

# AN EMPIRICAL EVIDENCE ON CREDIT CARD HOLDERS IN COIMBATORE (Special reference to IT employees)

## AUTHORS

**Dr. R. Rajesh,**

*Associate Professor and Head, Department of Commerce (Information Technology),  
Department of Commerce (Banking and Insurance), Hindusthan  
College of Arts and Science, Coimbatore – 28*

**Ms. Bugade Laxmi Arvind,**

*Part time Ph.D scholar, Department of Commerce, Hindusthan College of Arts and Science,  
Coimbatore – 28*

---

## **ABSTRACT**

*The World of Plastic money and credit cards is indeed fascinating. In India, it is a growth industry and today commands special focus of attention not only within the banking sector but also in the law. It has contributed to the greatest fundamental change in the way we handle our finances – indeed our very lives. The impact of plastic money in general and the ubiquitous credit card in particular is felt in all areas of our existence. The credit card was seen as infusing convenience, safety, speed and order in modern society. In short, it was a great subservient innovation until the monster within it reared its head. This monster was the immense potential of the credit cards misuse and the perpetration of fraud. In the past few decades banking institutions and law enforcement the world-over have struggled to keep place with various and innovative facets of credit card fraud. In spite of the proliferation of credit cards in our daily lives and despite the billions of dollars of fraud perpetrated using credit-cards it is one of the least researched issues both in finance and under banking law, especially in India.*

**Keyword:** Plastic money and Credit card

## INTRODUCTION

Credit cards have become popular from past few years in Indian market as almost all the commercial banks came with the concept of credit cards. All the working employees and self-employed who have the regular monthly income are eligible to get a credit card. A credit card offers the customers with a lot of flexibility and saves time too. It is appropriate to study the cardholders' perception towards the credit cards since credit cards have offered more services. In this present scenario, credit cards are a popular medium of payment for consumers and also serve as an indispensable credit and payment mechanism throughout the world. Carrying a lot of cash can be bulky, risky and sometimes, one may run short of it, just when it is needed.

A credit card is the smart solution to these problems and is safe and suitable alternative to cash. Greater status was enjoyed by those who possessed a number of credit cards. Most people associate a credit card with prestige and the customers take the accountability of being responsible to be extended credit. Credit cards are used as a financing mechanism instead of a medium of convenience. It allows us to obtain goods and services with the concept of buy now and pay later. Credit card is a new concept in developing country like India and is treated as a status symbol.

The credit card is extremely useful to those people who use it properly and have knowledge about such card. High credit limits, low interest rates and pre-approval, these have become familiar terms to many customers, who are increasingly bombarded with unsolicited credit card. However, this explosion has brought in a lot of obstacles among the card holders that directly impact the consumers towards the credit card acceptance. Similarly, the acceptance of credit card has become an area of economic concern. The use of credit cards is in its initial stages and is not so widespread and such its economic and social concern is not significant. The defaults are occurring at an individual level and so people in general are not aware and even those who are suffering from the credit card driven debt are themselves unaware of their real cause of problem<sup>1</sup>.

## STATEMENT OF THE PROBLEM

Credit cards have changed the way people look at money. Gone are the days when only the rich sported them at limited counters in select cities. Today, they are a way of life for the middle class too, even in smaller locations across the country. However, this boom has brought in a lot of complications like credit card fraud, payment defaulting, unsolicited card, uncontrolled spending etc. Rapid credit card growth has increased transaction efficiency. Till recently, the Indian consumer was using the credit card during the crunch season, but things have changed in the recent past with the consumers using it for as small a sum as Rs.100 to over one lakh rupees. The most common feature among the credit card holders is that they carry forward their payment. Postponing payments multiplies bills that too at a whopping rate of 50 to 60 per cent per year, pushing the card holders into a debt trap. The utility of cards varies from person to person depending on their profile. In the initial years, the consumers deem it a privilege to hold credit cards.

---

<sup>1</sup> [http://www.pbr.co.in/2017/2017\\_month/June/02.pdf](http://www.pbr.co.in/2017/2017_month/June/02.pdf)

However, there is a feeling among card holders that the banks are charging hefty interest and other fees. Credit card issuers charge interest which works out to roughly 42 per cent per annum. Delays or defaults result in payment of penal interest on all incremental usage of the card till the payments are made. Once the outstanding piles up, it can be a serious hazard to one's financial security<sup>2</sup>.

Today, competition among credit card players is intense. Offering benefits like reward points is just another way of luring customers into debt trap. The biggest problems arise when one gets into what is called revolver mode of repayment. Credit card use by the individuals employed in different sectors has affected their personal finance adversely. With availability of variety of goods and services in domestic as well as global market and due to convenient payment method, there is a change in the spending behavior of the individuals across different income groups during the past two decades. There is a trend of individuals buying goods and services using credit card and falling into the debt trap. This may also affect the savings adversely<sup>3</sup>.

## NEED OF THE STUDY

The globalization and liberalization policies of the government in India and advancement in technology have assisted various sectors of the economy. The financial sector, the key to growth and development of a country has become more convenient and faster for any kind of financial transaction to take place, whether for an individual, firm or for a nation. With changing scenario, the economy has opened itself to new modes of transactions and payments. The information and technological progress has assisted the pace of growth of financial sector. Electronic payment system has enabled the consumers to have more number of transactions more conveniently. Though currency or cash, is the most accepted medium of payment in all modern societies as it is the legal tender, it is now found that due to convenience of use (no need to carry cash), card based payment system is on the rise. The card based payments or use of plastic money includes both credit card and debit card. Among the two cards, credit card that allows the consumers to buy now and pay later has become an indispensable payment and credit instrument. A credit card works as a payment instrument and even as a source of credit<sup>4</sup>.

The present study focuses on the perception of card holders towards credit cards. The study was designed to gain a better understanding of the factors influencing possession of credit cards and card holders' satisfaction. The study also analyses the extent of utilization of credit cards by card holders and the level of awareness of bank customers not having credit cards about such cards.

---

<sup>2</sup> *Credit Cards (A legal Guide) Second Edition with Special References to credit card frauds –Rupa Mehta & Rohinton Mehta (2010) Universal Law Publishing Co.*

<sup>3</sup> *Finance and sustainable development (with special ref to micro finance)-Ashraf Imam, Abdul Rahman Shaik, Akansha Bhargava –Regal Publications (PAGE NO 332) Volume 2*

<sup>4</sup> *Elements of Banking and Insurance – Jyotsna Sethi (Reader Dept of commerce, Jesus & Mary College, University of Delhi) & Nishwan Bhata (Senior Faculty Member, Jesus & Mary College, University of Delhi) PHI Learning Pvt Ltd- Credit Cards 4.8,Page No:62 – 64.*

## SCOPE OF THE STUDY

The present study aims at analyzing the preference of the respondents on credit cards based on different periods and expenses. The study has been designed to gain a better understanding of the personal characteristics of respondents towards credit card usage. The study focuses on the length of usage of credit cards by the respondents and its usefulness to the respondents. The study identifies the service expectations of credit cardholders and their satisfaction. The study has been conducted in the district of Coimbatore among the people working in IT industries.

## OBJECTIVES OF THE STUDY

- To identify the influencing factors for preferring Credit card services among IT employees and their spending habits for credit card system.
- To examine the level of preference towards Credit card services among IT employees with reference to Coimbatore.
- To analyse the satisfaction level of IT employees and their opinion for further enhancement of credit card services.

## RESEARCH METHODOLOGY

**Table 1**  
**Distribution on Research methodology**

Sl.No	Research Components	Description of the study
1	Type of research	Descriptive research
2	Research approach	Survey study method
3	Research instrument	Interview Schedule
4	Data source	Primary and Secondary
6	Sampling method	Stratified Convenient sampling method
7	Sample unit	IT sector (10)
8	Sampling size	Employees (250)
9	Sample area	Coimbatore District
10	Statistical tools	1.Percentage analysis
		2. Weighted Average Score(WAS)
		3. Chi-Square
		4. SEM

## LIMITATIONS OF THE STUDY

- ❖ The study is confined to the respondents (credit card holders) of IT Sector in Coimbatore district.
- ❖ The study is limited only to the IT sector and all other sectors are ignored and not taken for the study, so limitation from generalisation takes places in this study.
- ❖ The primary data were collected through interview method which is subjected to recall bias.

## FRAMED HYPOTHESIS

- ❖ **H<sub>0</sub>**: There is no significant relationship between the dependent and independent variables
- ❖ **H<sub>0</sub>**: There is no significant relationship between the dependent and dependent variables

**Table 2**  
**Distribution on Sample size**

<b>Sl.no</b>	<b>Type of bank</b>	<b>Sample size</b>
1	BirlaSoft	25
2	Capgemini	25
3	Cognizant	25
4	HCL Technologies	25
5	Infosys	25
6	MindTree Ltd	25
7	NIIT Technologies	25
8	Robert Bosch	25
9	Tata Consultancy Services	25
10	Wipro Technologies	25
<b>Total</b>		<b>250</b>

**Source: Secondary Data**

## ANALYSIS OF DATA

### Profile of respondents (Majority only)

**Table 3**  
**Distribution on Overall result of demographic profile of respondents (majority)**

<b>Sl.no</b>	<b>Particulars</b>	<b>Variable (Majority)</b>	<b>No of respondents</b>	<b>Percentage</b>
1	Age	Below 25 years	94	38
2	Gender	Male	141	56
3	Marital status	Unmarried	133	53
4	Education qualification	Graduates	77	31
5	Designation	Admin & System	59	24
6	Monthly income	Upto 25000	77	31
7	Nature of employment	Permanent	152	61

**Source: Primary Data**

**Related information (Majority only)****Table 4****Distribution on Overall result of related information of respondents (majority)**

Sl.no	Particulars	Variable (Majority)	No of respondents	Percentage
1	Period of usage	Less than 1 year	91	36
2	bank processing credit card	Private bank	100	40
3	category of credit card	Silver	101	40
4	type of credit card	Visa	109	43
5	Number of cards own	1-2 cards	71	28
6	credit card limit	Upto 50000	128	51
7	Source of information	Advertisement	71	29
8	used in a month	1-3 times	122	49

**Source: Primary Data****Other information (highest rank only)****Table 5****Distribution on overall result of other information - Henry Garrett Ranking**

Sl.no	Particulars	Factors	Total score	Average	Rank
1	Reason for preferring credit card	ATM- cash withdrawal	50310	54.27	I
2	Purpose of spending habit	Festival Season purchase	49659	53.57	I
3	Preferred banks	Citibank Rewards Card(Citibank)	49206	53.08	I
4	Reason for using credit cards	Cashless convenience	46688	50.36	I

**Source: Computed Data****Testing of hypothesis (Chi-square)**

**Ho:** "There is no significant relationship between demographic profile and level of preference towards credit card services"

**Table 6****Distribution on testing of hypothesis (chi-square) Significant Level 5%**

Factor	Calculated Value	Table Value	D.F	Result
Gender	7.41	5.99	2	Significant
Age	17.69	12.6	6	Significant
Marital Status	7.180	5.991	2	Significant
Educational Qualification	13.63	12.6	6	Significant
Designation	40.046	15.5	8	Significant
Monthly Income	14.83	12.6	6	Significant
Nature of Employment	6.34	5.99	2	Significant

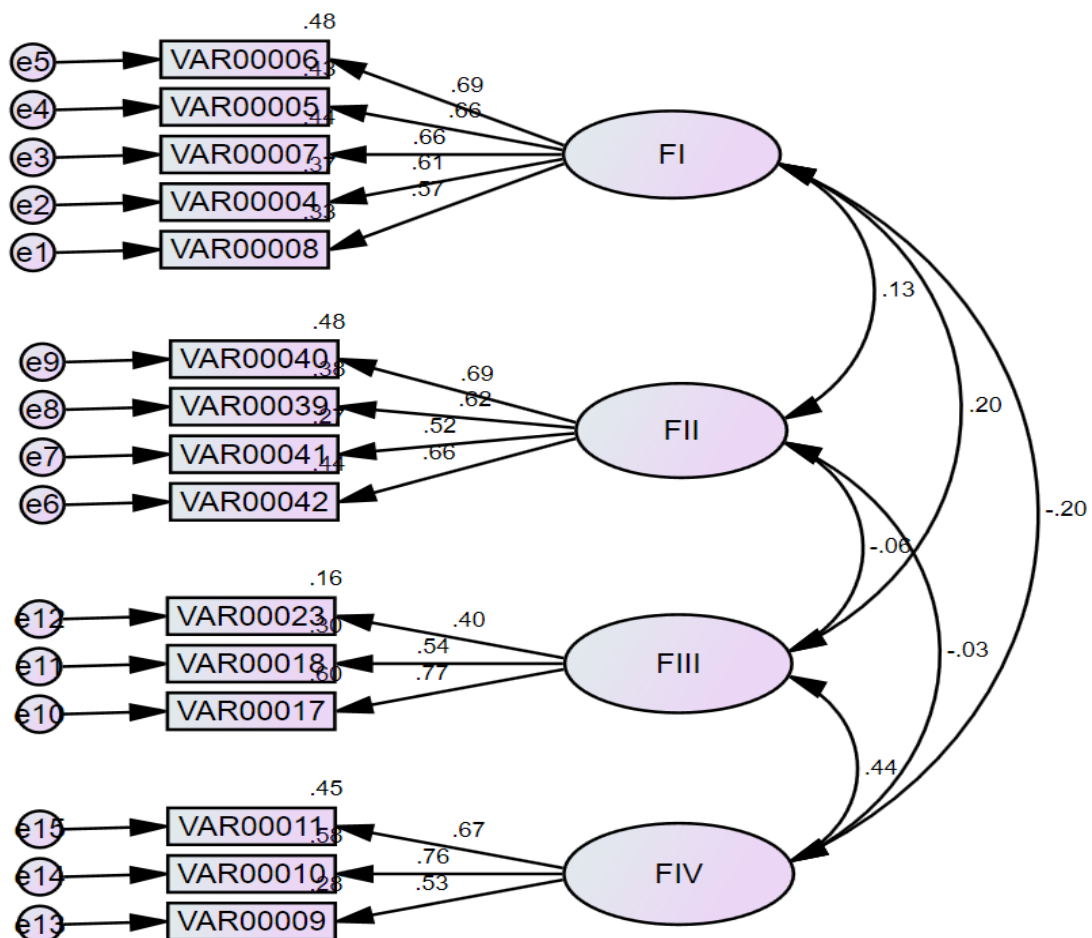
**Source: Computed Data**

**Structural Equation Model (SEM)**

**Ho:** “There is a positive impact between variables and level of satisfaction towards credit cardholders among IT employees”.

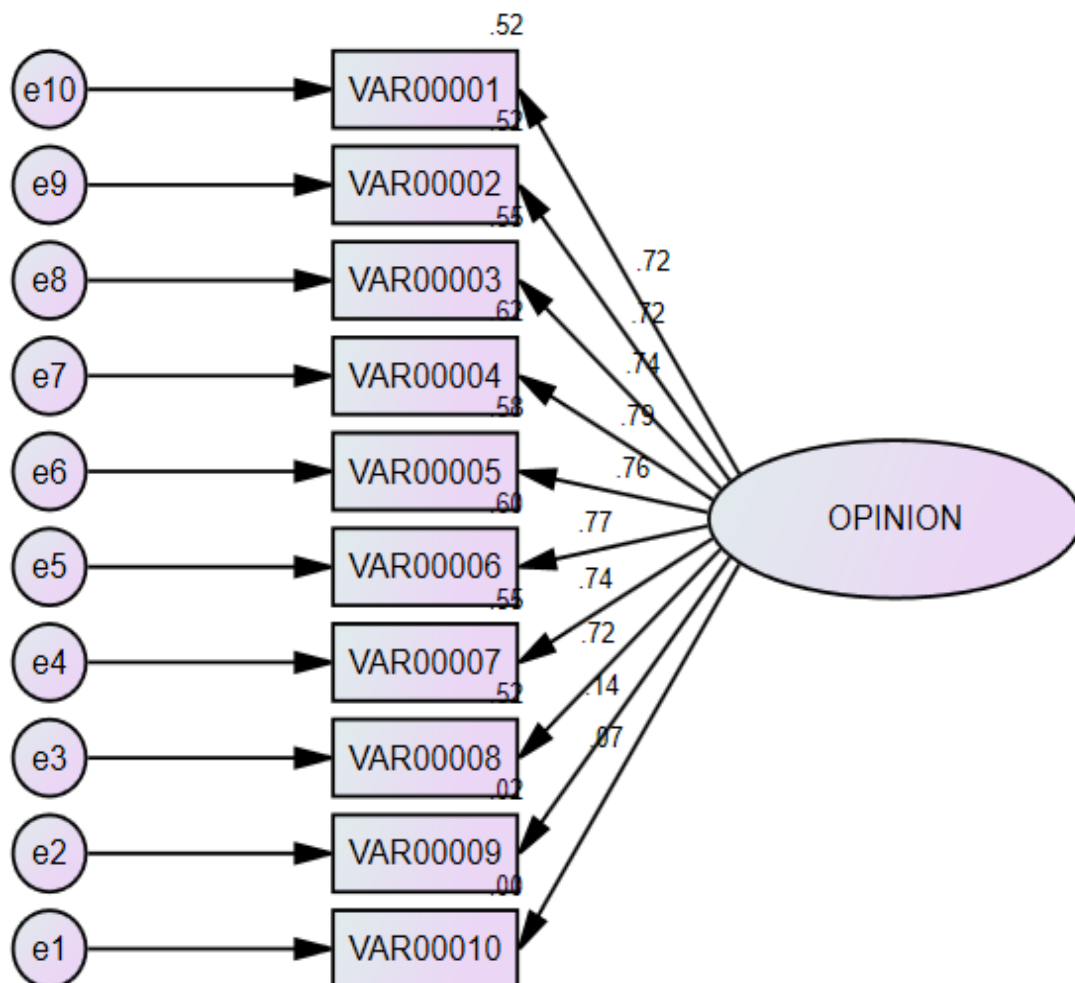
**Table 7**  
**Model fit index**

INDICES	After CFA	SUGGESTED VALUE
Number of Statements	15	
Chi-square value	335.566	
DF	84	
Chi-square/Df	3.995	< 5.00 ( Hair et al., 1998)
P value	0.000	> 0.05 ( Hair et al., 1998)
GFI	0.954	> 0.90 (Hu and Bentler, 1999)
AGFI	0.935	> 0.90 ( Hair et al. 2006)
NFI	0.988	> 0.90 (Hu and Bentler, 1999)
CFI	0.993	> 0.90 (Daire et al., 2008)
RMR	0.06	< 0.08 ( Hair et al. 2006)
RMSEA	0.05	< 0.08 ( Hair et al. 2006)
Cronbach Alpha	0.787	>0.7



**Table 8**  
**Model fit indices**

Sl. No	Model Fit Indices	Calculated Value	Acceptable Threshold Levels
1	Comparative Fit Index(CFI)	0.892	0-1
2	Normed Fit Index (NFI)	0.724	0-1
3	Relative Fit Index (RFI)	0.793	0-1
4	Incremental Fit Index (IFI)	0.816	0-1
5	Parsimonious Normed Fit Index (PNFI)	0.622	0-1
6	Parsimony Comparative Fit Index (PCFI)	0.728	0-1
7	Tucker Lewis Index (TLI)	0.621	0-1
8	Root Mean Squared Error of Approximation (RMSEA)	0.02	0.05 or less would indicate a close fit of the model





## FINDINGS OF THE STUDY

### Testing of hypothesis

#### Chi-square

- The calculated value of chi-square (7.41) is higher than the table value (5.99). Hence the null hypothesis is rejected. Hence, there is a close significant relationship between Gender and level of preference towards credit card services.
- The calculated value of chi-square (17.69) is more than the table value (12.6). Hence the null hypothesis is rejected. Hence, there is a close significant relationship between Age and level of preference towards credit card services.
- The calculated value of chi-square (7.180) is more than the table value (5.991). Hence the null hypothesis is rejected. Therefore, it is disclosed that there is a close significant relationship between Marital Status and level of preference towards credit card services.
- The calculated value of chi-square (13.63) is more than the table value (12.6). Hence the null hypothesis is rejected. Hence, it is concluded that, there is a close significant relationship between Educational qualification and level of preference towards credit card services.
- The calculated value of chi-square (40.046) is more than the table value (15.5), Hence the null hypothesis is rejected. Hence, it is inferred that there is a significant relationship between designation and level of preference towards credit card services.
- The calculated value of chi-square (14.83) is more than the table value (12.6). Hence the null hypothesis is rejected. Therefore, there is significant relationship between Monthly Income and level of preference towards credit card services.
- The calculated value of chi-square (6.34) is more than the table value (5.99). Hence the null hypothesis is rejected. Hence, there is a significant relationship between nature of employment and level of preference towards credit card services.

#### Structural Equation Model (SEM)

- It is inferred that the entire test has the range of 0 to 1. In case of CFA the Number of Statements are 15, Chi-square value is 335.556, DF is 84, Chi-square/Df is 3.995, P value is identified to 0.000, GFI is 0.954, AGFI is 0.935, NFI is 0.988, CFI is 0.933, RMR is 0.06, RMSEA is 0.05 and Cronbach Alpha is 0.787. From the above all, Considering all of these fit indexes it is obvious that there is a satisfactory fit between the proposed model and data the entire models shows that the goodness of the fit of the model.
- It indicates that the model fit indices of the variables. The entire test has the range of 0 to 1 The comparative fit index (CFI) scored 0.892, normed fit index (NFI) scored 0.724, relative fit index (RFI) scored 0.793, incremental fit index (IFI) scored 0.816, parsimonious normed fit Index (PNFI) scored 0.622, parsimony comparative fit index (PCFI) scored 0.728, Tucker Lewis index (TLI) scored 0.621 and the Root Mean Squared Error of Approximation (RMSEA) secured 0.02 that indicates a close fit of the model.

## SUGGESTIONS

### For the Credit Card Users

- As credit card has become an easy and convenient mode of payment with additional purchasing power, consumption of variety of goods and services is possible. But this might lead to impulsive buying and hence consumerism increases if not used prudently. Thus, it is recommended that credit card should be used only for those purchases that are really required.
- Credit card use becomes gainful only if the card user is a convenient user and not a revolver. It means one should be always making payment in full and not do part-payment or roll-over (minimum amount is paid). The reason is that the interest charged on credit card is very high nearly 2.5 to 3% on the outstanding balance. This becomes 36 to 40% per annum. Repayment of the outstanding balance should be done within a month or two or else the outstanding amount increases to a huge amount and the person falls in debt.
- For accumulating reward points, purchases through credit card are increased. This may lead to unnecessary purchases. Hence should not make purchases just to get the benefit of reward points.
- Use the credit card especially in emergency.

### For the Issuers/Bank:

- As credit card is one of the sources of making profits, bankers can offer various kinds of cards depending on age, the nature of occupation, monthly income. There is a scope for the bankers in Pune to increase their card market share as there are people about 18% of non-cardholders, who have never been approached by any bank.
  - Banks should not issue credit cards to students as it is the practice in other parts of the world as this may lead to unnecessary financial burden on the family. Similarly, issuing it to those senior citizens who are not working should be curbed as this may create financial problems if they are not able to do the payment in full.
- Credit cards should be issued to those customers with regular and high incomes. It should be made a policy that credit card is not issued to customers with monthly incomes below Rs.20,000/- and those who are on temporary positions.
- Interest rate levied on the credit card transactions, if the bill is not paid within the free period, should be reduced. It should be similar to that in other countries, like in USA; interest rate is only 1 to 1.5%. Further research opportunities exists for examining the changes in turnover for merchant establishments and the issuing banks due to the use of credit card specially in situations arising out of government policy decisions like demonetization. Scope exists for further research in including credit card use in consumer behavior in the changing marketing scenario across the world with changing methods of payment systems<sup>5</sup>.

---

<sup>5</sup> <http://125.99.47.158:8090/jspui/bitstream/123456789/130/1/Shilly%20John-Phd-Thesis.pdf>

## CONCLUSION

The changing spending pattern is due to increasing availability of disposable income plus the easy availability of credit facilities offered by the banking sector. The credit card issued and other forms of loans help maintain consumers' lifestyles. There is a growing change in spending behaviour of the consumers that can affect their savings adversely. Credit card uses by different sections of the people depending on their socio-economic characteristics and its effect on the personal finance i.e. their spending and savings. Traditionally the government jobs were considered secured with the additional benefits like DA, TA, HRA, PF and the retirement benefits. Due to the parity in salary scale in various government organizations the pattern of spending and saving behaviour is expected to be more or less similar. However, with the availability of credit cards there exists a possibility of increased spending. This possibility exists for those working in private firms as well, even if they may not get additional benefits as the government employees. But to maintain a particular life-style, credit card is used as it provides additional purchasing power. In case of self-employed, whose income is not fixed, use of credit card would definitely be a financial support both for meeting the family needs as well the business needs<sup>6</sup>.

## AGENDA FOR FUTURE RESEARCH

Several research papers can be developed from this study. For example, this study can be replicated to gauge customer preferences among the youth in Coimbatore. Researchers can also look at the importance and feasibility of the credit cards in Coimbatore and develop effective supplementary credit card services there.

## Reference

- ✓ *Credit Cards (A legal Guide) Second Edition with Special References to credit card frauds – Rupa Mehta & Rohinton Mehta (2010) Universal Law Publishing Co.*
- ✓ *Elements of Banking and Insurance – Jyotsna Sethi (Reader Dept of commerce, Jesus & Mary College, University of Delhi) & Nishwan Bhata (Senior Faculty Member, Jesus & Mary College, University of Delhi) PHI Learning Pvt Ltd- Credit Cards 4.8,Page No:62 – 64.*
- ✓ *Finance and sustainable development (with special ref to micro finance)-Ashraf Imam, Abdul Rahman Shaik, Akansha Bhargava –Regal Publications (PAGE NO 332) Volume 2*
- ✓ *Govindraj Ethiraj, [www.indiaspend.com/cover-story/9-reasons-indias-rising-credit-card-debt-shouldworry-you-66363](http://www.indiaspend.com/cover-story/9-reasons-indias-rising-credit-card-debt-shouldworry-you-66363).*
- ✓ *<http://125.99.47.158:8090/jspui/bitstream/123456789/130/1/Shilly%20John-Phd-Thesis.pdf>*
- ✓ *[http://www.pbr.co.in/2017/2017\\_month/June/02.pdf](http://www.pbr.co.in/2017/2017_month/June/02.pdf)*

---

<sup>6</sup> *Govindraj Ethiraj, [www.indiaspend.com/cover-story/9-reasons-indias-rising-credit-card-debt-shouldworry-you-66363](http://www.indiaspend.com/cover-story/9-reasons-indias-rising-credit-card-debt-shouldworry-you-66363).*