Delay in transaction		0.656
Username and password is less confidential		0.836
Eigen value	**3.833**	**1.022**
Percentage of variance	**47.916**	**12.770**
Cumulative percentage of variance	**47.916**	**60.686**

The results indicates that for the sample data, Eigen value of the first two factors alone was greater than one for customers belonging to all three banks, indicating that these factors alone were appropriate for inclusion in the analysis. For customers in all three banks two factors together accounted for nearly 61 percent of the variations in the factors.

For customers belonging to all three banks, factor 1 has significant loadings for three dimensions namely 'The services charge is higher', 'Interest rate is higher for credit card and 'Account statement in difficult to understand'. These three dimensions together explained nearly 48 percent of the variance. Factor 2 has significant loadings for three dimensions namely 'There is a problem of credit card', 'Delay in transaction' and

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'Username and password is confidential' and explained nearly 13 percent of the variance. To conclude, the problems like higher service charge, higher interest rate, fraudulent and delay in transaction were faced by the respondents while using credit card.

Suggestions

Customers were asked to rank the suggestions to solve the problems faced by the respondents. The suggestions were listed and the customers were asked to rank these suggestions in their order of priority. The ranks were then converted into percent position and from the percent position the individual scores were determined on a scale of 100 points by using Garrett's Rating Scale. The average scores and the ranks corresponding to each suggestion are presented in table 2.

Table-2
Suggestions

Suggestions	Average score	Rank
Annual charge should be reduced	55.6	4
Biometrics, can use instead of username and password	53.6	5
Transaction speed must be reduced	56.8	3
Interest rate must be reduced	65.6	2
banks should not be charge higher service charge	67.6	1

Source: Estimation Based On Field Survey

The above table shows, the suggestions given by the respondents to overcome the problems while using credit card. The major suggestion given by customers were 'banks should not charge higher service charge' (1st rank), followed by 'interest rate must be reduced' (2nd rank) and the least rank was given by 'biometrics, can use instead of username and password'. In short, the banks should be customer friendly.

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CONCLUSION

To conclude, the study found that customers faced problems like higher service charge, higher interest rate on credit cards, fraudulent and delay in transaction while using credit card for their day-to-day spending activities. To overcome these problems, to encourage more and more people to use credit cards, banks need to explain to the customers about the benefits of using credit cards and also banks should educate people through awareness programs briefing about the uses of credit cards and the usage directions to the financially poor as well as the existing customers.

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