Credit Card Service – What are the Benefits?

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Abstract: As we know that credit card is a golden key in our daily lives. A credit card allows us to purchase products and pay for the loans in a convenient and secured way. As a matter of fact, extended information on credit card service requires us to explore more. The credit card service gives an access to get a list of benefits. Credit cards helped shape modern society and have paved the way for faster, easier, convenient, and more secure financial transactions. This article gives a short introduction to what credit card and its benefits.

Key Words: Credit card, service, convenience, protection, flexibility

1. Introduction

Indian Banks have recorded a phenomenal growth in the past decade with the initiation of Economic Reforms. The banks, both Public and Private, have transformed themselves into profit-oriented business organizations besides playing a developmental role in the economy. In an attempt to be more profitable, the banks have become competitive and more customer-oriented. This new orientation has compelled them to introduce new inventions for conducting the business. The Credit Card is one such tool which helps in meeting the customer’s expectations according to their changing needs. While analyzing the Credit Card Implementation in both the sectors, it was found that the Private Sector Banks have been able to implement this practice more effectively when compared to the Public Sector banks. This indicates that strategically speaking, the Private Sector Banks have been more innovative in understanding their customers and in building good relations with them. The credit card system, in its simplest form is a method of obtaining credit on hire purchase, whereby the cardholder can make purchases on credit up to an amount agreed by him with the credit card company by presenting the card in lieu of cash. Hence credit cards are termed as convenient money and plastic money. For the credit cardholder, credit cards are an innovative way to pay for the purchases. They can go for instant purchases without checking their liquidity. With credit cards in pocket, emergencies are not felt so by cardholders.

2. History

Origin of Credit Cards

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. The foreign banks have a dominant share due to various reasons like having been in the field for decades, sound operational and financial strength, strong brand reorganization etc. Later, with the aggressive entry of SBI, ICICI, and HDFC Banks the rules of the game changed. Among the banks issuing credit cards, the esteemed and well published cards are Citibank Diner’s Club Card, Citibank Visa Card and Credit Cards, Bank of Baroda’s Master Cards, the SBI Credit Cards, Bank of India’s India Card, Canara Bank’s Can Card and ICICI Bank’s ICICI Card. These cards are positioned in a manner which gives an impression that the cards can be acquired by people from not only the upper class but also the middle income categories. The new private sector banks like ICICI and HDFC have adopted a strategy of reaching lower down the income strata by lowering down their eligibility norms. Today credit card...
industry is highly competitive and almost all the banks are offering credit cards in association with Visa International or Master Card

3. Meaning
A credit card is a payment card issued to users as a system of payment. It allows the cardholder to pay for goods and services based on the holder's promise to pay for them. 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. (en.wikipedia.org)

A credit card is different from a charge card: a charge card requires the balance to be paid in full each month. In contrast, credit cards allow the consumers a continuing balance of debt, subject to interest being charged. A credit card also differs from a cash card, which can be used like currency by the owner of the card. A credit card differs from a charge card also in that a credit card typically involves a third-party entity that pays the seller and is reimbursed by the buyer, whereas a charge card simply defers payment by the buyer until a later date. (en.wikipedia.org)

The size of most credit cards is $3\frac{3}{8} \times 2 \frac{1}{8}$ in (85.60 × 53.98 mm), conforming to the ISO/IEC 7810 ID-1 standard. Credit cards have an embossed bank card number complying with the ISO/IEC 7812 numbering standard. Both of these standards are maintained and further developed by ISO/IEC JTC 1/SC 17/WG 1. (en.wikipedia.org)

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. 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 ones financial security. Today, competition among credit card players is intense. Offering benefits like reward points is just another way of luring customers into debt trap. Credit cards are an extremely useful way of paying for products and services. They are often more convenient than cash or checks, and they are almost universally accepted. Additionally, they are a great way to establish creditworthiness. And some cards offer additional benefits, such as rebates, frequent flier miles, and insurance

1. First of all, credit card service offers you step-by-step guide especially for new credit card holders. Most of us have regular payment which is bounded up with your credit card. It can assist you with your account by cancelling or switching your account on condition that you need to change your credit cards.

2. Secondly, credit card service offers you various channels to contact with your credit card issuers, such as phone call service, mobile phone service and online service. You can choose any of them freely.

Essentially a credit card allows you to:

- Purchase products or services whenever and wherever you want, without ready cash and paying for them at a later date.
- Have the option of paying only a part of the total expenses. The balance amount can be carried forward, with an interest charged.
- Withdraw cash whenever, wherever you are, through ATMs and other withdrawal centers.
- Enjoy a revolving credit limit without any charges for a limited period (mostly 20 to 50 days)
- Transact money of more than one currency, from one country to another.

Other facilities afforded on a credit card include reward points on card usage, insurance cover against air and road accidents, loss of baggage, and so on. All credit cards have built-in safety features like signatures and personal identification numbers. International credit cards you financial flexibility when you travel abroad.
4. The benefits of a credit card

With the ongoing impact of the economic crisis, most people are focusing on how to save money, not spend it. But for some, getting a credit card might actually be the first step towards climbing on the property ladder. Use a credit card well and you can borrow for nothing, get extra protection on your purchases and possibly even reward points or cash back when you use your card. But, use a credit card unwisely and you could end up paying lots of interest and racking up a debt you struggle to pay off.

Convenience
Credit cards can be a useful tool, especially when it provides financial confidence. In addition, with credit cards accepted in so many places, both home and abroad, one can say goodbye to that cheque book that have been carrying around for years, while unlike carrying around cash, if the card is stolen or lost all it takes is one quick phone call and can cancel the card.

Protection
Credit cards can also protect consumers, experts say. For example, if you lose your credit card -- or it is stolen -- the maximum you'll have to pay is $50 in fraudulent charges per federal law (and most credit card companies don't even charge the $50). If consumers lose their purse or wallet, they are out all of the cash they were carrying. Losing a checkbook can not only mean your bank account can be emptied, but the account number will have to be changed.

Shopping in safety
If you want to shop online - be it for a new outfit, a hotel reservation or cinema tickets - putting it on plastic is not only easy but safe too. Credit card transactions are better monitored by banks for fraudulent activity and ensure that you won't lose out - use a debit card and the money will disappear from your bank in an instant.

Convenience and flexibility
There are many reasons why a credit card is handy to have around. If you've ever found yourself short on cash, or unable to spot an ATM, a credit card gives you access to funds 24/7, wherever you may be. That flexibility travels continents too - credit cards are accepted worldwide, so you have every currency at your fingertips - and if you're not keen on carrying around wads of cash, a card is a simple solution, whether at home or abroad. Not only that, but if your car breaks down and you need funds fast, or unforeseen medical bills land in your lap, you can cover emergency costs without delay and pay back the balance later.

It's more than a debit card…
Some companies do not accept debit card payments, while others - namely, hotels and car rental businesses - insist upon them when you're placing a deposit. Go for a balance transfer credit card, meanwhile, and you can actually save money with credit card companies who offer a 0% period on balance transfers to new customers.

Quick way to borrow
Credit cards are an easy and secure way to pay for internet shopping. Plus, they are widely accepted around the world. If need to buy something expensive that can’t afford to pay for all at once, a credit card is ideal. If don’t have the cash to hand – or even in your bank account one can pay with a credit card and then spread the cost over a number of months.
Other benefits of credit cards
Here are some little-known rewards that your credit card offers. They're available to everyone, but you have to ask:

1. Get an automatic extended warranty up to 1 year (that means no need to waste money buying extra warranties at Best Buy)
2. Automatic car rental insurance and collision insurance (so don't waste money on this when renting a car)
3. Trip-cancellation insurance, so if you get sick before go on holiday, your credit card company will reimburse any cancellation fees
4. They allow to make purchases on credit without carrying around a lot of cash. This allows a lot of flexibility.
5. They allow accurate record-keeping by consolidating purchases into a single statement.
6. They allow convenient remote purchasing - ordering/shopping online or by phone. They allow to pay for large purchases in small, monthly installments.
7. Under certain circumstances, they allow to withhold payment for merchandise which proves defective.
8. They are cheaper for short-term borrowing - interest is only paid on the remaining debt, not the full loan amount.
9. Many cards offer additional benefits such as additional insurance cover on purchases, cash back, air miles and discounts on holidays.

5. Literature Review

Yeo (1990) in his Ph.D. thesis looks at identifying household credit card choice and usage behavior of cardholders. It was found that several factors were significant in determining the choice between the bank and retail credit cards in USA. These were the level of family income, the household age, the number of bank card holdings, the number of store card holding the related interest rate, the relative membership fees and the card preference.

Chakravorti S. (2003) states that, “The most popular form of plastic money is the ‘Credit card’. In the hands of its owner: It provides purchasing power, ease of purchase, a credit facility for a few weeks, the convenience of payment along with protection of purchases and discounts & bonuses’. For the dealer “the credit card brings in higher sales volumes, improves cash flow, targets impulsive buyers, encourages web sales and eliminates all risks of bad debts”. For the issuer it ensures income through commission and generates publicity.

Mathews and Slocum (2005) in their two studies found out a number of interesting and useful relationship between social class, income and usage of bank credit cards. They found that “members of the lower social classes tend to use their card for installment purposes, upper classes for convenience”. Further, their results indicated that all users had a favorable general attitude towards’ credit, however, installment users tended to use their card more frequently. This study also indicated that “the upper classes are generally favorable towards using credit card to purchase ‘luxury’ goods, and the lower class users tended to use their card for ‘durable’ and necessary goods.”

Murugesan (2007) in his Ph.D. thesis entitled “A study on bank credit card culture in Chennai city” analyses that the credit card gives ample scope for the expansion and growth of business. More innovative and user-friendly schemes should be introduced to make more number of people to have credit cards. To reduce the burden of existing cardholders, reduction should be given in the collection of penal interest and other charges, incentive scheme should be introduced to the account holders of the bank willing to get credit card.

6. Gaps in existing literature
Most of the customers are illiterate about various credit facilities related to credit cards. So this study throws light on the question why the customer use/not use these facilities properly. . During the last
few years, attempts have been made to visualize the use of plastic money in the developed countries like United States and other advanced countries. But research is still lacking in case of developing countries like India. So, there is a need to conduct such type of research in India. Thus, the finding of the proposed study may prove useful for users, non users, authorities concerned and persons dealing with plastic money

**Conclusion**

Banking industry has undergone many changes in the recent past. Technological development and competition among banks have made commercial banks to think of new strategies to attract more customers and retain the existing customers. With the increased competition among banks, quality of service rendered and customer satisfaction plays a crucial role in sustainability and profitability of banks. Measuring service quality and level of satisfaction of bank customers becomes inevitable in the present scenario. Managed correctly, a credit card is a flexible financial tool for day-to-day life. Not only can that little piece of plastic prove beneficial in creating an attractive credit history, but it can also serve as a safe means to buy. There are charge cards, such as the American Express card, that require full payment of the borrowed amount each month. Either way, the credit card is a very convenient alternative to paying by cash.

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