

# THE IMPACT OF CREDIT CARDS ON HDFC BANK CUSTOMERS IN SHIMOGA – AN EVALUATIVE STUDY

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## ABSTRACT

*The research paper provides a platform to understand the evaluation and the impact of credit card on the selected HDFC Bank customers of Shimoga District; it also studies the awareness level, usage of new innovative services and its beneficial impact on the financial System. It highlights the current weakness of the existing cardholders in the area selected for the study. The study focuses on the credit card holders of HDFC Banks, with the help of a structured schedule for the general public and personal interviews with the customers the in Shimoga District, Karnataka state, India. It concentrates on the new emerging challenges in infrastructural development and its opportunities, issues and policies in Credit card services and upgrade technical know-how in the Banking Sector with special reference to HDFC Banks to provide maximum benefits to the Bank customers.*

**Keywords:** Credit Card, Plastic Money, Banking services and Technology, HDFC Bank and Customers

## INTRODUCTION

Credit cards are fundamentally different from the other payment methods in that they involve extending credit rather than drawing on an existing store of funds. Banks in conjunction with credit card associations such as Visa and Master card, issue general-purpose credit cards. Department stores also issues credit card to be used for purchases at that particular store. Like Electronic Fund Transfer, payment by credit card is not anonymous. Since paying with a credit card does not involve a store of funds, deposit insurance and reserve requirements are not directly relevant. The bank that issues the card is liable and thus merchants are paid if the cardholders default. If the issuing bank fails, the credit card association guarantees payment to merchants with outstanding transactions and then has a creditor's claim on failed banks.

A **credit card** is part of a system of payments named after the small plastic card issued to users of the system. The issuer of the card 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. A credit card is different from a charge card, where a charge card requires the balance to be paid in full each month. In contrast, credit cards allow the consumers to

'revolve' their balance, at the cost of having interest charged. Most credit cards are issued by local banks or credit unions, and are the same shape and size as specified by the ISO 7810 standard. The length of this article or section may adversely affect readability.

## LITERATURE REVIEW

The literature in the area of Credit Cards is enormous and the studies vary from simple case studies to different state studies/cross-country studies to sector-wise comparison studies. Since it is difficult to review all the works carried out in the area of Plastic Money, this review is limited to only those studies which are relevant to the objectives of the present study. With this background, review of a few important works is made in the following paragraphs with an important objective to identify the research gap that exists at present.

Manas Ratha<sup>1</sup> (1997), in his research work *The Credit Card Model* studied usage of credit cards and its conceptualization of credit card system. He discussed the system and stock flows in the credit card which helps to identify the important variable in the system such as balance payable, credit card purchase, interest charges and other payments. James<sup>2</sup> (2008), in his article *Growth of Plastic Money: Prospects and Problem* had discussed economic and business prospects and problems involved in the plastic money market. In his work, it clearly studied the basic terms, plastic money, electronic payment and credit cards. The study also focused on plastic money penetration in India, reasons for growth and strong future for plastic money. Subramanian Ravi and Shiva Kumar<sup>3</sup> (2010) in their work *It's Your Number..... It's Your Life!* have been analysed plastic cards (both credit and debit cards) which posed universal presence and acceptance are being used for a variety of general purchases including for cash withdrawals. Russell G Smith<sup>4</sup> (1997), in his paper *Plastic Card Fraud* had analysed the plastic card industry criminals, plastic card frauds, or crimes of deception committed through the use of credit card, debit cards and stored value cards. Benito Arrunada<sup>5</sup> (2005) in his paper *Price Regulation of Plastic Money: A Critical Assessment of Spanish Rules* had analysed the extent of cardholder's fee, mandate payment systems to include only two costs when setting their domestic multilateral interchanges fee (MIFs): a fixed processing cost and a variable cost for the risk of fraud, the pricing scheme arising from the decisions will cause unbundling and under provision of those services whose cost are excluded. Ramalingam<sup>6</sup> (2009) in his paper *Usage Pattern of Credit Card Holders* had analysed the purpose and use of credit card, behavioural changes of credit card holder and the consumption pattern of the card holders. Dangwal, Kailash Sakalani and Swati Anand<sup>7</sup> (2010) in their article *E-Banking* had analysed the banking technology which was become the engine for triggering rapid change. In their work they discussed the current IT tools applicabilities in the banking such as Electronic Clearing and Settlement System, MICR/OCR Clearing System, Credit Clearing System, Debit clearing system, RTGS, SFMS, SWIFT, Plastic Money (Debit cards, Credit Cards, Smart Cards, Contactless Smart Cards), E-Commerce, remote banking services, ATM, e-cheque, Mobile Phone Banking, Biometric ATM for rural India and others. The article discussed era, where most of bank business is carried out with the help of electronic gadgets.

Kulwant Singh Pathania and Mamta Sharma<sup>8</sup> (2010) in their paper *Adoption of Banking Technologies* had analysed the adoption rate of the banking technologies and identifies the operational problems in the use of modern technologies and suggested the measures for improvement in the use of technologies. Lalit Mohan and Kathuria Singhanian<sup>9</sup> (2010) in the

article Investor Knowledge and Investment Practices of Private Sector Bank Employes had analysed the level of knowledge regarding various investment avenues and present investment practices of employee of private sector bank. The Study revealed that a large majority of the respondents in the Ludhiana city had invested in secured investment like employee provident fund, public provident fund and post office saving schemes and even, the bank employees considered as an investment tool rather than risk coverage instrument. Amrinder Kaur<sup>10</sup> (2010) in his research article Customer Satisfaction Perspective in Public Sector Banks: Post Privatisation Scenario has described the metamorphous change in the last couple of decades after onset of reforms in the financial sector. Here the author endeavors to appraise the customer satisfaction scenario in the public sector banks in relation to foreign banks. Kalyan Ram Addanki<sup>11</sup> (2009) in his article Customer Rentention in the Banking Sector had analysed the customer behavior and services provided by the banks behavioral pattern of a new customer and challenges faced by the banking sector to retention the customers. Uppal and Rimpi Kaur<sup>12</sup> (2008) in their article Customer Services in Banks: An Empirical Study had analysed the emerging competitive environment and IT era in the Indian Banking Sector. The Study focused on the liberalization, privatization and globalization which have been completely changed the customer relationship management in banks.

## RESEARCH METHODOLOGY

This present study has considered both the secondary data and primary data. The primary data was collected by conducting the survey and personnel interviews with the bank customers of HDFC Bank in selected area the purpose of survey the structured questionnaires were used. In this view an attempt was made to measure the extent of deployment of banking services and impact of credit cards on the customers, particularly in Shimoga district. The secondary data have been mainly drawn from various magazines, journals, newspapers, articles, textbooks; reports on Reserve Bank of India and the data available on web sites. The research study has focused on credit cards and its services in the Shimoga District. It covers the overview of the Credit card users in the Karnataka, the impact of its services on HDFC Bank customers and performance of Credit cards, awareness and usage of the plastic money. (January 2013 – May 2013). Collected data had been analyzed with the help of suitable statistical tools and techniques. The percentages, Frequency distribution tables and other necessary techniques like t-test were applied for the analysis. The sample consists of 100 respondents was selected among public in the Coimbatore District randomly selected on the basis of their income level. The study was carried out during January 2013 – May 2013.

## OBJECTIVES OF THE STUDY

The objectives of the study are as follows -

1. To study the banking services of HDFC Bank in the Shimoga District;
2. To know the Credit card impact on HDFC Bank customers of Shimoga District;
3. To understand the marketing and promotional strategies of credit cards;
4. To analyze the effectiveness of credit card services; and

5. To suggest measures to offer good quality of credits cards and the services to the customers.

**HYPOTHESIS OF THE STUDY**

**H<sub>a0</sub>**: Credit card services have strong impact on the HDFC Bank customers in Shimoga;

**H<sub>a1</sub>**: Credit card service has strong impact on the HDFC Bank customers in Shimoga;

**H<sub>b0</sub>**: Services of HDFC Bank has significance impact on the customers;

**H<sub>b1</sub>**: Services of HDFC Bank has no significance impact on the customers;

**RESULTS, ANALYSIS AND INTERPRETATION OF DATA**

This section analyses the network system of banking activities and issues of the credit card transactions and the impact on customers, particularly in, Shimoga district for various services and facilities provided by HDFC Bank to their customers (respondents).

**Table 1.** Socio-Economic Profile of HDFC Bank Customers in Shimoga District

Category	Respondents	Percentages
<b>Gender</b>		
Male	65	65%
Female	35	35%
<b>Total</b>	<b>100</b>	<b>100%</b>
<b>Age Group</b>		
Below 18 years	24	24%
18 to 30 years	55	55%
31 to 50 years	17	17%
51 and above age	04	04%
<b>Total</b>	<b>100</b>	<b>100%</b>
<b>Occupation</b>		
Student	40	40%
Private Sector Bank	22	22%
Business man	16	16%
Government employees	14	14%
Others	08	08%
<b>Total</b>	<b>100</b>	<b>100%</b>
<b>Income per Annum (in Rs)</b>		
Above Rs. 2,00,000	04	04%
1,50,001 to 2,00,000	09	09%
1,00,001 to 1,50,000	10	10%
50,001 to 1,00,000	16	16%
40,001 to Rs. 50,000	21	21%
Below 40,000	40	40%
<b>Total</b>	<b>100</b>	<b>100%</b>

**Source:** Survey data, January – May, 2013.

Only 65% of sample are men effectively using the service of HDFC Bank in the Shimoga, District and are having daily dealings in various aspects;

- Majority (79%) of customers are young (18 to 30), senior citizens / customers are very few (4%);
- From the above table, it is evident that the 40% of the respondents are students who are playing major role in the utilization of the HDFC Bank services in and around the Shimoga district
- Most of the customers (40%) are from low level income (LLI) (below Rs 4,000), 47% belongs to middle and only 13% of the (HLI) High level income group uses the credit card services of HDFC Bank in Shimoga District.

**Table 2.** HDFC Bank Customers Satisfaction in holding the Credit cards

Particulars	Excellent	Very Good	Good	Average	Poor
Comfortable and Convenient	-	71	-	-	29
Limit of transaction	31	54	12	03	-
Period of Credit	11	74	14	01	-
Quality of Services	12	74	12	02	-
Interest Rate	15	67	11	07	-

**Source:** Survey data, January – May, 2013.

**Table 3.** Awareness Credit card from the customers

Sl. No	Sources	No. of respondents	percentage
01.	Advertisements	42	42%
02.	Family members	58	58%
03.	Friends	00	00%
<b>Total</b>		<b>100</b>	<b>100%</b>

**Source:** Survey data, January – May, 2013.

58% of the respondents are well aware of the credit cards from their own family members and 42% from the advertisement.

**Table 4.** Role Media and Bankers to promote Credit card services to the customers

Sl. No	Media	No. of respondents	percentage
01.	Pamphlets and publicity Materials	34	34%
02.	News Paper	55	55%
03.	others	11	11%
<b>Total</b>		<b>100</b>	<b>100%</b>

**Source:** Survey data, January – May, 2013.

55% of the respondents had an opinion that the news paper is a good media to promote credit card services.

**TESTING OF THE HYPOTHESIS**

**Testing of Hypothesis – I**

**H<sub>a0</sub>**: Credit card services have strong impact on the HDFC Bank customers in Shimoga;

**H<sub>a1</sub>**: Credit card service has strong impact on the HDFC Bank customers in Shimoga;

**Table 5.** Paired Samples Statistics

Category	Mean	N	Std. Deviation	Std. Error Mean
Plastic Money and Credit card Services of HDFC Bank	1.34	50	.479	.068
HDFC Bank services difference between other Banking Services	1.38	50	.490	.069
HDFC Banking services in Shimoga District	2.46	50	1.092	.154
Credit Card Services and its impact on HDFC Bank customers in the Shimoga District in the Karnataka	1.84	50	.934	.132

**Table 6.** Paired Samples Test

Category	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Plastic Money and Credit card Services of HDFC Bank	1.960	1.577	0.223	1.512	2.408	8.786	49	.000
HDFC Bank services difference between other Banking Services	1.180	0.661	0.093	0.368	0.008	9.927	49	.060
HDFC Banking services in Shimoga District	1.060	0.620	0.088	0.236	0.116	8.685	49	.497
Credit Card Services and its impact on HDFC Bank customers in the Shimoga District in the Karnataka	1.040	0.699	0.099	1.159	0.239	9.405	49	.687

As H<sub>a0</sub> is two-sided in the above table, by applying the two-sided test for determining the rejection regions at 5% level which come to as under, using SSPS package, and the t-value are 8.786, 9.927, 8.685, and 9.405 respectively. Here table value is higher than the calculated

value hence the result is rejected and it is true that Credit card service has strong impact on the HDFC Bank customers in Shimoga.

### Testing of Hypothesis – II

**H<sub>b0</sub>**: Services of HDFC Bank has significance impact on the customers;

**H<sub>b1</sub>**: Services of HDFC Bank has no significance impact on the customers;

**Table 7.** Marketing and Promotional strategies for Credit Card Services by the HDFC Bank

Response	Frequency	Proportions
Yes	40	$(\Lambda @ p)$ 0.40
No	60	$(\Lambda @ q)$ 0.60

$$z = \frac{\Lambda - p}{\sqrt{\frac{p \cdot q}{n}}}$$

$$z = \frac{0.40 - 0.50}{\sqrt{\frac{0.50 \times 0.50}{50}}}$$

$$z = \frac{-0.10}{0.005}$$

$|z| = 20$ ,  $|z|_{cal} = 20 > Z_{0.05}$ , and  $Z_{0.01}$ , i.e., 1.96 and 2.56 respectively

Hence  $H_0$  is rejected and we can conclude that the marketing and promotional strategy for credit card services by HDFC Bank has no significance impact on the customers. It is just of a peripheral component in a Banking services and hence most of the times the Banking sector are doesn't follow the systematic promotional strategies.

**Table 8.** One-Sample *t* - Test

Hypothesis tested for goodness of their fit	Test Value = 0							
	<i>t</i> <sub>(Cal)</sub>	df	Sig. (2-tailed)	Mean Difference	99% Confidence Interval		95% Confidence Interval	
					Lower	Upper	Lower	Upper
<b>H<sub>a0</sub></b>	18.14	49.00	0.00	1.66	1.33	1.81	1.36	1.75
<b>H<sub>a1</sub></b>	27.26	49.00	0.00	2.32	1.87	2.38	1.94	2.26
<b>H<sub>b0</sub></b>	18.97	49.00	0.00	1.29	1.16	1.46	1.16	1.45
<b>H<sub>b1</sub></b>	16.25	49.00	0.00	1.54	1.19	1.89	1.33	1.73

All these factors when tested for goodness of their fit are seen that the calculated Students *t* value is much higher than the acceptable value both at 5% and 1% percent level of significance. Hence, the null hypothesis for  $H_{b1}$  are rejected and we could conclude that the Credit Card services and its Impact on the Bank customers has strongly affect the customers in the selected area when intending to create a favorable and acceptable facilities and services will have to focus on considering the ethical variables prevailing in the providing best banking technology and services, so that they would not deter the value system banking services and credit cards usages in the Shimoga district.

## RESULTS

The major findings of the study are as follows -

- HDFC Bank provide the best timely quality services at the reasonable cost to the their customers in the Shimoga district;
- Most of the customers are effectively using the credit cards and other banking services;
- Very less number of women and the senior citizens are utilizing the credit cards;
- Only very few customers fall on High Level Income group (4%) ranging from Rs. 200,000 per annum;
- 40% of customers and approximately 52% of public customers belongs to private sector banks, business man and government employees and 08% are others who use the credit cards and other services effectively in the city;
- 65% of customers are men and senior citizens those are utilizing the credit cards and banking services up to their level in the day to day activities for their lively hood;
- 58% of the customers are well aware about the credit cards services in the Shivamogga District;
- The Most effective media to promote the credit cards was News paper, its about 55% in the city which created a strong impact on the HDFC Bank customers; and
- Credit cards are quite safe to the people.

## CONCLUSION

The study was conducted to understand effectiveness of the credit card services provided to the Shimoga district HDFC Bank customers and its performance are evaluated. The study understands the marketing and promotional strategies implemented by the HDFC Bank in the selected areas. In a developing country like India, there is a great need for providing better and efficient banking services to their customers. The role of credit card services and its impact in the development of credit card services was analyzed. The banking products and services is the key activities for the development of the Banking sectors. The study contributes to increase the quality services and usefulness from the innovations of banking products in India. The plastic money efficient services and credit card development in Shimoga district contributes significantly to the banking development of the country.

## LIMITATION OF THE STUDY

- The study in limited only to Shimoga District, Karnataka state and credit card holders of HDFC Bank and its services limited; and
- It covers only 50 customers and focused only on the credit card holders.

## SCOPE FOR FURTHER RESEARCH

- Banking Technology products and services, problems and its developments in urban areas

- Credit cards user among the rural customers in remote villages and its impact with developmental strategies

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