

**“PROBLEMS AND ISSUES OF CREDIT CARD USERS” (A STUDY WITH SPECIAL
REFERENCE TO KANCHIPURAM TOWN)**

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Introduction

A credit card is a financial instrument, which can a major role in at present, once to borrow money or buy products and services on commercial banks, retail stores and other businesses generally issues these. The banking industry has become very competitive with the entry of multinationals. Everyone carries a credit card these days.

A credit card is basically a plastic card with specific security and other features that is issued by a bank to its customer to enable the latter to use it as a payment medium. The card also entitles the cardholder to certain credit limits/funds such that a payment can be made even if the customer's account does not have adequate balance. Thus, a credit card is both an instrument of payment and a source of credit. Let us see how it works.

Suppose one purchases grocery and pays the retailer's bill by means of a credit card. The retailer swipes the card and gives a credit slip which the buyer has to sign. Clearly, the buyer has not paid cash to the retailer. All that has happened is that the bill is charged with the amount of grocery purchased.

But how does the retailer get his money? The answer is that the charge that the buyer incurred in buying grocery is 'acquired' by the retailer's bank. It will provide the retailer with the amount of transaction made by the buyer, less commission. This bank, called the 'acquiring bank', in turn will submit the charges to the bank (which issued the credit card) called the 'issuing bank' through the clearing mechanism maintained by the network sponsors like Visa or MasterCard. In turn, the issuing bank will send the bill (say, once a month) to the buyer/ person to whom the card was issued detailing all the transactions made by him/her with the credit card. The moment the buyer pays the due amount to the card issuing bank, the whole transaction cycle is completed.

Here is a difference between the cash transactions and the credit transactions. In the case of cash, there are only two parties to the transaction. The customer makes a purchase from the retailer and pays 'directly' by means of cash. The transaction ends as both the legs of transaction viz., purchase and payments are complete. The time taken to complete a transaction is very little (almost immediate). As against this, in the case of a credit card, parties to the 'complete cycle of transaction' are five in number. These are:

- The Customer (card holder)
- The Retailer

- The Acquiring bank
- The Clearing Network
- The Issuing bank

Increase in the number of parties' means that more time is taken to complete the payment cycle. This means that one of the five has to be out of funds till such time that the cardholder makes payment to the issuing bank, leading us to the concept of credit. Typically it is the issuing bank which has given credit to the customer.

Though we have been talking about credit cards, there are several types of cards that are available to customers for carrying out their transactions. Some examples are debit card, ATM card, Smart card, etc.

Review of Literature

Stavins (1996) argues that consumers are somewhat sensitive not only to changes in the interest rate but also to the value of other credit-card enhancements such as frequent-use awards, expedited dispute resolution, extended warranties, and automobile rental insurance. However, she agrees with Ausubel (1991), Calem and Mester (1995) that lowering interest rates may attract less creditworthy consumers, therefore dissuading some credit-card issuers from lowering their interest rates.

Hogarth and Hilgert (2004) "Consumers resolution of credit card problems and exit behaviors" Using data from the survey of consumers, this study focuses on consumer's resolution efforts with credit card problems and the likelihood of "exiting"- that is, discontinuing the use of a given credit card or of the financial institutions associated with the card. Among all households with a problem, nearly two-thirds (63 percent) were able to resolve their problem, while over half (55 percent) exited. Exist was associated with marital status, race, how dissatisfied the consumer was, the number of problem related to credit cards, and attribution. Holding all the else constant, consumers who were likely to resolve their problem were only half as likely to exist. Thus, credit card companies need to carefully and quickly address their customer problems and resolve their complaints.

Objectives

1. To have theoretical back ground about credit cards.
2. To find about the problem faced by the card holders.
3. To analyses the facilities available to credit card holders.
4. To give suggestions to the bankers about the credit card service provided by them.

Research Design

Research design is connection between what has been established and what is to be done in the conduct of the survey for the realization of the objective. This is a copy for collection and measurement of data. The research design used in this study is Descriptive research design.

Selection of Study Area

Kanchipuram Town was selected for conducting this survey.

Sample Size

The sample for the survey was conducted in who are living in kanchipuram town. The total sample is 100.

Sampling Technique

The sampling technique used in was Non-Probability sampling. This type of sampling does not afford basis for estimating the probability that each item in the population has chance of being included in the sample. Here Random sampling techniques has been adapted.

Primary Data

Primary data are those, which collected for the first time. The researcher collected the data from the respondent by contacting them using questionnaire prepared for the study.

Secondary Data

Secondary data are those, which have already been collected by someone else. For the study secondary data were selected from documents provided by the firm.

Data Analysis

Table 1: Penalty & Charges

| Satisfaction | No. of respondents | Percentage |
|------------------------|--------------------|-------------|
| Satisfied | 17 | 17% |
| Dissatisfied | 48 | 48% |
| Very much Dissatisfied | 35 | 35% |
| Total | 100 | 100% |

In the above sample table 100 numbers of respondents are taken in to consideration.

- Out of 100% of respondents, 17% of the respondent's are satisfied with penalty and charges.
- Out of 100% of respondents, 48% of the respondent's are dissatisfied with penalty and charges.
- Out of 100% of respondents, 35% of the respondent's are Very much dissatisfied with penalty and charges.

Table 2: Service and Satisfaction

| Level of Satisfaction | No. of Respondents | Percentage |
|------------------------|--------------------|-------------|
| Very much satisfied | 17 | 17% |
| Satisfied | 45 | 45% |
| Dissatisfied | 22 | 22% |
| Very much Dissatisfied | 16 | 16% |
| Total | 100 | 100% |

In the above sample table 100 numbers of respondents are taken in to consideration.

- Out of 100% of respondents, 17% of the respondents are very much satisfied.
- Out of 100% of respondents, 45% of the respondents are satisfied.
- Out of 100% of respondents, 22% of the respondents are dissatisfied.
- Out of 100% of respondents, 16% of the respondents are very much dissatisfied.

Table 3: Interest on Cash Withdrawals

| Satisfaction | No. of Respondents | Percentage |
|------------------------|--------------------|-------------|
| Satisfied | 32 | 32% |
| Dissatisfied | 46 | 46% |
| Very much dissatisfied | 22 | 22% |
| Total | 100 | 100% |

In the above sample table 100 numbers of respondents are taken in to consideration.

- Out of 100% of respondents, 32% of the respondent's are satisfied with interest on cash withdrawals.
- Out of 100% of respondents, 46% of the respondent's are dissatisfied with interest on cash withdrawals.
- Out of 100% of respondents, 22% of the respondent's are very much dissatisfied with interest on cash withdrawals.

Findings of the Study

- The credit card holders are very much satisfied with the service provided on credit cards.
- The card holders are dissatisfied in charging penalties.
- The card holders are dissatisfied with interest charged on cash withdrawals.
- A main reason for holding the credit card is to minimize risk.
- It is very safe to carry credit card during travel.

Suggestions

- Credit card holders should be further educated about credit period.
- Personal collection of money sometimes irritates the card holder. It is advisable to fix up appointment with the card holder before sending a person for collection. Collection methods can be liberalized. Many banks do not provide cash deposit facility to pay on credit card account.
- Risk due to loss of card can be avoided through photo cards. If banker is informed about the loss quickly, the card is blocked immediately.

Conclusion

In this study area of Problems and Issues of credit card users, Most of the respondents felt the interest rate is very high for the credit period and Cash withdrawals time, at the same time penalties is very high and they do not know the method of calculation of interest, apart from the above problems and issues all the credit card holders were very much satisfied in all aspects. Due to the vast development in technology, the institutions which one has issued the credit card have to improve the advertisement and give more awareness to the concerned people.