



A STUDY ON FACTORS INFLUENCING CUSTOMER'S DECISION TO OPT FOR A CREDIT CARD

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Abstract

Credit cards play a vital role in today's e-world. But many do not have it while some have it. The features of credit cards vary in nature as they not only provide credit but also sometimes for example, convenience. So different people use the credit card for different purposes. This article tries to find out the factors that influence a customer to opt for the credit card.

Introduction

Credit cards came into existence in 1958 when Bank of America launched its card which in 1976 became VISA, USA. Also the concept of credit card gained momentum in 1966, when seventeen bankers met in Buffalo, New York to form a federation and created interbank card association (ICA) which became Master card in 1979.

The visa and Master Card are the two brands which gained recognition world over and through tie ups with various banks across the globe has now started reaching the ultimate customers. The use of credit cards for varying needs by the customer and the factors which prompts the customers to opt for a credit card is what this study is attempting to find out.

Background of Study:It is a common knowledge that credit cards are used for availing the credit option and pay the expenditure incurred over a period of time. However the concept of "credit cards" as such has a huge potential as the utilization of this concept is comparatively less. Some of the bankers who provide these services have been able to increase market share while some others are losing out.

On the other hand the potential for this "credit card" selling has huge untapped potential market. This gives rise to a curiosity to know as to why people choose to have a credit card. Keeping the above background in mind this study has been initiated. This study will also enable further research in related areas connected to this field.

Research Design:The type of research adopted is descriptive research

Sampling design: The method of sampling adopted for this study in non probability convenience sampling.

In this method the sample insight are chosen primarily on the basis of my convenience.

Estimating Universe Characteristics: Population from which the sample is drawn: the credit card holders among the residents of Chennai.

Sample size: 250

Statistical tools used for the study:After tabulation of data researcher has used the following statistical tools;

Percentage analysis

Chi-square test

Ranking

Charts (bar chart and pie chart)

ANOVA –two way

Weighted average\

Tools for data collection: Questionnaire tested with a pilot study among 15 persons and corrections incorporated based on the feedback.

Statement of the Problem:The credit cards are opted by the customers for varying needs. Since the credit cards offer various kinds of convenience to the customers the bankers need to understand which of the factors influence the card users and accordingly focus on them. This study is trying to identify which are the factors influences the card users when they decide to take a credit card from a bank.

Objectives of the study

Primary objectives

1. To find out the factors influencing the customers decision to opt for a credit card.
2. To find out the factors that plays the major role in influencing the decision to opt for a credit card.

Secondary Objectives

1. The effectiveness of the advertisement in influencing the decision to own the credit card
2. To find out which of the medium that provides awareness to the customer about credit cards



- To find out the customers satisfaction level of the service provider

Scope of study:The study is exclusively limited to holders of credit cards among the residents of Chennai city. As varying age groups are eligible to own the credit card, their needs, preferences, usage habits vary widely which in turn gave the study a wide and large scope for analysis.

Limitations of Study :The findings and conclusions are based on the sample size of 250 which is considered as representative of the universe under non-probability convenience sampling method.

Data Analysis and Interpretation

Gender		
OPTIONS	FREQUENCY	PERCENTAGE
MALE	132	52.80
FEMALE	118	47.20
TOTAL	250	100.00

Inference: The sample with respect to Gender is almost equally divided.

AGE		
OPTIONS	FREQUENCY	PERCENTAGE
18-26	69	27.60
26-34	58	23.20
34-42	47	18.80
42-50	43	17.20
50-58	19	07.60
58-66	14	05.60
TOTAL	250	100.00

Inference: A maximum of 69 respondents were found in the age group 18-26 out of 250 respondents.

OCCUPATION		
OPTIONS	FREQUENCY	PERCENTAGE
BUSINESS	36	14.40
CONSULTANT	37	14.80
EMPLOYED	142	56.80
HOUSE WIFE	21	08.40
TEACHER	14	05.60
TOTAL	250	100.00

Inference: 56.80% of the respondents were employed in Organizations out of 250 respondents.

MONTHLY INCOME		
OPTIONS	FREQUENCY	PERCENTAGE
8000 - 20000	126	50.40
20000 - 32000	59	23.60
32000 - 44000	20	08.00
44000 - 56000	24	09.60
Non-Salaried Class	21	08.40
TOTAL	250	100.00

Inference: A maximum of 126 respondents (50.40%) had monthly income in the category 8000-20000.

EDUCATIONAL QUALIFICATION		
OPTIONS	FREQUENCY	PERCENTAGE
DOCTORATE	20	08.00
POST-GRADUATE	58	23.20
GRADUATE	98	39.20
UNDER-GRADUATE	74	29.60
TOTAL	250	100.00

Inference: 98 out of 250 respondents are Graduates.



AWARENESS ABOUT CREDIT CARDS

OPTIONS	FREQUENCY	PERCENTAGE
FRIENDS / RELATIVES	64	25.60
PRINT MEDIA	47	18.80
ELECTRONIC MEDIA	39	15.60
HOARDINGS	34	13.60
BANK REPRESENTATIVE	66	26.40
TOTAL	250	100.00

Inference: Friends / Relatives and Bank Representative contribute to more than 50 percent.

TYPE OF CARD

OPTIONS	FREQUENCY	PERCENTAGE
VISA	171	68.40
MASTER CARD	79	31.60
TOTAL	250	100.00

Inference: 171 respondents out of 250 respondents had opted for VISA.

ISSUING BANK

OPTIONS	FREQUENCY	PERCENTAGE
ABN AMRO	21	08.40
CITI BANK	38	15.20
HDFC	20	08.00
HSBC	19	07.60
ICICI	38	15.20
SBI	52	20.80
STANDARD CHARTED	38	15.20
UTI	24	09.60
TOTAL	250	100.00

Inference: 52 respondents opted for SBI; followed by 38 respondents for both CITI BANK and STANCHARTED BANK.

TIME GAP IN APPLYING & SANCTIONING OF THE CARD

OPTIONS	FREQUENCY	PERCENTAGE
5-10 DAYS	59	23.60
10-15 DAYS	49	19.60
15-20 DAYS	38	15.20
20-25 DAYS	29	11.60
25-30 DAYS	45	18.00
> 30 DAYS	30	12.00
TOTAL	250	100.00

Inference: Maximum of 59 out of 250 respondents opted for 5-10 days as the time gap between applying and issuing of the card.

ROLE OF EFFECTIVENESS OF ADVERTISEMENTS

OPTIONS	FREQUENCY	PERCENTAGE
ABSOLUTELY EFFECTIVE	39	15.60
EFFECTIVE	145	58.00
NEUTRAL	20	08.00
NOT EFFECTIVE	28	11.20
ABSOLUTELY NOT EFFECTIVE	18	07.20
TOTAL	250	100.00

Inference: 58% of the respondents felt that the role of advertisements was effective.

MOST INFLUENCING FACTORS IN OPTING FOR CREDIT CARD

OPTIONS	FREQUENCY	PERCENTAGE
STATUS SYMBOL & PRESTIGE	19	07.60
EMERGENCY USE	98	39.20



LOAN FACILITY	29	11.60
CASHLESS TRANSACTION WITH SECURITY	19	07.60
CREDIT AVAILABILITY	39	15.60
REPAYMENT THROUGH INSTALLMENTS	19	07.60
REWARD POINTS & SPECIAL OFFERS	27	10.80
TOTAL	250	100.00

Inference: 98 out of the 250 respondents opted for Emergency Use as the preferred option.

SATISFACTION LEVEL WITH RESPECT TO CREDIT CARD

OPTIONS	FREQUENCY	PERCENTAGE
HIGHLY SATISFIED	93	37.20
SATISFIED	127	50.80
NEUTRAL	30	12.00
TOTAL	250	100.00

Inference: 127 respondents out of the 250 respondents were satisfied, while 93 respondents were highly satisfied.

RATING THE SERVICE PROVIDERS

OPTIONS	FREQUENCY	PERCENTAGE
EXCELLENT	34	13.60
VERY GOOD	100	40.00
GOOD	76	30.40
FAIR	40	16.00
Total	250	100.00

Inference: 100 respondents rated the service providers as VERY GOOD; while 76 respondents rated them as GOOD.

Weighted Average Method

Total Number of Respondents for each attribute = 250

Table (A)

Ranking the Factors that influence the customers decision to opt for a credit card.

Factor \ Rank	SSP	EU	LF	CTS	CA	RTI	UPM T	RPSO	OB	ADV	TKTE
1	29	96	18	48	19	10	0	10	10	0	10
2	0	40	58	66	46	0	20	0	10	10	0
3	20	19	0	49	47	95	0	20	0	0	0
4	20	19	58	27	59	28	29	0	0	9	10
5	0	28	38	20	20	47	87	0	0	10	0
6	10	29	19	20	29	20	46	48	19	0	10
7	0	9	10	0	10	10	29	85	58	0	39
8	47	0	10	0	0	0	10	28	86	59	10
9	38	0	20	0	10	20	19	9	29	30	75
10	28	10	19	10	0	0	10	40	20	64	49
11	58	0	0	10	10	20	0	10	18	68	47

Formula:

$$\text{Weighted Average} = \frac{\sum W_i X_i}{\sum W_i}$$

where,

- W_i - weight given to the cell,
- X_i - Number of respondents in the cell

Rank	1	2	3	4	5	6	7	8	9	10	11	
Weight	11	10	9	8	7	6	5	4	3	2	1	66



$\sum W_i = 66$

Factors	$\sum W_i X_i$	$\sum W_i X_i / \sum W_i$	Rank
Status Symbol & Prestige	1135	17.20	8
Emergency Use	2214	33.54	1
Loan Facility	1810	27.42	4
Cashless Transaction with Security	2135	32.34	2
Credit Availability	1968	29.82	3
Repayment through Installments	1768	26.78	5
Use of Plastic Money during travel	1579	23.92	6
Reward Points & Special Offers	1232	18.67	7
Online Booking	1103	16.71	9
Advertisements	764	11.58	11
To Keep track of Expenses	855	12.95	10

Inference: With respect to the Factors that influence the customers decision to opt for a credit card – Emergency Use stood first followed by Cashless Transaction with Security.

HYPOTHESIS TEST – I

CHI-SQUARE TEST

Null Hypothesis (H0)

- Gender is not associated to the opinion of respondents in connection to rating the service providers.

Alternative Hypothesis (H1)

-Gender is associated to the opinion of respondents in connection to rating the service providers.

Rating the Service Providers \ Gender	Excellent	Very Good	Good	Fair	Total
Male	24	51	46	11	132
Female	10	49	30	29	118
TOTAL	34	100	76	40	250

O	E	(O-E) ² /E
24	17.952	2.037
11	21.120	4.849
46	40.128	0.860
51	52.800	0.061
10	16.048	20279
29	18.880	5.424
30	35.872	0.961
49	47.200	0.068
TOTAL		16.539

$$\chi^2 = \frac{(O-E)^2}{E}$$

$$= 16.539$$

$$\text{Degree of freedom} = (r-1)(c-1)$$

$$= (2-1)(4-1)$$

$$= 3$$

Table value of χ^2 (0.05) at d.f. 3 = 7.815.

The table value of χ^2 is less than the calculated value. So the NULL HYPOTHESIS is rejected and ALTERNATIVE HYPOTHESIS is accepted.



HYPOTHESIS TEST – II

CHI-SQUARE TEST

Null Hypothesis (H0)

- There is no relationship between Type of Card held and the opinion of respondents in connection to rating the service providers.

Alternative Hypothesis (H1)

-There is relationship between Type of Card held and the opinion of respondents in connection to rating the service providers.

Rating the Service Providers Card	Excellent	Very Good	Good	Fair	Total
Master Card	10	18	27	24	79
Visa	24	82	49	16	171
TOTAL	34	100	76	40	250

O	E	(O-E) ² /E
10	10.74	0.051
24	23.25	0.023
24	12.64	10.20
16	27.36	4.716
27	24.01	0.370
49	51.98	0.171
18	31.60	5.853
82	68.40	2.704
TOTAL		24.100

$$\chi^2 = \frac{\sum (O-E)^2}{E} = 24.100$$

$$\begin{aligned} \text{Degree of freedom} &= (r-1)(c-1) \\ &= (2-1)(4-1) \\ &= 3 \end{aligned}$$

Table value of $\chi^2(0.05)$ at d.f. 3 = 7.815.

The table value of χ^2 is less than the calculated value. So the NULL HYPOTHESIS is rejected and ALTERNATIVE HYPOTHESIS is accepted.

HYPOTHESIS TEST – III

CHI-SQUARE TEST

Null Hypothesis (H0)

-There is no relationship between Type of Card held and the respondents Satisfaction Level with respect to Credit Card.

Alternative Hypothesis (H1)

-There is relationship between Type of Card held and the respondents Satisfaction Level with respect to Credit Card.

Satisfaction Level Card	Highly Satisfied	Satisfied	Neutral	Total
Master Card	9	50	20	79
Visa	84	77	10	171
TOTAL	93	127	30	250

O	E	(O-E) ² /E
9	29.38	14.14
84	63.62	6.53



20	9.48	11.67
10	20.52	5.39
50	40.13	2.42
77	86.87	1.12
TOTAL		41.29

$$\chi^2 = \frac{(O-E)^2}{E}$$

$$= \frac{41.29}{(r-1)(c-1)}$$

$$= \frac{41.29}{(2-1)(3-1)}$$

$$= 20.645$$

Table value of χ^2 (0.05) at d.f. 2 = 5.991.

The table value of χ^2 is less than the calculated value. So the NULL HYPOTHESIS is rejected and ALTERNATIVE HYPOTHESIS is accepted.

**HYPOTHESIS TEST – IV
 TWO – WAY ANOVA**

1. TIME GAP BETWEEN APPLYING & SANCTIONING OF THE CARD

Null Hypothesis (H0) -There is no relationship between Time gap between applying & sanctioning of the card and the approach undertaken by the Organization.

Alternative Hypothesis (H1) - There is relationship between Time gap between applying & sanctioning of the card and the approach undertaken by the Organization.

2. RATING THE SERVICE PROVIDERS PERFORMANCE

Null Hypothesis (H0) -There is no relationship between Rating the service providers performance and the approach undertaken by the Organization.

Alternative Hypothesis (H1) - There is relationship between Rating the service provider’s performance and the approach undertaken by the Organization.

RATING SERVICE PROVIDERS	EXCELLENT	VERY GOOD	GOOD	FAIR
TIME GAP BETWEEN APPLYING & SANCTIONING OF THE CARD				
5-10 DAYS	8	19	29	3
10-15 DAYS	-	28	20	1
15-20 DAYS	-	9	18	11
20-25 DAYS	-	19	9	1
25-30 DAYS	16	25	-	4
> 30 DAYS	10	-	-	20
TOTAL	34	100	76	40

X1	X2	X3	X4	X1 ²	X2 ²	X3 ²	X4 ²
8	19	29	3	64	361	841	9
-	28	20	1	-	784	400	1
-	9	18	11	-	81	324	121
-	19	9	1	-	361	81	1
16	25	-	4	256	625	-	16
10	-	-	20	100	-	-	400
34	100	76	40	420	2212	1646	548

$$\text{CORRECTION FACTOR} = \frac{(T)^2}{N}$$



$$= \frac{(250)^2}{18}$$

$$= 3472.22$$

vSum of Squares – CF

$$= [X_1^2 + X_2^2 + X_3^2 + X_4^2] - CF$$

$$= [420 + 2212 + 1646 + 548] - CF$$

$$= [4826 - 3472.22]$$

$$= 1353.78$$

Sum of squares between columns

$$= \left[\frac{X_1^2}{n} + \frac{X_2^2}{n} + \frac{X_3^2}{n} + \frac{X_4^2}{n} \right] - CF$$

$$= \left(\frac{34^2}{3} + \frac{100^2}{5} + \frac{76^2}{4} + \frac{40^2}{6} \right) - CF$$

$$= 385.33 + 2000 + 1444 + 266.67 - 3472.22$$

$$= 623.78$$

Sum of squares between rows

$$= \left[\frac{X_1^2}{n} + \frac{X_2^2}{n} + \frac{X_3^2}{n} + \frac{X_4^2}{n} + \frac{X_5^2}{n} + \frac{X_6^2}{n} \right] - CF$$

$$= \left(\frac{59^2}{4} + \frac{49^2}{3} + \frac{76^2}{3} + \frac{40^2}{3} + \frac{40^2}{2} + \frac{40^2}{2} \right) - CF$$

$$= 870.25 + 800.33 + 481.33 + 280.33 + 675 + 450 - 3472.22$$

$$= 85.02$$

Residual Value:

$$= \text{Sum of Squares} - \text{Between Columns} - \text{Between Rows}$$

$$= 644.98$$

SOURCE OF VARIANCE	SUM OF SQUARES	DEGREE OF FREEDOM	VARIANCE	FISCHER'S (CV)	FISCHER'S (TV)
BETWEEN COLUMNS	623.78	(C-1) = (4-1) = 3	207.93	207.93/43 = 4.84	3.29
BETWEEN ROWS	85.02	(R-1) = (6-1) = 5	17.004	43/17.004 = 2.53	4.62
RESIDUAL	644.98	(C-1)(R-1) = 15	43		

FISCHER'S TEST (BETWEEN COLUMNS):

$$= \frac{\text{Largest number}}{\text{Smallest number}}$$

$$= \frac{207.93}{43}$$

FISCHER'S TEST calculated value: 4.84

FISCHER'S TEST table value : 3.29

FISCHER'S TEST (BETWEEN ROWS):

$$= \frac{\text{Largest number}}{\text{Smallest number}}$$



$$= \frac{43}{17.004}$$

FISCHER'S TEST calculated value: 2.53
FISCHER'S TEST table value : 4.62

Conclusion

The Null hypothesis of TIME GAP BETWEEN APPLYING & SANCTIONING OF THE CARD is accepted, since the fischer's test calculated value is less than the table value, H0 is accepted and H1 is rejected. This proves that there is no relationship between TIME GAP BETWEEN APPLYING & SANCTIONING OF THE CARD and the approach undertaken by the Organization. The Alternative hypothesis of RATING THE SERVICE PROVIDERS PERFORMANCE is accepted, since the Fischer's test table value is less than the calculated value, H0 is rejected and H1 is accepted. This proves that there is relationship between RATING THE SERVICE PROVIDERS PERFORMANCE and the approach undertaken by the Organization.

Summary of Findings

1. The top three ranks of the most influencing factors in opting for the credit card were observed to be;
 - RankFactor
 1. Emergency Use
 2. Cashless Transaction with security
 3. Credit Availability
2. Following were the eight important factors observed to be as the influencing factors in opting for the credit card
 1. Emergency Use
 2. Cashless Transaction with security
 3. Credit Availability
 4. Loan facility
 5. Repayment in installments
 6. Use of Plastic Money during travel
 7. Reward points and special offers
 8. Status symbol and prestige
3. 58% of the respondents felt that role of advertisement was more effective to create awareness about credit cards
4. Awareness of credit cards was brought about by
 - 26.4 % feel it is because of Bank representative
 - 25.60 % feel it is happening through friends and relatives
 - 18.8 % feel it is because of print media.
5. The satisfaction level with respect to credit card was found to be as follows;
 - Highly satisfied = 37.20%
 - Satisfied = 50.80%
 - Neutral = 12.00%
6. 40% rated the service provided by banks as very good while 30.4% rated as good and 13.60 % as excellent.
7. Maximum of 23.60 % of respondent were able to get their credit cards within 5-10 days of applying of the card (minimum delay)
 - While 12 % of the respondents got the credit card after 30 days of applying (maximum of delay)
8. Gender was a factor in rating the service providers assessment
9. The sample with respect to gender was 50.8 % male and 47.20% female (almost equally divided)
10. The type of card held viz Visa or Master card mattered in forming opinion about performance.
11. The type of card held viz Visa or Master Card was influencing the satisfaction level.
12. The study revealed that there is relationship between the rating of performance and the approach undertaken by the organization.
13. The top three major credit card issuing banks were found to be
 - 20.80 % - state bank of india
 - 15.20 % - Citibank
 - 15.20 % - ICICI Bank
 - 15.20 % - Standard Chartered
 - 9.6 % - Axis bank
14. Majority of 68.40 % had visa while 31.60 % had master card.



15. The sample had 39.20 % as graduates, 29.60 % as undergraduates, 23.20 % as post graduates and 8.0 % as doctorates
16. Majority of the respondents (50.40 %) were in the monthly income category of Rs 8000 to Rs 20,000.
17. 62.40 % of the respondents were employed and the rest were self employed or housewives
18. The sample had the age grouping of respondents as below;
 - 27.60 % between 18-26 years of age
 - 23.20 % between 26-34 years of age
 - 18.80 % between 34 – 42 years of age &
 - 30.4 % above 42 % less than 66 years of age

Suggestions

The study has revealed the usefulness of credit card in times of emergency and also provision of credit with security. This factor has to be highlighted in the advertisements on promotion efforts by the bankers to increase their market share.

The study has revealed that effective medium for creating awareness among the potential card buyers as the efforts by bank representative and friends and relatives (existing card holders) through word of mouth as they are found to be high potential channels to reach the potential card buyer. Suitable incentives can be given as a part of the promotional efforts for these categories to improve the market share.

The promotional efforts or advertisement messages can not be generalized and should suitably vary based on gender and based on age group as the needs are varying. The study reveals that there is a huge untapped market for the bankers to expand their customer base.

Conclusions

The study reveals that there are many new angles from which this can be further researched as the credit card usage differs among different categories of users and the needs are varying. This provides a wide scope for further research which may provide valuable insight in designing appropriate strategies for promoting the market share. This can also enable bankers to design and provide varying features for the card based on the customer group's specific needs.

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