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# Credit card usability efficacy with reference to Coimbatore

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**Abstract**
The Federal Reserve claims that the credit card business is one of the banking sector's fastest-growing segments at the moment. Indian banking institutions not only contribute significantly to the expansion of the economy but also provide credit facilities to customers in the form of credit cards, enabling them to meet their basic needs. Plastic cards have become a common feature of Indian society because to the efforts of several Indian institutions, most notably the State Bank of India. But this has led to a big change in the way credit is given out, especially now that the new generation of banks is starting to encourage people to use credit cards. Finding out more about credit card performance and whether or not the product quality of credit cards can satisfy all of the expectations of the consumers are the main objectives of the research. To achieve this, a sample of 120 respondents was gathered, and data was analyzed using chi square and percentage analysis. The conclusion was that credit cards raise a person's purchasing power, which benefits the expansion of the economy as a whole. It is seen as a platform for consumerist consumption as well as a status symbol. Although credit cards are becoming more and more frequent in people's busy lives, they are more prevalent among urban dwellers than the general populace. In order to improve personal income, bank operations, and the general expansion of a nation's financial sector and economy, it is imperative that credit cards be promoted in rural regions as well.

**Keywords:** Credit card, effectiveness and banking industry

## Introduction

The expectations of consumers have been elevated due to globalization and the digital revolution. Customers nowadays are more demanding and time-conscious, and they are also tech-savvy. A company's ability to understand and meet its customers' requirements and desires is a major factor in the company's market success or failure. Therefore, thanks to scientific and technological advancements, as well as the passage of time, transaction methods have become More Easier, which has increased client pleasure. The field concerned with the administration of money, finance encompasses actions such as investing, borrowing, lending, budgeting, saving, and forecasting. Individual, Business, and Public/Governmental are the three main categories.

When the government steps into the financial sector, this is known as public finance. Public authorities' income and spending are evaluated in it. Not to mention adjusting one to get the desired results while avoiding the bad ones. Investigating how businesses get their money, what they do to make themselves more valuable to shareholders, and how their capital structures connect to available funds are all part of corporate finance.

Personal finance refers to an individual's or family's examination of their financial situation, forecasting of their short-term and long-term requirements, and implementation of a strategy to meet those needs within their financial limitations. The use of credit cards and other similar items for non-business purposes is one example. Among the many types of financial instruments are bank draughts, checks, dividend warrants, treasury bills, railway receipts, promissory notes, letters of credit, traveler's cheques, business papers, receipts from global depository, and both credit and debit cards.

**Literature Review**

Arihant Jain *et al*. (2023) [1] Undoubtedly, the advent of credit cards represents a larger stride toward the realization of the social objectives that are expected from banking. But when monetary and fiscal policies become more open, the urban middle class becomes more valuable, and the wealthiest banks see an opportunity to cash in. The original purpose of the credit card was to facilitate modest, local transactions; nevertheless, it has now grown into the dominant form of payment for goods and services. No matter your age or gender, credit cards are a huge deal in today's society, especially for the working class, whose legal status, industry, and money determine the tourist facilities. Things of character in the past due to the general belief that it is linked to the super-rich. Nevertheless, these assumptions have been shattered by the rise of materialism, and credit cards have become vital. One important topic to investigate is the impact of credit cards on customers' purchasing habits. Besides that, the credit infrastructure allows you to visit a lot of sites quickly. More and more people are able to use the internet to buy travel-related credit facilities, such as plane tickets and hotel rooms. To learn more about customers' comprehension and how they altered their behavior, the researcher commissioned both quantitative and qualitative studies.

Beata Świecka *et al*. (2021) [2] There are a number of elements that impact consumers' financial choices, including the choice of payment instrument. This decision is utilized daily to simplify life. In order to learn more about the frequency, location, and value of various payment methods, a survey was conducted in the first quarter of 2019 using computer-assisted personal interviewing with a sample of 1005 consumers drawn from Poland. Data from a nationally representative survey of consumers provides a rare mix of information on customers' preferred methods of payment with extensive details on their demographics, income, and preferences. In this paper, we make a first effort to use a data-mining technique called Random Forests to forecast the payment methods that customers would choose by statistically analyzing the impact of transaction parameters on their choice of payment. A wide variety of variables impacting consumers' decisions were shown by the findings. Despite the rise of new payment methods, the results demonstrate that the status quo, particularly cash, remains dominant. One of the most influential factors in consumers' payment preferences is their level of financial literacy, regardless of other customer attributes. With these findings, we have taken a significant step in developing a model to forecast customer preferences. Presenting data on customer payment habits also helps stakeholders and central banks make better strategic decisions, which in turn improves the overall efficiency of Poland's payment system.

Prerna Garg (2015) [3] The banking industry plays a crucial part in a country's economic growth. Incorporating cutting-edge technology like electronic funds transfers (EFTs), debit and credit cards, etc., private and new-generation banks have revolutionized banking. Because of these services, banking is now available around the clock, every day of the year, regardless of location or time zone. Credit card use is on the rise because people prefer not to carry about large amounts of cash due to the convenience it offers and the fact that it is easier to prevent theft. The idea of credit is founded on the "buy now pay later" notion. It is a universally accepted form of payment for products and services. The researchers in this study set out to find out how people in the Delhi area feel about using electronic purses. To analyze the data, we used a combination of a correlation and a T-test to look for differences in the credit card preferences of men and women and to see whether there was a connection between the services provided and the cards that customers chose. The researcher relied on reliability testing to determine the validity and correctness of the statements chosen for the self-designed questionnaire as it was the main instrument for data collection. While the research found no statistically significant difference in the kind of credit cards preferred by either gender, it did find that men are more likely to possess many cards and use them often, suggesting a correlation between the services supplied by credit card companies and their customers' decisions to use those cards. According to the findings, credit card users should be properly educated on the proper and responsible use of their cards. According to the research, customers will only choose innovative facilities if they are sufficiently incentivized and provided with superior, more cost-effective service. All that counts is their faith in the facility and the service provider, as well as the facility's price and accessibility.

Erik Feyen *et al*. (2021) [4] Fintech companies emerged as a result of market dynamics like economies of scope and scale and frictions like information asymmetries. Similarly, these pressures and frictions mold the structure of the market. While innovations in technology are nothing new to the financial sector, digital innovation has resulted in significant gains in system connection, processing power and cost, and freshly generated and useful data. As a result of these enhancements, transaction costs have decreased, and new business models and competitors have emerged. The disaggregation of financial service production is possible because of technological advancements that have lowered transaction costs and boosted information interchange. Financial services are now available from specialized players that have unbundled them, giving customers more freedom to choose and choose the goods they want. Yet, even in this era of digital manufacturing, traditional economic factors are still important. Customer acquisition, financing, compliance operations, data, and capital (including trust capital) are just a few areas where financial services output is impacted by network effects and economies of scale. Consumers still face substantial search and assembly expenses, even with technological advancements. Prompting re-bundling, these factors benefit huge multi-product providers, such as technology (big tech) companies venturing into financial services from neighboring markets. Competition, regulatory boundaries, and equal playing field are some of the major policy concerns brought up by the digital revolution of financial services. One possible conclusion in terms of concentration, competition, and market composition is a "barbell" structure with a small number of dominant suppliers and several smaller, more specialized ones. To handle trade-offs between stability and integrity, competition and efficiency, consumer protection and privacy, and industry regulatory bodies, authorities must collaborate across financial regulation, competition, and industry regulatory agencies.

Sharpe *et al*. (2012) [5] Half of the families surveyed in China in 2008 had credit cards, according to data analyzed by the Survey of Chinese Consumer Finance and Investor Education. Income, age, education, employment, and knowledge of credit card risks, default repercussions, the credit system, and that interest increases for late payments were significant variables in determining the likelihood that an urban Chinese person would carry a credit card.

**Research Methods**

**Research Design:** The research study conducted here seems to be solely descriptive in nature.

**Sampling Technique:** The fundamental random sample method was used to gather data for the main data collection. The basic sampling technique is random sampling, when we choose a subset (a sample) of individuals for study from a larger group of participants (a population). Each person is chosen at random, and each person in the general public has an equal chance of being chosen to be a part of the sample. Every viable sample of a given size has an equal chance of being chosen; that is, there is an equal chance for every member of the population to be chosen at every step of the sampling procedure. Two categories may be used to sampling techniques.

**Non-Probability Sampling:** Since this is a non-probability sampling procedure, it is impossible to calculate the likelihood that every item in the population has been included in the sample.

**Convenience Sampling:** For this study, the convenience sample approach was used by the researcher.

**Sample Size:** A sample size of 120 respondents was selected for the research.

**Primary Data:** Information gathered directly from the original source via research is referred to as primary data. They provide much better precision and reliability. Through the use of a survey questionnaire, the respondents provided the information

**Secondary Data:** It refers to information that has already been obtained and assessed by a different party. In other words, it denotes facts that are already accessible. The data was collected from a number of periodicals and websites.

**Analysis and Interpretation**

**Table 1:** Demographic Variables of the Study

| Demographic variables | Particulars | Frequency | Percent |
|---|---|---|---|
| | Male | 100 | 83.3 |
| | Female | 20 | 16.7 |
| Gender | Total | 120 | 100 |
| | 18-25 | 30 | 25 |
| | 26-35 | 54 | 45 |
| | 36-45 | 18 | 15 |
| | Above 35 | 18 | 15 |
| Age | Total | 120 | 100 |
| | 10th | 35 | 29.2 |
| | Higher secondary | 13 | 10.8 |
| | UG | 14 | 11.7 |
| | PG | 23 | 19.2 |
| | Others | 35 | 29.2 |
| Educational qualification | Total | 120 | 100 |
| | Semi-rural | 63 | 52.5 |
| | Rural | 20 | 16.7 |
| | Urban | 19 | 15.8 |
| | Semi urban | 18 | 15 |
| Place of living | Total | 120 | 100 |
| | 10000-20000/ month | 33 | 27.5 |
| | 20000-40000/month | 53 | 44.2 |
| | 40000-60000/ month | 15 | 12.5 |
| | Above 60000/month | 19 | 15.8 |
| Occupational income | Total | 120 | 100 |

Out of 120 respondents, the aforementioned table displays the demographic factors of the respondents. There are 16.7% of women and 83.3% of men.25% of the population is between the ages of 18 and 25, 45% is between the ages of 26 and 35, 15% is between the ages of 36 and 45, and 15% is older than 45. After completing their 10th grade, 10.8% went on to complete their upper secondary education, 11.7% finished their UG, 19.2% finished their PG, and 29.2% finished other courses. Semi-rural areas make up 52.5% of the population, followed by rural areas (16.7%), urban areas (15.8%), and semi-urban areas (15%).27.5% of respondents make between $10,000 and $20,000 per month, 44.2% earn between $20,000 and $40,000 per month, 12.5% earn between $40,000 and $60,000 per month, and 15.8% earn more than $60,000 per month. The following papers were published.

**Table 2:** Bank Credit Card used

| | Frequency | Percent |
|---|---|---|
| AXIS Bank | 30 | 25.0 |
| SBI Bank | 18 | 15.0 |
| ICICI Bank | 18 | 15.0 |
| HDFC Bank | 54 | 45.0 |
| Total | 120 | 100.0 |

Out of 120 responders, the chart above shows how many bank credit cards were used. AXIS Bank is used by 25% of people, SBI Bank by 15%, ICICI Bank by 15%, and HDFC

Bank by 45%. It demonstrates that HDFC Bank is used by the majority of respondents.

**Table 3:** Duration of using Credit Card

| | Frequency | Percent |
|---|---|---|
| Less than 6 months | 31 | 25.8 |
| 1to 2 years | 53 | 44.2 |
| 2 to 4 years | 17 | 14.2 |
| More than 4 years | 19 | 15.8 |
| Total | 120 | 100.0 |

The above table displays the length of time that 120 respondents had used a credit card. In terms of earnings, 25.8% earn less than six months, 44.2% earn between one and two years, 14.2% earn between two and four years, and 15.8% earn more than four years. It reveals that the majority of responders had been there one to two years.

**Table 4:** Reason for Choosing the Bank

| | Frequency | Percent |
|---|---|---|
| Past Relationship | 65 | 54.2 |
| Brand name | 18 | 15.0 |
| Near to home/office | 16 | 13.3 |
| Others | 21 | 17.5 |
| Total | 120 | 100.0 |

The aforementioned table illustrates the reasons given by 54.2% of the 120 respondents for selecting the bank: previous relationships, 15% brand name, proximity to home or work, 13.3% other criteria, and 17.5% other factors. It demonstrates that the majority of respondents said that selecting the bank was motivated by a previous connection.

**Table 5:** Purpose of Getting Credit Card from the Bank

| | Frequency | Percent |
|---|---|---|
| For getting bonus points | 28 | 23.3 |
| For using in the time of emergency | 17 | 14.2 |
| For getting for interest | 53 | 44.2 |
| Other reasons | 22 | 18.3 |
| Total | 120 | 100.0 |

The following table details the reasons given by 120 respondents for obtaining a credit card from the bank. Of these, 23.3% wanted the card for bonus points, 14.2% wanted it for emergency use, 44.2% wanted it for interest, and 18.3% wanted it for other reasons. It demonstrates that the majority of responders get interest-bearing credit cards from their banks.

**Table 6:** Acceptance towards Reasonable Interest Rate charged by the Banks

| | Frequency | Percent |
|---|---|---|
| Strongly agree | 28 | 23.3 |
| Agree | 20 | 16.7 |
| Neutral | 20 | 16.7 |
| Disagree | 20 | 16.7 |
| Strongly disagree | 32 | 26.7 |
| Total | 120 | 100.0 |

Out of 120 respondents, the accompanying table displays their acceptance of the acceptable interest rates levied by the banks. 16.7% agree, 16.7% are indifferent, 16.7% disagree, 26.7% strongly disagree, and 23.3% strongly agree. It demonstrates that the majority of respondents vehemently disagree with the banks' fair interest rate policies.

## Conclusion

In some areas, a credit card is also known as "plastic money". In circumstances when currency conversion and expenditure monitoring are necessary, it has become essential. Compared to more conventional ways, it is a safer and more practical substitute for cash. The usage of credit cards by individuals increases their spending power, which benefits the expansion of the economy. It is seen as a status symbol in addition to a vehicle for consumerism. Although credit cards are becoming more and more widespread in people's hectic schedules, they are more prevalent in metropolitan areas than in other places. In order to enhance personal income, expand bank operations, and boost the overall development of a nation's financial sector and economy, it is essential to encourage credit cards in rural regions as well.

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