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### **A study on consumer perception and awareness towards credit card usage with special reference to Tirupur**

**Mrs.D.Shanthi<sup>1</sup>, MBA, D.Anitha<sup>2</sup>**

<sup>1</sup>Assistant Professor, Department of Management Studies, Nandha Engineering College, Erode

<sup>2</sup>II MBA, Nandha Engineering College, Erode

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#### **ABSTRACT**

A credit card is a small plastic card issued to users as a system of payment. It allows its holder to buy goods and services based on the holder's promise to pay for these goods and services. The issuer of the card creates a revolving account and grants a line of credit to the consumer (or the user) from which the user can borrow money for payment to a merchant or as a cash advance to the user. Indian credit card market has been changing rapidly as its doors are opened to the global economy. As profit opportunities are more, major credit card brands have been entering the Indian market. At the beginning, the usage of credit cards had been very limited. They were used mostly in upscale hotels, restaurants, and retail stores and in major urban centers. However, later significant changes occurred in Indian credit card market. Credit card ownership and usage have expanded very rapidly in India. In this backdrop, there is need to study the consumer perception and awareness towards credit cardholders in Tirupur district.

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#### **INTRODUCTION**

On February 28, 1950 – A Diners club card, the first multiuse credit card was issued. This marked the beginning of the era of plastic money. Diner's card was launched in the Indian market in 1960. The Central Bank of India was the first bank in the country to introduce credit card system in August 1980, followed by several other banks. In India, both foreign and Indian banks are doing credit card business.

Today credit card industry is highly comparative and almost all the banks are offering credit card in association with visa international or master card. There is now a flood of Indian banks offering credit card to the potential customer. Multinational banks operating in India have also joined the bandwagon with high voltage advertising and seemingly competitive reward programmers for loyal credit card user. Bank's income from revolving fee (interest charge for revolving credit) and other fee. Indians credit card market is

growing at almost 30-40 per cent annually and the number of credit card in circulation is twenty seven and half million as reported by credit card issuers.

Money in the twenty first century is found in the form of coins, currency notes, and now in the form of plastic money. Today, every credit card carries an identifying number that speeds shopping transactions. The Prime Minister of India, Narendra Modi, launched the RuPay scheme in Singapore on 31 May 2018. The launch took place in parallel with related services offered by the NPCI, such as UPI and BHIM. The State Bank of India, Singapore will be the first bank to issue RuPay credit cards in the country.

#### **STATEMENT OF THE PROBLEM**

Credit cards have changed the way people look at money. So many of the credit card holders don't know the balance transfer option. Offering benefits like reward points is just another way of luring

customers into debt trap. Some of the holders not pay their due on time that reason I took the topic to create the awareness on due date importance and balance transfer option.

## OBJECTIVES OF THE STUDY

- To identify the demographic profile of the respondents
- To Rank the reason to make credit card payment on time

## SCOPE OF THE STUDY

The present study focuses on the consumer perception on balance transfer option in credit card. The study was designed to gain a better understanding of the reason to make your credit card payment on time. The study analyzes different fee structure when you don't pay credit card bill on time. The study also analyses the level of awareness of bank customers about credit card usage.

## LIMITATIONS OF THE STUDY

1. There was a bias among the respondent while answering the questionnaire.
2. Difficulties in getting true facts from some of the respondents.
3. The coverage of the area is limited to Tirupur District.

## REVIEW OF LITERATURE

- **Gupta(2003)**, Legal and regulatory framework of credit cards
- asserts that the regulation of credit card business in India is need to be streamlined .where as in developed countries the law on credit card business in comprehensive and straight forward, its Indian version requires a structural changes .hence, there is a need to explore that various legislative premises of the inferior and under Indian version for protection of interest of card holders and healthy growth of the industry.
- **Easwar and Kumar (2004)**: assets in the studies titled credit card on a growth trajectory that the perception of owning credit card has changed and they are viewed as being convenient

substitute to carrying cash and also availing credit for share period but in the context of home country, Indian ranks at the bottom in terms of usage of credit cards when compared to chain, Taiwan and Malaysia.

- **Chakravorti (2003)**:Theory of credit card network a survey of the literature shows that credit card provide benefits to customers and merchants not provided by the other payment instruments as evidenced by their explosive growth in the number and value of transactions over the last 20 year .recently credit card to network participants are discussed focusing on interrelating bilateral transaction several theoretical models have been constructed to study the implications of several business practices of credit cards networks.

## RESEARCH METHODOLOGY

The process used to collect information and data for the purpose of making business decisions. The Methodology may include Publication Research, Interviews, Surveys and Other Research Techniques and could include both Historical and Present Information.

### Research design

1. A Master plan that specifies the method and procedures for collecting and analyzing needed information.
2. A research design is a framework or blueprint for conducting the marketing research project.

### Sample design

Sampling is the process of selecting a sufficient number of elements from the population. A Sample Design is a definite plan for obtaining a sample from the sampling frame. It refers to the technique or the procedure the researcher would adopt in selecting some sampling units from which inferences about the population is drawn.

### Probability sampling

Probability sampling is a sampling technique where the samples are gathered in a process that will have all the individuals in the population of getting equal chances of being selected.

### Simple random sampling

1. The Sampling Method used in this study is Simple Random Sampling.
2. A Simple Random Sample is a subset of a statistical population in which each member of the subset has an equal probability of being chosen.

### Size of the sample

The Sample size is 100.

## DATA COLLECTION METHOD

### Primary data

These are data which are collected for the first time directly by the Researcher for the Specific study undertaken by him. In this research primary data are collected directly from the Respondent by using Questionnaire.

### Secondary data

These are data which are already collected and used by someone preciously. In this research review of Literature, Details of the industry are collected from the Internet.

## STATISTICAL TOOLS USED

To analyze and interpret collected data the following simple percentage and ranking were used.

### Simple percentage analysis

To analyze and interpret collected data the following simple percentage and ranking were used.

### Formula

$$\text{Percentage analysis} = \frac{\text{Number of respondents}}{\text{Total number of respondents}} \times 100$$

### Henry garrett ranking

Garrett's ranking technique to find out the most significant factor which influences the respondent, Garrett's ranking technique was used. As per this method, respondents have been asked to assign the rank for all factors and the outcomes of such ranking have been converted into score value with the help of the following formula:

$$\text{Percent position} = 100 (R_{ij} - 0.5) N_j$$

Where  $R_{ij}$  = Rank given for the  $i$ th variable by  $j$ th respondents.

$N_j$  = Number of variable ranked by  $j$ th respondents.

## DATA ANALYSIS

The Respondent who participated in the research is from diversified background with gender, age group, marital status and educational qualification.

**Table 1: Demographic profile of the respondents**

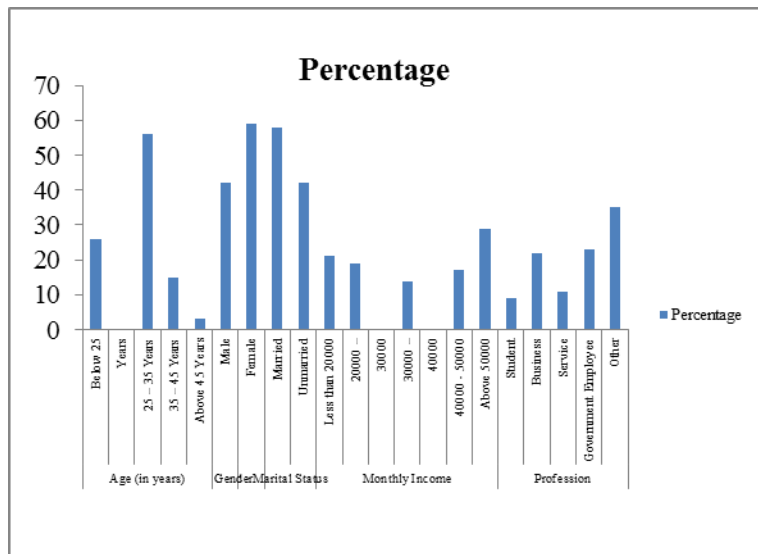
Details of the respondent		No. of Respondents	Percentage
Age (in years)	Below 25 Years	26	26
	25 – 35 Years	56	56
	35 – 45 Years	15	15
	Above 45 Years	3	3
	Total	100	100
Gender	Male	42	42
	Female	58	59
	Total	100	100
Marital Status	Married	58	58
	Unmarried	42	42
	Total	100	100
Monthly Income	Less than 20000	21	21

	20000 – 30000	19	19
	30000 – 40000	14	14
	40000 - 50000	17	17
	Above 50000	29	29
Profession	Total	100	100
	Student	09	09
	Business	22	22
	Service	11	11
	Government Employee	23	23
	Other	35	35
	Total	100	100

**Interpretation**

From the above table it is evident that percentage of age group below 25 years is 26%, percentage of age group between 25 – 35 years is 56%, percentage of age group between 35 – 45 years is 15% and percentage of age group above 45 years is 3%. The above table it is evident that percentage of the Male is 42% and the Female is 58%. The Respondents Marital status, Married is 58% Unmarried 42%. On the basis, the percentage of Monthly income below Rs.20000 is 21%, the

percentage of who earning between Rs.20000 – Rs.30000 is 19%, the percentage of who earning between Rs.30000 – Rs.40000 is 14%, the percentage of who earning Rs.40000 - 50000 is 17% and the percentage of who earning above 50000 is 29%. In this survey, the percentage Profession sector Student is 09%, the percentage Business sector respondents is 22%, Percentage of service sector respondents 11%, the percentage of government employee sector respondents 23% and the percentage other sector respondents 35%.



**Bar chart 1: Demographic profile of the respondents**

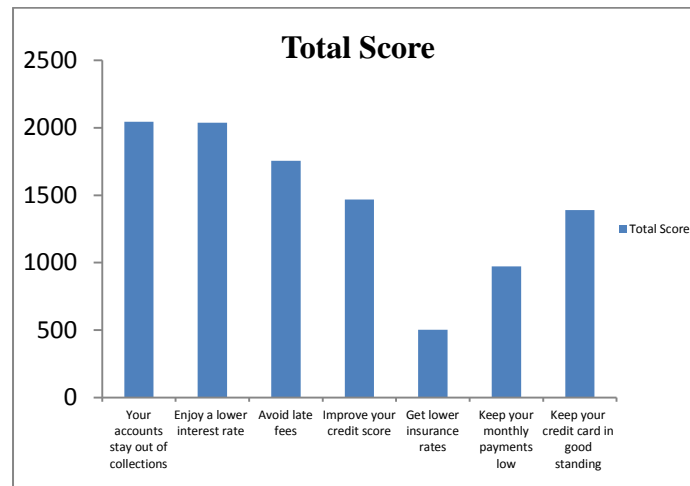
**Table 2: Rank the reason to make credit card payment on time**

S. No	Reason	Mean Score	Total Score	Rank
1	Your accounts stay out of collections	341	2046	1
2	Enjoy a lower interest rate	291	2037	2
3	Avoid late fees	351	1755	3
4	Improve your credit score	367	1468	4
5	Get lower insurance rates	501	501	7
6	Keep your monthly payments low	486	972	6
7	Keep your credit card in good standing	463	1389	5

### Interpretation

From the above table it is evident among consumer to make the credit card payment on time, the reason is “Your accounts stay out of collections” is ranked as no.1 with total score of 2046, “Enjoy a lower interest rate” is ranked as no.2 with total score of 2037, “Avoid late fees” is ranked as no.3 with total score of 1755, “Improve

your credit score” is ranked as no.4 with total score of 1468, “Keep your credit card in good standing” is ranked as no.5 with total score of 1389, “Keep your monthly payments low” is ranked as no.6 with total score of 972, “Get lower insurance rates” is ranked as no.7 with total score of 501.

**Bar chart 2: Rank the reason to make credit card payment on time**

### FINDINGS

1. The percentage of age group below 25 years is 26%, percentage of age group between 25 – 35 years is 56%, percentage of age group between 35 – 45 years is 15% and percentage of age group above 45 years is 3%.
2. The percentage of the Male is 42% and the Female is 58%.
3. The Percentage of Marital status, Married is 58% Unmarried 42%.
4. The percentage of Monthly income below Rs.20000 is 21%, the percentage of who earning

between Rs.20000 – Rs.30000 is 19%, the percentage of who earning between Rs.30000 – Rs.40000 is 14%, the percentage of who earning Rs.40000 - 50000 is 17% and the percentage of who earning above 50000 is 29%.

5. The percentage Profession sector Student is 09%, the percentage Business sector respondents is 22%, Percentage of service sector respondents 11%, the percentage of government employee sector respondents 23% and the percentage other sector respondents 35%.
6. “Your accounts stay out of collections” is

- ranked as no.1 with total score of 2046.
7. "Enjoy a lower interest rate" is ranked as no.2 with total score of 2037.
  8. "Avoid late fees" is ranked as no.3 with total score of 1755.
  9. "Improve your credit score" is ranked as no.4 with total score of 1468.
  10. "Keep your credit card in good standing" is ranked as no.5 with total score of 1389.
  11. "Keep your monthly payments low" is ranked as no.6 with total score of 972.
  12. "Get lower insurance rates" is ranked as no.7 with total score of 501.

## SUGGESTIONS

1. When the customers credit card payments are unpaid for several month, The companies are turning to DEPT COLLECTION AGENCY so pay on time and avoid dealing with dept collections.
2. Enjoy low interest rates when you carry a credit card balance and save money on your repayments. Paying your credit card on time allows you to triggering a higher interest rate on your credit cards.
3. Avoid expensive late fees by sending your credit card payment on time. Make your credit card payment before the due date to avoid the risk of missing the payment cutoff time.
4. 35% of your credit score is bases on whether your credit payment is made on time. So, I suggest consistently make credit payments on time and enjoy the benefits.
5. Missing a credit card payment puts you at risk of losing your credit score. Keep sending your credit card payment on time so your account remains open and in good standing.
6. If there is a trouble in making credit card payment, putting it off won't make it easier to pay. Instead, the opposite happens and it gets

increasingly difficult to get caught up. So I suggest don't make your payment late.

7. Insurance companies increasingly use your credit score to determine insurance rates. Sending your credit card payments on time helps you to get the lowest insurance rate and helps you save money.

## CONCLUSION

Credit card can offer great convenience to users. Users can make big purchases and pay off the amount in EMIs. The rewards program associated with credit cards also makes them quite enticing for the user. However, if not used wisely, credit card debt can take a toll on your personal finances. A credit card can prove to be really beneficial and useful tool if used responsibly. The security features that credit cards are decked with nowadays make them much more secure then carrying regular cash. Credit cards have made payments easier, not only for individuals but also for small businesses and corporates. Almost all major credit card issuers are offering business credit cards. If you are a business owner, a credit card designed specifically for business expenses would be better than using a personal card. The new payment solution would help customers purchase a wide range of goods and services, pay insurance premium, recharge mobile, phones, or buy movies, theatre and events ticket at the convenience of their home or office with their cards it would also allow customer to make card payments at the point of purchase itself at the retail. Outlets, thereby avoiding long queues at payment counter in these store. Customers have more benefit while using balance transfer to other credit card and other account. There by these cards have played a vital role in improving the life style of each credit card holder in Tirupur city.

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