

Taken as a developmental trend of credit card business in Nepal.

## **CHAPTER – 1**

### **INTRODUCTION**

#### **1.1 Background of the Study**

"Everything must be assessed in money, for this enable man always to exchange their services, and so makes society possible." -Aristotle.

The idea of paying goods and services electronically is not new one. Since 1970s and early 1980s, a variety of schemes have been proposed to allow payment to be effective across a computer network. After a period of exponential growth, 930 million people have internet access worldwide. The electronic payment started at the end of 1996 and in the earlier part of 1997, a huge variety of different payments developed by both commercial researchers and commercial interests.

##### **1.1.1 Introduction of Credit Card**

“Credit Card is a very useful method of making purchases of merchandise or services on credit without carrying cash. The way a normal credit card works is that we make purchases using our cards and the bank issuing the card pays on our behalf to the seller of the services or the merchandise. The bank deducts a certain percentage from the merchant in return for processing the transaction paying the purchased amount less the bank’s commission to the merchant account” (Economics Times).

From the cardholder side, he receives the credit from the bank and a grace period normally of 15 days to repay the interest fee amount. If the card holder decides not to pay the full amount or is unable to pay then he pays the minimum and the rest of the unpaid balance gets transferred in the form of loan with compound interest. Many customers are used to this habit and they take card as a lone machine.

Apart from being convenient credit card offers other benefits such as frequent flyer miles, donation of certain amount or percentage to your favorable charity, consumer protection, extended warranties, and other vat benefits. The largest issuer of Credit Card today in worldwide context is VISA followed by MASTER CARD. There are lots of others as well including Diners Club, American Express, Discover (USA only), JCB (Europe) and many more.

There are certain services that one cannot get in some major cities of the world without the use of Credit Card. In North America to hire a car or to get a internet access beneficiary must acquire a credit card and the payment is made through it.

An another feature of credit card is that you can get Cash Advances thorough bank outlets and Automatic Teller Machines (ATM) or Banking Machine (BM). This is treated as a short-term loan it is paid within a short period with interest.

### **1.1.2 Types of Cards**

#### **a. Credit Card**

“The most common type of payment card which occupies 70% of its line of business is credit card. A credit card is a plastic card issued by a financial institution that is a member of MasterCard International/VISA International that allows the cardholder to use it to avail goods/services without paying for the same on the spot. There is no obligation to pay the full amount on the account at the end of the billing period. However, if the full amount is not paid, the cardholder could incur charges for extended credit or late payment. Another feature of credit card is that payment can be made on revolving credit basis i.e the total outstanding amount can be paid on installment basis. Beside this Often, the cardholder enjoys an interest-free or grace period on the credit. Most banks offer three kinds of Credit Cards: the Classic Card, the Silver Card and the Gold Card. Credit cards are different from other cards such as an ATM Card or a Charge Card in that an ATM

Card allows withdrawals against deposits only and a Charge Card requires the cardholder to settle the account at the end of every month. With a Credit Card, the cardholder can roll over the balance and be in debt for as long as he/she wishes”(Manual fundamental of visa Business, Manual, 2004).

#### **b. Debit Card**

“A debit card is also a plastic card which allowed direct access to the account of holder for making purchases or withdrawing cash. It exactly looks like a credit card but the features are completely different. A debit card holder must have an account with the bank and the moment he makes any purchases his account paid immediately debited, i.e he does not get any credit facilities. Since the account gets immediately debited at the point of purchases it is called as debit card. Hence we see a debit card holder has access to his funds maintained in the account with the help of small plastic card”(Manual fundamental of visa Business, Manual, 2004).

#### **c. Charge Cards**

Charge card is a bank card with a pre-set limit and payment against its limit uses required to be settled in full at the end of given period.

#### **d. Chip/Smarts Cards**

“A chip/smart card is a payment card with a pre loaded value into the card. The card contains embedded electronic chips. It uses is restricted up to the value loaded in the card. The value decreases as the card holder use the card. Values may or may not be reloaded as per capabilities of the issuing bank. These types of cards are also known as pre-paid cards. In this types of card other information like details of driver license, passport, medical history etc of the card holder can be stored. Nepal Tele Com is the company has lunched this type of cards” (Manual fundamental of visa Business, Manual, 2004).

### **1.1.3 History and Development of Credit Card**

“Credit was first used in Assyria, Babylon and Egypt 3000 years ago. The bill of exchange –the forerunner of banknotes-was established in the 14<sup>th</sup> Century. Debts were settled by one third cash and two- third bill of exchange. Paper money followed only in the 17<sup>th</sup> Century” (*EzineArticle.com, 24<sup>th</sup> February 2008*).

The first advertisement for credit was placed in 1730 by Christopher Thornton, who offered furniture that could be paid off weekly. From the 18<sup>th</sup> century until the early part of the 20<sup>th</sup> tallymen sold clothes in return for small weekly payments. They were called “tallymen” because they kept record or tally of what people had bought on a wooden stick. One side of the stick was marked with notches to represent the amount of debt and the other side was a record of payments. In 1920s, a shopper’s plate –a “buy now, pay later” system was introduced in the USA. It could only be used in the shops which issued it.

There are many companies issue in this business under whose cash and Bank cards date back to 1914 when Western Union provided metal cards giving free, deferred-payment privileges to preferred customers. These cards came to be called "metal money." In 1924, General Petroleum Corporation issued the first metal money for gasoline and automotive services first to employees and select customers and later to the general public.

In the late 1930's, American Telephone and Telegraph (*AT&T*) introduced the "Bell System Credit Card." Soon, railroads and airlines introduced similar cards. Credit cards grew in popularity until the beginning of World War II.

After the Depression and World War II, modes of travel were more advanced and more accessible to the majority of people, so travel became more popular. People were also beginning to acquire more costly modern conveniences for their homes, such as kitchen appliances and washing machines. These demands on the budget

made the concept of credit more popular - people could buy things with credit cards that they could not afford to buy with cash (*EzineArticle.com, 24th February 2008*).

‘In 1946, a New York banker developed a credit system called Charge-It. When customers charged local retail purchases, the merchant deposited the charges at Baggins Bank and the bank reimbursed the merchant for the sale. The bank later collected payment from the customer. In 1950 Diners and American Express launched their charge cards in USA, the first “plastic money”. These early cards required payment in full within short period of time, usually less than 90 days. In 1951, diners Club issued the first credit card to 200 customers who could use it at 27 restaurants in New York. In 1951, customers of New York's Franklin National Bank submitted an application for a loan and were screened for credit. Approved customers were given a card they could use to make retail purchases. The merchant copied the customer information from the card onto a sales slip and called the bank for approval of transactions over a certain amount. The bank would credit the merchant account for the loan minus a fee to cover the costs of providing the loan’.

By 1959, many banks were offering the option of revolving credit, which allowed customers to make regular payments on the balance owed rather than having to pay off the entire balance at one time’ (*Bill Rini, www.creditcards.com, 18th February, 2008*).

“In 1977, the VISA Membership Corporation was formed and VISA, USA was started. In 1978 the Master Card and VISA organization agreed to concept of duality, in other words, banks could honor and issue both credit cards. Today, the use of credit cards is outstanding, as America credit card debt exceeds \$550 billion (According to Federal Reserve Board Statistic)”(*Nepal Card Member Forum, 2004*).

### **1.1.4 Types of Credit Card**

Essentially, there are two types of credit cards –secured and unsecured. A secured credit card is one that a cardholder secures with a savings deposit to ensure payment of the outstanding balance if the cardholder were to default on payments. Secured credit cards are generally used by people who are new to credit, or people trying to rebuild their poor credit ratings. Unsecured Credit cards are not guaranteed by any collateral. Most credit cards are unsecured debt, which is main reason why interest rate of Bank is higher than other forms of lending, such as mortgages, which utilize property as collateral.

All credit cards fit into one of the following three categories

#### **1 Bank Cards**

Bank Cards are issued by banks. For example: Visa and Master Card. In Nepalese context, bank cards are the most exercised cards in Nepal.

#### **2 Travel and Entertainment (T & E) Cards**

Travel and entertainment and National House cards have the same terms and conditions wherever a customer applies. Examples of this card are: AmericanExpress, Diners Club and Carte Blanche

#### **3. House Cards**

House cards consist of local and national retail cards such as Sears, Bloomingdale's or Macy's and gasoline companies such as Shell, Mobil or Chevron

### **2.1.1 History and Development of Credit Card in Nepal**

Credit cards were introduced in Nepal in 1985 A.D. when Alpine Travel Service (ATS) first obtained the license from VISA/MasterCard International as the representative of Chase Manhattan Bank, NA Singapore and thereafter of the Overseas Union Bank, Singapore. Later on, Nepal Arab Bank Limited (NABIL) acquired MasterCard and Nepal Grindlays Bank Limited (NGBL) acquired VISA in 1989 A.D. 1990 A.D. saw the acquisition of MasterCard by NGBL. Similarly, NABIL acquired the business of Diners and Visa in 1992 and 1993 respectively while NGBL acquired JCB in 1992.

The issuing business was started in Nepal first by Himalayan Bank Limited (HBL) and NABIL since November 1993 A.D. NABIL issued MasterCard and HBL issued HBL Regular Card, Nepal's very first domestic credit card. The latter bank started issuing VISA credit cards since December 1997. HBL Gold Card was first issued in November 1995 and Standard Chartered Bank (SCB) started issuing VISA and Master Cards in April 1997 and July 1998 respectively.

At present, HBL, NABIL and are the three banks in Nepal involved in the credit card business with the following details (*Nepal Card Member Forum*):

### Credit Cards

VISA  
MasterCard  
JCB  
Diners  
HBL Gold & Regular

### Acquiring Banks

HBL, NABIL, SCBN  
NABIL, SCBN  
SCBN  
NABIL  
HBL

### Credit Cards

VISA  
MasterCard  
HBL

### Acquiring Banks

HBL, SCBN  
NABIL, SCBN  
HBL

#### **1.1.6 Himalayan Bank – An Overview**

Himalayan Bank Limited was established in 1992 A.D by distinguished business personalities of Nepal in partnership with Employees Provident Fund and Habib Bank Limited, one of the largest commercial banks of Pakistan. But it actually started its operation from 18th January 1993 with an authorized capital of Rs. 24,00,00,000. Issued capital of Rs. 12,00,00,000, of which paid-up capital was Rs. 6,00,00,000. Shares offered to the general public were oversubscribed by more than 20 times. The head office of the HBL is in the Karmachari Sanchaya Kosh Building, Thamel. The different investing parties with their percentage of invested capital are as follows: Nepalese founders with 51% share, Habib Bank of Pakistan with 20% share, Employee Provident Fund with 14% share, with the remaining 15% being raised from the general public through issuance of equity shares. It is the first commercial bank of Nepal with maximum share holding by the Nepalese private sector. HBL is also the first bank from Nepal to raise funds by issuing debenture. HBL policy's is to extend quality and personalised service to its customers as promptly as possible. The bank as far as possible offers tailor-made facilities to its clients, based on the unique needs and requirements. To extend more efficient services to its customers, HBL has been adopting innovative and latest banking

technologies, which help the bank to improve its service efficiently level. HBL is committed to its motto "POWER TO LEAD"

HBL has experienced a dynamic growth over the last 10 years. . It is 488<sup>th</sup> largest bank in the Asia Pacific region because of the new provision made by the central bank to establish a commercial bank is to maintain minimum of 50 crore as paid up capital by the fiscal year 2060/61. HBL has raised its paid up capital in last years from Rs 6 crore to 42.9 crore by issue of bonus shares only from retained earning.

The Bank at present has five branches in Kathmandu Valley namely Thamel, New Road, Maharajgunj, Pulchowk (*Patan*) and Bhaktapur. Beside this there are eight branches outside Kathmandu in Tandi, Bharatpur, Birgunj, Hetauda, Bhairawa and Biratnagar, Nagarkot and Banepa. The bank is also operating a counter in the premise of the Royal Palace. The Bank has a very aggressive plan of establishing more branches in different parts of the Nepal in near future.

Besides conducting the core function of accepting deposits, providing loans and performing other trade related activities such as issuing drafts, issuing letter of credit (*LC*), transferring funds etc., HBL also provides other services that are different and unique in the Nepalese banking sector. Besides commercial activities, HBL also offers industrial and merchant banking.

HBL domestic credit card is the first of its kind that the bank initiated in 1993 A.D. Currently HBL handles VISA card and has plan to issue MasterCard as well.

Tele banking is another differentiated service that HBL is providing to its customers, where clients dial a pre-specified phone number and are able to make balances and statements inquires, order statement and cheque book, request instant faxing of statement and get information on foreign exchange rates, interest rate etc.

In the facility provided under "**Any Branch Banking**", customers can go to any branch of the bank convenient to them (*even though they do not maintain any*

*account in that particular branch*) and conduct core functions like withdrawing and depositing cash or cheque.

In aid of ATM services that are currently installed in the premises of the main branch (*Thamel*) and other branches (*Maharajgunj, Pulchowk and New Road*) customers of HBL are able to withdraw necessary amounts round the clock.

Himalayan Bank has the policy to extend quality and personalized service to its customers as promptly as possible. All customers are treated with utmost courtesy as valued clients. With the commitment to conduct banking with a difference, HBL has certainly created a positive mark in the banking sector of Nepal within a short span of time. ([www.himalyambank.com.np](http://www.himalyambank.com.np))

## **1.2 Objectives of the Study**

The basic objective of the study is to find out the feasibility of E-Banking especially in the field Credit Card utilization in the context of Nepalese Commercial Bank and suggestion in the implementation of the same. The study first aims to trace how the credit card operation of HBL has evolved over the years and tries to examine structure and operation of credit card system. The problem sensed is that of over capitalization, which means under return on the assets employed.

Himalayan Bank has been chosen as the firm under consideration and the credit card operation of the firm was made the focus . Taking into consideration all the aspect, the specific objectives are as follows:

- To overview credit card operation in Nepal
- To identify and assess the trend of card business of the HBL
- To recommend and suggest for the improvement of credit card business particularly of HBL

### **1.3 Limitation of the Study**

This study undertaken is not assumed to be exhaustive or precisely representative of all information pertaining to actual and potential credit card holders due to the following constraints:

- ) Time Constraint – The project was completed within a span of two months.
- ) Geographical Constraint – The project includes study conducted within two districts, Lalitpur and Kathmandu.
- ) Financial Constraint – The project was financed solely by the student.
- ) Information Constraint – A detailed analysis could not be performed, as the bank could not, understandably, disclose financial information regarding set up costs, operating costs etc.
- ) Sample Constraint – The sample considered for various segment, namely, Account Holders, Merchants, Students, and staff may not be sufficient for generating significant result.

### **1.4 Organization of the Study**

The study has been organized into three chapters and a term paper, concentrating over the three main folds viz. introductory framework, analytical framework, and suggestive framework. The introductory framework gives the general idea about the study and it contains introductory, general background, objective of the study, limitation of the study, research methodology, study design, data tools. Analytical framework starts from chapter two, which contains presentation and analysis of primary data with general analysis of various indicators. The third chapter is all about the suggestive framework, which is devoted to findings, recommendations, and conclusions. Moreover, the term paper deals with the review of literature, which consists the review of international journals and periodicals, websites, review of journals in Nepalese perspectives and the review of academic research studies.

## CHAPTER-2

### 2.1 Review of Literature

“The purpose of the literature review is to find out what research studies have been conducted in one chosen field of study and what is remained to be done. It provides the student with the knowledge of the status of their field of research and foundation for developing a comprehensive theoretical framework from which hypothesis can be developed for testing the validity of the study. The literature survey also minimizes the risk of pursuing the dead-ends in research.” (*Wolff & Pant; 2002: 35*).

#### 2.2.1 Theoretical/Conceptual Reviews

##### A Evolution

“A credit is a great financial tool. It can be more convenient to use and carry than cash and it offers you valuable consumer protection under federal law. However, it is also a big responsibility. If not used carefully, you may end up owning more than you can repay, damaging your credit rating and creating credit problems for yourself that can be difficult to fix” (*Rini; 1995*).

‘In 1946, a New York banker developed a credit system called Charge-It. When customers charged local retail purchases, the merchant deposited the charges at Baggins Bank and the bank reimbursed the merchant for the sale. The bank later collected payment from the customer. In 1951, customers of New York's Franklin National Bank submitted an application for a loan and were screened for credit. Approved customers were given a card they could use to make retail purchases. The merchant copied the customer information from the card onto a sales slip and called the bank for approval of transactions over a certain amount. The bank would

credit the merchant account for the loan minus a fee to cover the costs of providing the loan' (*Rini, www.creditcards.com, 18th February, 2008*).

'Cardholders liked the convenience and the line of credit offered by the new cards. Merchants found that credit card customers usually spent more than if they had to pay with cash. Handling the bank-issued cards was safer for the merchant and less costly than maintaining his own credit program.

By 1959, many banks were offering the option of revolving credit, which allowed customers to make regular payments on the balance owed rather than having to pay off the entire balance at one time.'

( *Rini, www.creditcards.com,18th February,2008*

## **B Bank Card Associations**

'Bankcard associations began in 1965 when Bank of America formed licensing agreements with other banks. This enabled them to issue Bank Americard and Interchange transactions among participating banks. By 1966, fourteen US banks formed Interlink, a new association with the ability to exchange information on credit card transactions. In 1967, four California banks formed the Western States Bankcard Association and introduced the Master Charge program to compete with the Bank of America card program' (*Rini, www.creditcards.com,18th February,2008*).

As the bankcard industry grew, banks interested in issuing cards became members of either Bank of America card or Master Charge. Their members shared card program costs, making the bankcard program available to even small financial institutions.

Further there are now many organizations in this business under whose membership different banks and Bank Card companies issues different brands of payment such as:

- ) Members of **Visa International** headquartered at Yokohama Japan issues visa branded payment cards. Till date it is non-profitable organization run solely by its thousands of member located globally.
- ) Member of Master Card International, head quartered at St. Louis, USA issues Master Card branded bank cards. It is also a non-profitable organization till date run by members.
- ) American Express Corporations Limited being a big banking giant itself and head quartered at New York issues American Express (AMEX) cards. It is a profitable organization.

Now all these globally operating institutes, member banks issue different type of bank cards which are distinguished from each other by different name and different features it carries (*Visa Business, Manual, 2004*).

## **What is VISA?**

Visa is an association that links cards holders, merchants and its competing member financial institution through the world largest electronic payment network, linking billion cardholders and more that 27 million acceptance locations around the world. The world trust VISA to provide the most secure and reliable ways to pay and to be paid, stimulating growth and generating opportunities.

Visa is not a traditional multinational corporation. Owned by more than 20,000 financial institutions around the world, Visa members typically compete in their local markets for their business of cardholders and merchants Visa; strategy relies on as strong central core of operating standards and principles coupled with well resourced national and regional teams supporting the needs of members locally. The activities of all Visa members are governed by a set of global operating regulations and a certain team that develops products, manages the brand, monitors global risks and ensures implementation of technical standards ([www.visa.com](http://www.visa.com), 23<sup>rd</sup> February 2008).

### **Definition of Credit Cards**

“A payment card is a small plastic card, which allows its holder to pay for goods purchased or services availed at different outlets or on-line through site. It allows the holder to withdraw money from the ATM (Automated Teller Machine) or from the bank” (*Lee; 1991: 156*).

“The most common type of card, which occupies 70% of its line of business, is credit card. A credit card is plastic card, which allows the holder to make purchase or take cash advance on credit basis. Simply speaking is it concept of “BUY NOW PAYS LATER” (*Hassler; 2001: 235*).

“Credit Card is a small plastic card which is issued instead of money to pay for goods and services from shops, travel companies, petrol stations. The cost being charged to one’s account and paid later” ( *Lamond; 1996: 863*).

“A credit card is a card that allows you to borrow money to pay for things. There will be a limit to how much you can spend called your limit. At the end of each month you can either you pay off the whole amount you owe or make a minimum repayment” ( *Edwards*).

“A credit card is a plastic card issued by financial institution which is the member of Card Association. Credit card allows the cardholder to use it to avail goods/cash without the necessity pay on the spot. It is the concept of “Buy Now and Pay later” ( *Donald; 1997:386*).

**Advantage of Payment Cards:** ( *Burns; 2002:111-119*)

Safe and secure in comparison to traditional mode of payment.

- Very convenient to carry it instead of bulky cash.
- Wide acceptance
- Not only for purchases, can a credit card be used to make cash advances. Hence it is helpful during shortage of cash and in emergencies.
- In-built credit instruments with the privilege of interest free credit period of 45 days maximum to 15 days minimum.. ( *Burns; 2002:111*

**Parties involved in Credit Card Operation**

**A. The Issuer**

“This is a financial organization or any other type of institute that issues credit cards to those eligible to hold it. The Issuer has the right to define the fees, charges, repayment requirements and services for each individual account”(Keith Lamond; 1996:871).

**B. The Cardholder**

A person who holds and is authorized to use the card is the cardholder.

**C. The Merchant**

“Merchants fall into many categories such as retail, airlines, health clubs, travel agencies, hotels, restaurants etc. These are authorized to accept the cards at their location provided that they meet the qualification standards” (*Lamond; 1996:871*).

**D. The Acquirer**

“The acquirer is a member of MasterCard/Visa International that has an agreement with merchants to accept sales drafts and provide the necessary support and the processing of credit card transactions” (*Lamond; 1996:872*).

**E. Corporate Member**

“Corporate member means the company or the firm mentioned in the application form, which has been admitted as a member of ‘the card’ scheme and under whose instruction the cards will be issued to its Directors and personnel as the case may be and such corporate member has guaranteed to honor the bills of such cardholders on presentation.”

(*Lamond; 1996:872*)

**F. Member Establishment**

“Member establishment means the establishment with which the authorized member of the “Master Card International and/or Visa Card International” has entered into agreement for honoring: The Card” on proper presentation” (*Lamond; 1996:872*).

**G. Card Account**

Card Account means account maintained by the Bank in the name of the cardholder and/or corporate member and entries made there on, in the absence of main jest error shall construe valid and acquirer

**H. Clearing and Settlement (The Card Association)**

“Since a credit card is not a cash purchase where the merchant is paid by its acquirer, it involves a fifth and the most important one called the clearing and

settlement bank. Once the acquirer makes the payment to the merchant, it itself need to get the payment from the bank which has issued the card and it is not possible and feasible to make direct claim as there are hundreds or even thousands of such transactions taking place everyday. Hence these claims from all these member institutions are forwarded to the clearing and settlement banks for payments. In the clearing part all the necessary calculations are made to compute the net payment and in the settlement process the actual payments are made. In case of MasterCard this process is conducted by MasterCard and in case of Visa cards by Visa International” (*Lamond; 1996:873*).

### **Risk involved in Credit Card Business**

“The risk involved in credit card is the credit card fraud. Credit Card Fraud is defined as when an individual uses another individual’s credit card for the personal reason while the owner of the card and the issuer are not aware of the fact that card is being used. The person using the card has not at all having the connection with cardholders or the issuer and has no intention of making the repayment for the purchase they done” (*Bhatla; 2003:85*).

It is believed that the merchants are far more at risk from credit card fraud than the cardholders. While consumer may face trouble trying to get a fraudulent charge reversed. Merchants have the cost of the product sold, pay charge-back fees, and fear from the risk of having their account closed. The most disadvantageous part of Credit Card business is the high level of risk associated with its transaction. Payment through credit card is not as safe as cash hence it results in dispute over transactions. In this section the prime focus will be on the processes and elements of dispute resolution. A dispute arises in a transaction due to:

) Car Holders Complaint: Goods not delivered, amount altered, transaction not authorized.

) Merchant /Cardholder Fraud: Multiple imprints, transaction on lost or counterfeit card, sold papers etc.

) Processing errors or violation of the rules set out in the Visa /Master Card Rules-

Late submission, difference of codes, transaction on expired cards, transaction without code, wrong transaction code etc.

*(l Bhatla; 2003:86)*

**Credit Card Business in Reference to Himalayan Bank Limited (HBL) (*HBL Credit Card Centre*)**

HBL is the first bank to issue Nepali credit cards as well as the first issuer to include the applicant's photo for its VISA cards in 1993 A.D named “Himalayan Bank Credit Card”. The addition of the photo uniquely provides a means of verification for vendors unlike cards issued by other banks. Currently, the bank issues all ranges of VISA Card and has a plan issuing MasterCard. The two types of Visa Card are issued by HBL. The first is Local/Rupee Card, which is valid only in India and Nepal and the second is International /Dollar Card, which is valid worldwide.

## **HBL Credit Card**

Himalayan Bank issues the following two different types of credit cards (International and Domestic) to its Customers:

) ***Visa Gold International & MasterCard International:***

This is an international card which can be used anywhere in the world except Nepal and India. Customers having regular income source in foreign currency and maintaining a foreign currency account with any of the Himalayan Bank Branches are eligible to apply for this card.

) ***Domestic Card:***

The second type of card is the **Domestic Card** which is issued in two different categories- Visa and MasterCard: Visa Card are again of two types:

- o Visa Gold Domestic
- o Visa Classic Domestic

The basic difference between Visa Gold and Visa Classic is in the limit assigned. Visa Classic has a maximum limit of NPR 40,000.00 whereas Visa Gold Cards are issued with limits more than NPR. 50,000.

### **A Eligibility Criteria**

) **PSA Account holders**

PSA account holders are eligible to get the domestic card with the limit of NPR 50,000/- at the special discount rate (annual fee/subscription fee) without holding any additional amount in the account.

) **Individuals with stable source of Income having account with HBL**

Individuals maintaining account with the Bank are eligible to apply for the card. The card will be issued considering the income and other relevant documents of the applicant.

) **Individuals with stable source of Income not having account with HBL**

Individuals not maintaining account with HBL are also eligible to apply for the card. Cards to these individuals are issued if they meet the minimum criteria set by the bank.

## **B Documents required to obtain Domestic Credit Card**

### **) For Personal Card**

- Salary certificate duly issued by the Employer.
- Completely filled & signed Credit Card application form.
- Two passport-sized photographs.
- Identification document (Copy of citizenship certificate/passport)
- Sketch of the location map of the applicant's residence
- Photocopy of the Utility bills-either of electricity/water/telephone bill evidencing the address of the applicant

### **) For Corporate Card**

- Completely filled & signed Credit Card application form.
- Two passport-sized photographs.
- Sketch of location map of the applicant's residence.
- Identification document (Copy of citizenship certificate/passport)
- Company/Firm registration certificate
- Income tax registration and tax clearance certificate
- A copy of latest audited balance sheet and statement of profit & loss of the firm along with proof of any other income sources
- Board resolution authorizing availing of credit card and debiting company account for all dues and charges

## **C Different Services Charges in Credit Cards of HBL)**

There are different services charges in Credit Cards of HBL, which are discussed below

### **1) Subscription Fee**

The charges to subscribe for premium saving account and normal saving account for VISA Card vary.

## 2) Over Limit Fee

Basically credit card means plastic card with some credit card limit in it. Every card has some pre-defined limit associated with it and that limit is crossed by any means over limit fee is charged, the over limit charge in case of HBL is NPR 500/- per month.

## 3) Late Payment Fees

After getting the transaction detail by cardholder he has to pay the bill to the issuer. And if he fails to pay it in time he will be charged NPR 150 or 0.50% of total amount, whichever is higher as late payment fees.

## 4) Interest

The major income in credit card comes from the interest charged in the outstanding amount. The interest rate applicable for Nepalese market varies from 28% per year to 30 % per year. HBL is charging 30% annually for its Domestic Cardholders and 18% for its International cardholders. The Interest is charged if the cardholder misses to make payment in the due date.

## 5) Merchant Service Fee

Nepal Card Member Forum has maintained a minimum Merchant Service Fee applicable for all Mater card and VISA VCard transaction from 31<sup>st</sup> January 1999. It varies from 2 % to 3.55 on billed amount.

### Charges

#### a. For Premium Savings Account (PSA)

Description	Membership Fee	Annual/Renewal Fee	Total
<b>Visa/MasterCard Gold Domestic</b>			
Main Card	500/-	1,000/-	<b>1,500/-</b>
Supplementary Card	500/-	500/-	<b>1,000/-</b>

<b>Visa/MasterCard Classic Domestic</b>			
Main Card	250/-	750/-	<b>1,000/-</b>
Supplementary Card	150/-	500/-	<b>650/-</b>

**b. For Normal Savings Account**

Description	Membership Fee	Annual/Renewal Fee	Total
<b>Visa/MasterCard Gold Domestic</b>			
Main Card	500/-	1,500/-	<b>2,000/-</b>
Supplementary Card	500/-	1,000/-	<b>1,500/-</b>
<b>Visa/MasterCard Classic Domestic</b>			
Main Card	500/-	750/-	<b>1,250/-</b>
Supplementary Card	500/-	500/-	<b>1,000/-</b>

**c. Credit Card (International)**

Description	Membership Fee	Annual/Renewal Fee	Total
<b>Visa/MasterCard Gold International</b>			
Main Card	USD 25/-	USD 25/-	<b>USD 50/-</b>
Supplementary Card	USD 10/-	USD 25/-	<b>USD 35/-</b>
<b>Visa/MasterCard Classic International</b>			
Main Card	USD 20/-	USD 20/-	<b>USD 40/-</b>
Supplementary Card	USD 10/-	USD 15/-	<b>USD 25/-</b>

**d. Other Related Fees & Charges**

**a. Re-Issue/Damage Fee**

Visa Gold Domestic	NPR 1,000/-
Visa Classic Domestic	NPR 500/-
Visa Gold International	USD 25/-
Visa Classic International	USD 20/-

**b. Lost/Replacement Fee**

Visa Gold Domestic	NPR 1,500/-
Visa Classic Domestic	NPR 1,000/-
Visa Gold International	USD 40/-
Visa Classic International	USD 25/-

**c. Others**

Interest (Domestic Card)	2% per month
Interest (International Card)	1.5% per month
Cash Advance Fee (HBL Branches/ATM)	NPR 150/- or 1.5% whichever is higher
Cash Advance Fee (Others)	NPR 200/- or 2% whichever is higher
Over Limit Fee (Domestic)	NPR 500/- flat
Over Limit Fee (International)	USD 10/- flat
Late Payment Fee (Domestic)	NPR 150/- or 0.5 % whichever is higher
Late Payment Fee (International)	USD 5/- or 0.5 % whichever is higher
Permanent Limit Enhancement	Nil
Temporary Limit Enhancement	NPR 500/- or USD 10/-
VIP Listing	NPR 500/- or USD 10/-
Statement Copy	NPR 200 or USD 3/- after 3 months
Document Retrieval Charge [Sales slip copy (on-us)]	NPR 500/- or USD 10/- (Refundable up to 100% if no mistake of customer)
Document Retrieval Charge [Sales slip copy (off-us)]	NPR 500/- or USD 10/- (Refundable up to 75% if no mistake of customer)
Travelers Cheque against Credit Card	NPR 150/- or 2% whichever is higher
ATM Card (Re-Issue)	NPR 100/- per card
ATM Card (Lost)	NPR 200/- per card
PIN (Re-Issue)	NPR 100/-

*Source: www.himalayanbank.com*

**The Transaction Process of HBL (Internal Credit Card Manual, 2005, HBL)****Application Processing:**

“The Application represents the first line of risk management defense.”

Arata Michael J.; 2004:139

“It common practice card issuers to confirm an applicant’s information through multiple data sources. The issuer of the credit card makes a call to the customer phone number which is mentioned on the applicant’s form, the further check the address for the verification. Certain high-risk applications may be pulled for a detailed review depending upon the channel used the applicant’s, geographic location and other special characteristic”. Wolfgang Rankl, and Wolfgang Effing; 2004: 97

#### **A. Merchant Application**

When potential merchant is sought out, it is asked to fill an application form called the “Merchant application Form”. Along with the application, the bank asks for all the incorporation documents as mandatory during account opening. An analysis is executed by the R/O who has made the actual visit at the merchant’s location and made the study of the merchant. On the basis of the analysis and the history of the merchant, a merchant membership number is assigned called merchant number.

#### **B. Card Application**

Similarly when a potential prospect for issuance is looked out, the first thing the Bank asks is to fill the application form. Once the form is filled a careful study of the form is made in order to have all the relevant and required information. There after documents are sought out to justify the applicant’s request for a card. In case if salaries persons, a salary certificate , a copy of citizenship certificate and two passport size photo is asked in case of self employed incorporation documents, financial reports, debit authority , official guarantee and other mandatory documents are required.

#### **C Merchant Marketing**

As HBL is acquirer as well as an issuer, it has dual marketing task. It needs merchants who can accept the card and at the same time it has to issue cards to the potential prospectus. In case of merchants , it’s the hotels, restaurants, travel agencies, departmental stores, supermarkets, handicrafts, curio centre, petrol

pumps, and other outlets , which the potential for accepting the cards Merchant Marketing.

The merchant marketing part has two basic functions:

**) Acquiring of new merchants**

The marketing personnel usually do the induction of new merchants. The sources of data regarding these prospects are Newspaper, Magazines and Reference by existing merchants, marketing by branches, personal market exploration. Hence, it is seen that any one who is affiliated with the banks can contribute in this category by just convincing the prospective ones, which they come across during the course of their job

**) Maintenance of Existing Merchants**

Some times the cost of inducting new merchants can be more than retaining an existing one. Due to the cutthroat competition I the market (SCBN, NABIL ) it become s imperative to keep a bird's eye on the performance of the existing merchants as there is always a threat of take over by the rivals. The job retaining the loyalty of the merchant is carried out by monitoring and paying regular sales as per the performance in terms of frequency and volume of business.

**) Issuance Marketing**

This part is the most important owing to its lucrative turns. HBL issues repuee as well as international credit cards in Nepal. International Cards are issued dollar account holders and to those who are eligible to avail the foreign exchange under the travel quota scheme of Nepal Rastra Bank i.e instead of taking Travelers cheque people can now carry international cards when visiting aboard and avoid the hassle of foreign exchange..

## **2.2.2 Review of Related Studies**

In this chapter, some of the basic literatures on the management information system are reviewed. It includes theories on the topic and review of the thesis, research articles and project reports done within and outside the country.

The review includes the name of the researcher, year of research, research objectives, brief description of the methodology followed, and major finding of the research.

This chapter is subdivided into two sections. The first section of this chapter deals with review of master's degree thesis.

### **2.2.3 Review of Journals and Articles**

It has been noticed that the core banking products such as L.C, remittance etc are being provided by almost all the banks. The key to banking success nowadays therefore lies on the ability of the banks to provide subsidiary products such as credit cards, on- line banking and other innovative products.

There have been few people who have conducted research in this subject matter. Hence all the literature on this subject matter is more or less confined to the information provided by credit card department of Himalayan Bank Ltd, International Magazines Newsletter and from websites.

The objective of this review is to provide base for further study on the topic selected. Hence, the review reveals that credit card business is flourishing in the world economy like anything and whoever is in this business finds it profitable. But the status is not lucrative in Nepal as it is in other nations of Asia's and Pacific region. What the review has also exposed is that the credit business has also played a significant role in the economic boom of those nations who have encouraged their usage. Once a payment card issued, it enhances the expenses of individuals leading to a growth in consumption and hence encourages investments.

**Chris Huges**,(2002), in his article "*Cards Leads Egg to Net Profit*" has viewed that 'Four year old internet bank in Europe, celebrated its first reported profit as customer growth in its booming credit card business accelerated during the quarter

of 2002. Its shares closed at an all time high. Its quarterly pre tax profits were GBP 4.1 Million, against a loss of GBP 37.2 Million in the same period last year. Egg begins trading profitability during the last three months of 2001, in the line with its business plan.

**Keepley R**, (2002), in his article “*Consumer Finance in Asia: The New spend thrifts*”, The Economist , argued that the regional head of real visa in East Asia there will be development and market will grow fast .In the same work it is also stated that credit card usually generates return on assets of above of 5 %. With peoples of about two third of the worlds population and 25% of the worlds gross domestic product, Asia Pacific Region has more then 500 Million banking customers. With the above stated growth rate and the emergence of middle class consumers, this fertile market holds tremendous substances for the card payment sector. Singapore, the country, which is fast race of development, has declared that it wants to become a cash free zone with all the financial needs being handled by bank cards. Credit card spending in Korea is increasing at a rate of 90% per year.

**R.K. Yin** (2004), in the article “*Changing the way we pay : Development Report in Asia*” stated that wy the Nepalese players such as Standard Chartered Nepal Ltd, Nabil Bank Ltd and Himalayan Bank Ltd states that the card line business is not as profitable as other products in the banking sector. It is the complexities or there is some problem with our market. Why is the big gap between the market of Nepal and other East Asian or it is the unavailability of proper infrastructure.

**Richa Shrestha**, (2004) in her article “*Now Visa to travel to India*” published in Himalayan Times daily (**THT**) remarked that Himalayan Bank has launched a unique prepaid Visa Card service valid in India and Nepal. The first of its kind in Nepal, this prepaid card offers instant cash with none of the risks or delays associated with drafts or with wire transfers. According to article more than 90% of Nepalese students studying in India go under self financing schemes .as a result

parents and guardians are required to remit funds to their wards at regular intervals to meet their academic as well as living expenses. In most of the cases this money is sent by way of draft or wire transfer. Both are time consuming and there may also be risks involved. Now all guardian can do is deposit an amount on the card and their wards can withdraw funds anywhere in India using the card. Apart from students, this card also will also be of great help to traveling executives and patients going for treatment in Indian Hospitals.

This shows that how Nepalese are aided by Technology and innovations fuelled by markets needs and underlying growth propositions. How things are gearing up to meet the requirements and lifestyle of Today's consumers.

**Shreedhar Khanal**,(2005) in his article "*Increase in Plastic Money in Nepal*" published in Weekly Newspaper Dhistri (**Local Newspaper**) has shown the past and present market of various debit and credit cards. In the article, we can know both the present and past trend in acquiring various cards. According to it in the past only foreigners used to carry cards but now every individual who are residing in the urban society of Nepal are directly linked to cards money. It has also stated that how bank are introducing their new product using this latest technology and in what ratio are investing to acquire this technology. This credit card business has been taken as a latest development in their technology in the market.

#### **1.6.2.2 Review of Previous Research Works and Thesis**

**Chandra Bahadur Thapa** (2059, B.S.), in his research work on "*Prosperity and Challenges of Credit Card Business*" has stated that how financial institutions are moving ahead with this new technology. He has emphasized in different cards produced by Nabil Bank. He has conducted his study on the base of secondary data produced by the organization. He had also interviewed different number of individuals from various backgrounds to accomplish his task.

Major findings of his research were:

- The concept of card business has not been developed significantly in our nation as in other nation. Hence it is in developing stage.
- The major problem of the card business is the lack of conceptual framework among the people, the downsizing economic scenario and huge cost associated with its operation.
- In case of the bank in question, it has been found marginally overcapitalized when compared to the overall capitalization rate of the bank.
- In Recent years the acquiring and the merchant business growth are not doing well compared to the earlier phase of growth and in comparison to the growth of other nation.

**Pawan Kumar Rizal** (2060, B.S.), in his master thesis “*Operation of Credit Cards by Himalayan Bank Limited*”, has remarked that HBL is updating, internalizing moving ahead with this new technology. He has emphasized in different cards produced by HBL. He has conducted his study on the base of secondary data produced by the organization. He had also interviewed different number of individuals from various backgrounds to accomplish his task. His survey was conducted mainly to assess some of the factor’s level of impact and reason of the credit card operation in existence.

Major outcome of his research work are as follows:

- The concept of credit card has not been developed in Nepal as it has been in other nations.
- The major problem of the card business is the lack of conceptual framework among the people, the dwindling economic scenario and the huge cost associated with its operation.
- Bank can venture into new territory that is students at senior levels as they represent both an immature market where brand loyalty can be built from an early stage and a group that is newly entering the professional fields.

His report has attempted to put its findings in coherent, meaningful and useful manner. Action plans based on his recommendations might be considered if the bank considers them to be useful in the long run. As far HBL's performance in card business is considered it cannot be said it is under performing in terms of if the dwindling economic factors. The direct profitability may not very substantial or not in par with that of the international norms, which is probably due to the high fixed cost associated but it has made great contribution in the cross selling marketing strategy of their overall organizations. Our economy is not being to generate enough business due to many factors; Tourists are not being able to generate enough income for then to boost their bottom line figure.

**Prakash Shrestha** (2005), in his research "*Universal Banking*" has mentioned about the changes in banking services. As per his work, we can know that electronic banking is the wave of the future. He has written about Internet Banking. He has emphasized that being online banking it is the highest service provider and it is creating new value. He has also written about the relevance of E-banking in Nepal.

Major findings of his study are:

- Geographical boundaries are becoming irrelevant.
- Banking operation requires being more closer to customer.
- Consumers have become more sophisticated, technology savvy and demanding.

**R.P. Shrestha** ( 2006), in his master thesis, "*Analysis of Credit Card Business with Special Reference to Himalayan Bank Limited*" has aimed to trace how the credit card operation of HBL has evolved over the years and tries to examine the exiting structure and operation of credit card system. The basic objective of his study is to understand the various aspects of credit cards. He has also tried to analyze the major problems of HBL related to credit card and tries to find some measures to improve it. The primary significance associated with the study is to sort out the intricacies

and develop the concept of innovation. Major outcome Various studies reveal that Credit Card Business is very profitable and is scared out in a very monitored and controllable manner.

Major outcome of his research work are as follows:

- There is high prospective and growing market for credit card business especially acquiring business.
- The major problem of the card business is the lack of conceptual framework among the people, and not considering innovative scheme, which has led the huge cost associated with its operation.
- The direct profitability may not very substantial or not in par with that of the international norms, which is probably due to the high fixed cost associated but it has made great contribution in the cross selling marketing strategy of their overall organizations

Nowadays, people are being aware about card facilities and the advantages of holding a credit card, which is gradually progressing in industrialization process and increasing income level among the higher and middle class society. So the possibility of other banks entering this field shouldn't be ignored. His report has attempted to put its findings in coherent, meaningful and useful manner. Action plans based on his recommendations might be considered if the bank considers them to be useful in the long run. As far HBL's performance in card business is considered it cannot be said it is under performing in terms of if the dwindling economic factors.

## **CHAPTER-3**

### **3.1 Research Methodology**

This study is mainly based on data's collected from a commercial bank and different individuals. Where as descriptive analysis is made with the help of information collected by questionnaire and meetings concerned peoples.

This is an empirical study on bank products giving special focus to industrial analysis of credit card operation in Nepal. There for to conduct the study analytical and descriptive research has been made from readily available data of stock market. Some information are gathered from questionnaire and meeting with people. Various financial tools such as correlation, coefficients are used measure the applicability.

#### **3.3.1 The Research Design**

Basically research is a blend of diagnostic, descriptive and developmental in nature. Diagnostic in the sense that the problem stated needs a diagnostic approach to get to the root. The problem is of over capitalization or the return on assets being low. This is the core problem, which is sensed for the concerned bank and in order to authenticate there is a need to find out the actual return and compare it with the total assets employed. The diagnostic of break – even point is also attempted. The research can also be It shows how the businesses get momentum going on and how well it has emerged. The emphasis is on the present status and its future prospect.

#### **3.3.2 The Population and Sample**

Population refers to the target groups on whom this research have conducted. For the purpose, four different target groups had segmented and distributed separate structured questionnaires. Besides the above said questionnaires and target groups,

unstructured interviews had been conducted with various card authorized staffs at HBL handling credit cards.

Account Holders, Merchants, and Staff were the three different target groups, for whom separate questionnaire was developed and distributed. The sample size was 50, 35, and 15 for Account Holders, Merchants and Staff. Questionnaires prepared for these different groups were distributed at various locations (*bank counters, business houses, residential areas, schools, colleges, departmental stores, retail outlets and other such numerous locations*) within Kathmandu and Lalitpur districts. Unstructured and structured interviews were also conducted with the said groups during the research period.

The study is not only confined to the case study of Himalayan Bank Ltd but also reflects the development aspects of credit card business in Nepal. As such the financial data related to growth is needed. As there are only three banks involved in this business and all of them share the information with through the means of forum, there is no sample in case of the following data and all the consolidated data is provided by the bank in question:

- ) Acquiring volume for the past five years.
- ) Merchant number for the past five years.
- ) Issuance business for the past five years.
- ) Card uses for the past five years.

### **.3.3.3 Data Collection Methods**

#### **a. Structured Questionnaire**

Structured questionnaires were prepared for three different sample groups: Bank Account Holders, Merchants, and Staff.

**Bank Account Holders:** This questionnaire was targeted to people regardless of sex, age, education or any other such demographical criteria; the only requirement was that the respondent had to have a bank account in any bank of Nepal. This questionnaire was designed so as to focus on specific reasons for acquiring credit cards and choosing particular banks for doing so. The questionnaire was segmented into two portions: one focused on credit card holders and the other on non-holders. The questions were focused on the type of credit card acquired, means of gathering information about credit cards, reasons for acquisition, problems encountered with usage of card, frequency of usage, places of usage, reasons for usage, future plans of termination and reasons for doing so.

**Merchants:** The Merchants' Questionnaire was targeted to merchants of different establishments such as departmental stores, restaurants, hotels, travel agents and retail outlets concentrated in Lalitpur and Kathmandu. The questionnaire was divided into two sections – one for merchants having credit card facilities and the other for merchants not having the facilities. The first section consists of questions focused on the acquiring bank, reasons for selection of bank, reasons for acquisition of facilities, frequency of usage of credit cards. The second section comprises of questions regarding reasons for not acquiring credit card facilities, reaction of customers to absence of credit facilities, plans for installing credit card facilities and reasons for doing so.

**Staff of HBL:** It was designed to get an understanding about the perception of the HBL staff towards major problems being affected by HBL in relation to credit cards. In this regard, staff was asked about their promotional strategy, main problems for the promotions of credit card by HBL, problems in credit cards, awareness of credit fraud and training regarding Credit card operation.

## **b. Structured and Unstructured Interview**

Credit cardholders, non-cardholders, educational institutes, business enterprises as well as experts in the credit card operation were interviewed. In this regard, several structured as well as unstructured interviews were conducted. Structured interviews were basically conducted with the various merchants, while unstructured interviews were mostly conducted with the other said groups such as the personnel of HBL, educational institutes heads, people included in the structured questionnaire survey etc.

### **3.3.4 Sources of Data**

#### **Primary data:**

The primary data are those which are first hand in nature. All the related primary data was obtained using questionnaire for the Account Holders, Merchants, and Staff. The sample size was 40, 35, and 15 for Account Holders, Merchants, and Staff as mentioned earlier.

#### **Secondary data:**

The secondary data are second hand in nature. Although there are published materials but all the concerned banks (HBL, SCBN, NABIL) share consolidated data in order to keep track of the business trend. Since these data are shared among the players of card business, these can be taken as data of secondary source and was obtained schedule.

### 3.3.5 The Variables and Measures

The prime variables and their measures used in the said study are as follows:

<u>Variables</u>	<u>Measures</u>
Issuance Data	Cards in numbers
Acquiring Data	Rs. In '000'
Merchants Numbers	Merchants in numbers
Card Usage	Rs. In '000'
Tourist Arrivals	Numbers of Tourist
Acquiring Break Even Analysis	Rs. In '000'
Issuance Break	in terms of percent

The questionnaire to the cardholder was used to obtain information regarding likeness of credit card, customer service of the bank in question, card acceptance, benefits of using cards, shortcomings and the relevance of social status associated with credit cards. Similarly the questionnaire prepared for merchants intended to obtain information regarding convenience of using imprinter/terminal, customer service provided by the concerned bank, percentage of customers producing cards at their outlets benefits and disadvantage of accepting cards and their preference of cards over cash.

### 3.3.5 Data Analysis Tools

- ) A comparative study of the card division's profitability with that of similar investment outlet of the bank was made.
- ) A survey conducted with the present cardholders to identify the problem and asking possible way to enhance the payment through cards. Descriptive analysis of the same was executed.
- ) A break-even analysis carried out with the objective to find out the bottom contribution of the card division to the bank, the return on the assets employed and at what volume it needs to operate to sustain independently.

### **3.3.7. Limitation of the Methodology**

As indicated earlier, it was very difficult to collect the data since there are no very detailed published materials on this subject. The entire design is more of descriptive and development. The diagnostic part could not be ascertained to its fullest extent as expected because it needed proprietary data which could not be available.

## CHAPTER - 4

### Data presentation and analysis

The data tabulated, presented and analyzed are of both primary and secondary in nature. The presentation and analysis of secondary data became mandatory owing to the fact that the trend of growth in terms issuance, acquiring, merchants growth and usage is deemed necessary as well these factors have direct association with the objective of the concerned study. Hence, growth pattern of HBL as comparing to of the entire industry and comparative analysis of HBL with its nearest competitor is presented and analyzed in order to have deeper understanding of the card business and to meet the objective of the study.

#### 4.1 Comparative Analysis

##### 4.4.1 Comparative Issuance Growth Analysis of HBL with SCBNL

The comparison with the industry average only does not give the real picture of HBL's market position and hence, in order to have better and clear picture, it needs to associate its performance with its nearest competitor. The nearest rival of HBL is standard Chartered Bank Nepal Limited (SCBNL). As the table no. 1 (below) reveals, HBL has been not as aggressive as SCBNL in the year 63/64 where the total cards in circulation for the latter is 4,883 where as that of HBL is 3,685.

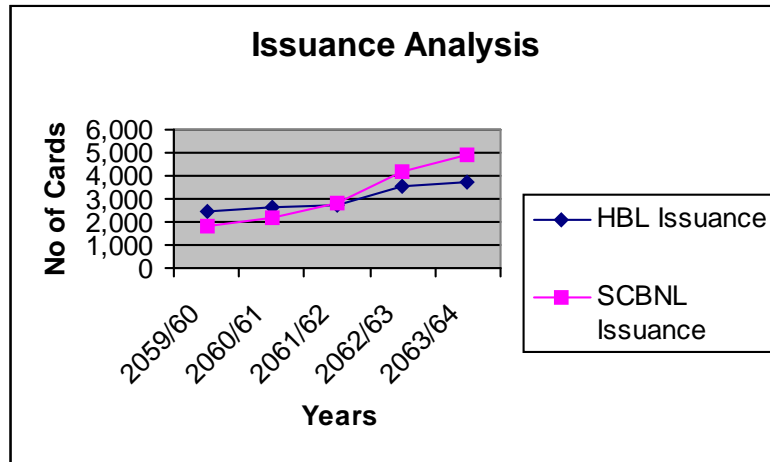
**Table 1**  
**Comparison of Issuance between HBL and SCBNL**  
(in numbers)

Year	HBL issuance	SCBNL issuance
2062/63	2,415	1,859
2063/64	2,641	2,194
2064/65	2,769	2,786
2065/66	3,587	4,167
2066/67	3,685	4,883

Source: Nepal Card Member Forum, 2011

Figure 1

**Comparison of HBL's issuance with its nearest competitor – SCBNL**



From the study of the figure 1, it is clear that SCBNL has taken a galloping leap in the year 62/63 where as HBL is growing at natural pace. As we have seen from our theoretical framework study that issuance is more lucrative business than the acquiring part and hence, SCBNL is reaping better and more lucrative harvest in terms of profitability from issuance business.

**4.4.2 Comparative merchant growth analysis of HBL with SCBNL**

Similar is the case with the merchant induction business part. It is absolutely clear from the table given below that the SCBNL is way ahead of HBL in terms of total number of merchants. However, SCBNL merchant's number also includes the merchants of Alpine travel who has merged with the former to form an alliance. More than sixty percent of the merchants belong to Alpine.

**Table 2**

**Merchant Growth Comparison of HBL and SCBNL**

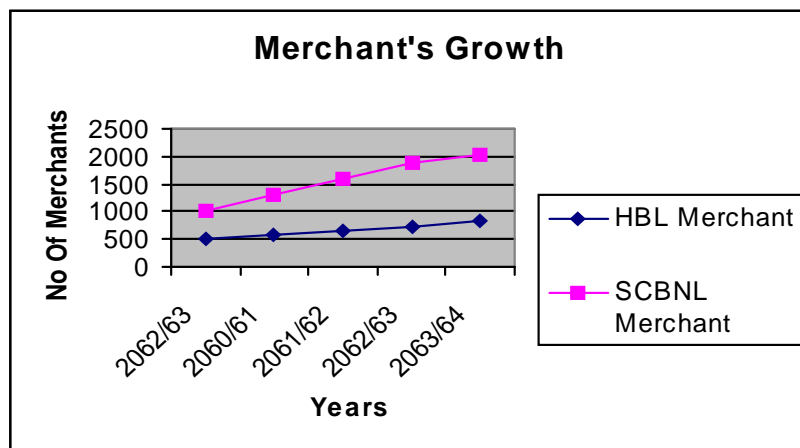
(in numbers)

Year	HBL Merchants	SCBNL Merchants
2062/63	512	1,007
2063/64	585	1,318
2064/65	660	1,600
2065/66	727	1,887
2066/67	825	2,018

Source, Nepal Card Member Forum

**Figure 2**

**Comparison of HBL's merchant with that of its nearest competitor -SCBNL**



The figure 2 (above) also presents the same picture where SCBNL looks ahead of HBL but as stated more than sixty percent of its merchant belongs to that of Alpine. Whatever the case may be HBL should also be aggressive to increase the merchant base in order to be competitive and to have greater market share.

**4.4.3 Comparative Acquiring Growth Analysis of HBL with SCBNL**

Comparing the acquiring with that of SCBNL, it gets clear that SCBNL is ahead of HBL in terms of acquiring volume. "HBL's total share in the market is around 35% where as that of SCBNL is around 58%. However, as stated earlier SCBNL is an

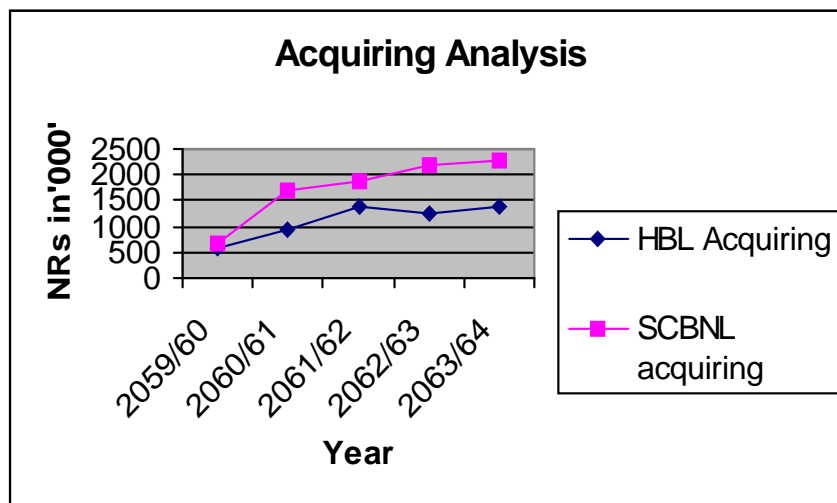
alliance franchising with Alpine and hence, more than 60% of its business belongs to that of Alpine.”

**Table 3**  
**Acquiring Analysis between HBL and SCBNL**  
 (Rs.000’)

Year	HBL Acquiring	SCBNL Acquiring
2062/63	582	689
2063/64	924	1,715
2064/65	1,375	1,860
2065/66	1,232	2,171
2066/67	1,380	2,275

*Source: Nepal Card Member Forum, 2010*

**Figure 3**  
**Comparison of HBL's Acquiring with SCBNL**



When we compare the data with the help of a figure 3, it becomes clear that in the year 62/63 HBL's acquiring has gone down where as that of SCBNL is still growing up. This shows HBL has shown complacency in tapping the acquiring business.

#### 4.4.4 Comparative usage growth analysis of the concerned bank with that of the SCBNL

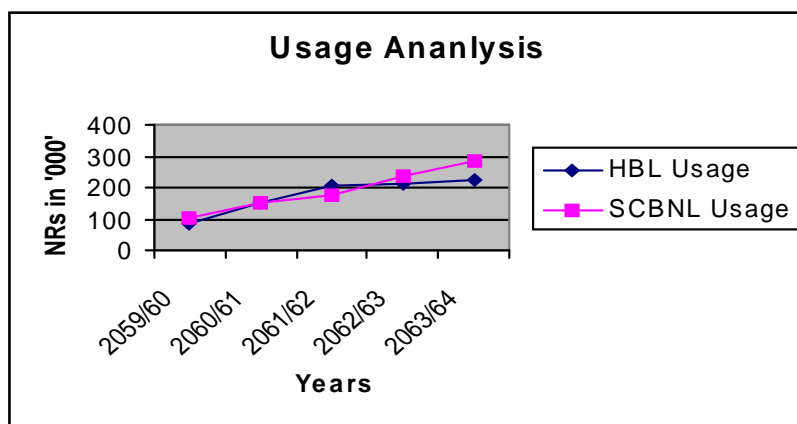
As far as usage is considered HBL was ahead for the year 63/64 and 64/65 but SCBNL has overtaken in the year 65/66. This owes from the fact that SCBN has been more aggressive in the market in terms of issuance, which is authenticated when compared the performance of both the organizations.

**Table 4**  
**Comparison of Usage Growth of HBL and SCBNL**  
 (Rs. 000')

Year	HBL Usage	SCBNL Usage
2062/63	83	106
2063/64	154	152
2064/65	204	174
2065/66	214	238
2066/67	225	286

Source: Nepal Card Member Forum, 2010

**Figure 4**  
**Comparison of HBL's Usage with that o SCBNL**



The above figure 4, stated fact also becomes clear from the figure where SCBNL has taken forward leap leaving HBL behind. Usage is associated with issuance and promises more income sources than acquiring at the same time gives more market base to enhance the acquiring business. Hence, HBL needs to be aggressive as well and tap the growing issuance market.

## **2.1 Correlation Analysis**

There are many factors, which influence the profitability of credit card business in Nepal. These factors or variables, which all have significant and substantial effects respectively on the card business have already been discussed in the methodology. However, a brief view will be expressed in order to study their effect.

### **Acquiring Business**

Acquiring business concerned with the processing of transactions by the banks, which are submitted by those outlets / firms / organization (merchants), which accept cards. The cardholder's draws sales voucher whenever they make purchases and these vouchers are presented to the acquirer (banks) for further processing and payments to the merchants. Acquiring business brings benefits in the form of merchant service fees i.e. the merchants are paid full amount of the voucher less certain discount fee. This discount fee is the only income for the bank. For example, a person A visits retail store and makes a purchase of Rs. 10,000 using his card and the merchant makes a slip, which is duly signed by the cardholder. Then voucher is then deposited to the bank with which the merchant has an agreement. If the merchant service fee is 3.5%, then the bank pays Rs. 9,650 to the merchant and the rest Rs. 350 is the income for the bank.

### **Number of Merchants**

More the acceptance infrastructure more will be the probability of enhancing the acquiring business. This is construed from the simple fact that more the options available to the cardholders to use their cards more and more time their cards will be used repeatedly, which will further lead to the increase in the acquiring business. The correlation study below shows that the correlation between acquiring and cumulative merchant's growth is as per table 5 almost 1 (0.94), which is to say that both these variables are almost perfect and positively correlated. This clearly means that it's not only the issuance of cards that will lead to higher growth of card business but at the same time the players should also increase the acceptance infrastructure.

## **Card Usage**

Every time a card is used by a cardholder apart from the convenience and credit enjoyed by the cardholder and the benefit received by the merchant in the form of increased sales, the acquirer and the issuer is also benefited monetarily. When the voucher is submitted with the bank (acquirer), as mentioned earlier it reimburses the merchant discounting the bill by applying a certain percentage of service fee called merchant discounting the bill by applying a certain percentage of service fee called merchant service fee. This fee is not the sole income of the acquirer rather it needs to be shared in the form of interchange with the actual issuer of the card in question. Lets take an example of somebody Mr. A using a card issued by Bank of America (BOA) at Yeti Travels for the purchase of air ticket. Let's say the ticket amount is Rs. 100,000. Yeti Travels sends this voucher to Himalayan Bank Limited and HBL charges 3% to discount the bill (voucher) paying Yeti Travels Rs. 97,000 as reimbursement. Now this discount fee of Rs. 3000 is not is not the sole income of HBL rather HBL has to share the income with Bank of America. Hence, we see even if the income needs to be shared, every time a cardholder uses his card, the issuer and the concerned acquirer gets benefited. Sometimes the acquirer and the issuer may be the same unit and in such cases the entire income goes into the pocket of the same unit as it needs not to share the income.

Card Usage refers to the expenses made through cards issued by the concerned issuer. For example if a person uses HBL's card for Rs. 10,000 then the card usage for HBL is Rs. 10,000. This is sometime also called as on-us usage as the card is used which is issued by the concerned institution itself (e.g. HBL in our case).

The primary variables, which determine the usage, are Card Issuance and Number of Merchants. It is obvious that greater the number of cards, greater will be the usage and similarly greater the number of places where these cards are accepted and consequently higher will be the probability of card being used. The correlation between card issuance and usage as per table 5 is 0.98, which shows both variables move in the same direction.

**Table 5****Consolidated Data of HBL, NABIL and SCBNL**

<b>Year</b>	<b>Issuance</b>	<b>Merchants</b>	<b>Acquiring</b>	<b>Usage</b>	<b>Tourist Arrival</b>
2062/63	6,928	1,773	1,375,883	288,094	-
2063/64	8,082	2,247	2,831,232	413,511	463684
2064/65	8,605	2,717	3,418,410	490,847	491,504
2065/66	10,550	3,134	3,622,781	597,148	463,546
2066/67	9,640	3,287	3,589,906	589,289	4,89,687

*Source: Nepal Card Member forum, 2010*

<b>PARTICULARS</b>	<b>CORRELATION</b>	<b>VALUE</b>
Calculation between issuance and merchants	$r_{12}$	-0.17
Calculation between merchants and usage	$r_{24}$	0.18
Calculation between acquiring and usage	$r_{34}$	0.04
Calculation between issuance and tourist arrival	$r_{15}$	0.37
Calculation between acquiring and tourist arrival	$R_{35}$	0.97

Source: refer appendix 1, 2, 3, 4, 5

#### **4.2 BEP Analysis**

This BEP analysis is a proposed model in its presentation as the authorities denied providing the proprietary data of the card division. However, on the basis of the averages on every income and expenses part, an attempt has been made to come with to break even analysis model as shown below:

#### **Financial Calculation for the Issuance BEP for the year 2066/67**

##### **Transaction particulars**

Number of Cards	3,500
Total Transaction Amount	42,000,000.00
Total No. of Transaction	15,000
Total No. of Cash Advance	7,00
Average Card Limit	30,000.00

## Calculation of BEP

### Income

Particulars	Rate	Percent allocated %	Amount (Rs)
Annual Fees	750 per card	100	2,625,000.00
Joining Fees	750 per card	100	2,625,000.00
Supplementary Fees	750 per card	10	262,500.00
Card Replacement	500 per card	5	87,500.00
Cash Advance fee	475 card	100	332,500.00
Limit Enhance fee	300 per card	10	105,000.00
Negative Listing fee	500 per card	2	35,000.00
Card Closing fee	500 per card	5	87,500.00
Retrieval Request fee	750 per card	2	52,500.00
Charge back processing fee	750 per card	2	52,500.00
On demand renewal fee	500 per card	5	87,500.00
Urgent Charge for same day	500 per card	3	52,500.00
Interchange Fee	1.6% of amount	100	672,500.00
Merchants service fee	165 per card	30	173,250.00
<b>Total Income</b>			<b>7, 250,250.00</b>

*Source: Himalayan Bank Credit Card Center, 14<sup>th</sup> annual report of HBL*

Total Income           Rs.7, 250,250.00

Income per card       =7250250/3500 = Rs.2,071.50

## Variable Cost

Particulars	Rate	Percent allocated %	Amount (Rs)
Card Cost	10 per card	100	35,000.00
Application cost	25 per app	100	87,500.00
Analysis Form	1.35 per form	100	4,725.00
File	7 per file	100	24,500.00
Wallet	20 per wallet	100	70,000.00
Letter	5 per letter	100	17,500.00
Statement	15	110	52,500.00
Promotional cost	40 per card	100	140,000.00
Visa billing system	193.5 per card	100	677,250.00
Communication	20 per card	100	70,000.00
Cost of fund	3% per rupee		1,260,000.00

Source: Himalayan Bank Credit Card Center, 14<sup>th</sup> annual report of HBL

Total Variable Cost	Rs.2,438,975.00
Gross profit	Rs.4,811,275.00
Fixed Cost	Rs.4,000,000.00
Net Income	Rs.811,275.00
BEP in transaction amount	Rs.4,246,603.82
BEP in No of cards	354

## Calculation of Net Income (Rs)

Net Income from issuance part	811,275.00
Net Income from acquiring part	749,210.00
<b>Total Net Income from both part</b>	<b>1,561,485.00</b>

Source: Himalayan Bank Credit Card Center, 14<sup>th</sup> annual report of HBL

<b>Total Assets employed in Card Division</b>	
Fixed Assets	5,000,000.00
Loan & Advances	20,000,000.00
Bills purchased and Discount	10,000,000.00
Account Receivable	4,500,000.00
Cash	2,000,000.00
Other Assets	1,000,000.00
<b>Total Assets Employed</b>	<b>42,500,000.00</b>

Source: Himalayan Bank Credit Card Center, 14<sup>th</sup> annual report of HBL

$$\begin{aligned} \text{Return on Assets} &= \text{Net Income} / \text{Total Assets Employed} \\ &= 15,60,485 / 42,500,000 \end{aligned}$$

**Return on Assets in Percentage = 3.67%**

The commission earned by Letter of Credit (LC) department for the year 2063/64 was 35,977,061 and as per the banks officials the expenses is substantially lower in comparison to that of card division and moreover the LC department has less staffs than the card division. Again, the total assets employed are also less than that of card division. Hence, card division is not as profitable as LC although the investments are higher. Similarly the overall Bank's return on asset for the same period is as follows:

	<u>Rs. in '000'</u>
Income before tax and provision	= Rs. 691,743
Total Assets Employed	= Rs. 18,367,151
Return on assets	= 691,743/18,367,15
	<b>= 3.8%</b>

According to Mr. Rupert Keepley's statement, regional head of real Visa, East Asia is and will be in years to come Visa's fastest growing market. In the same work it is also been stated that credit and usually generates return on assets above 5 %.

The figures shown in the annual report of 2063/64 pertaining to credit card business is as follows:

Credit Card Income	Rs. 45,325,149
Credit Card Expenses	<u>Rs. 34,719,533</u>
Income Contributed	<u>Rs. 10,608,616</u>

The analysis shows Rs. 1.5 million. This was referred to the department and it has been had absorbed many of its expenses, such as communication, depreciation, stationary etc.

Although the figures presented in the annual is absolutely true in gross terms and do not have any effect on the overall bottom line figure of the bank, the card

divisions direct contribution was not netted out. However, when we consider the indirect support of the division, it is surmountable. As shown in the consolidated data, there are more than 700 merchants and the card division has inducted most of these clients. Once a customer is inducted it brings substantial deposit with it. It is not only this, due to card division the branch itself has got many of the business from these merchants such as L/C, credit facilities, guarantee issuance, remittance services etc. Similarly more than 3000 cardholders of the card division are also contributing to the overall income of the bank, if not substantially and directly to the bottom line figure of the division itself. Almost more than 80% of these cardholders have account with the bank and hence, enhances the bank's liquidity (Source: 14<sup>th</sup> Annual Report of HBL).

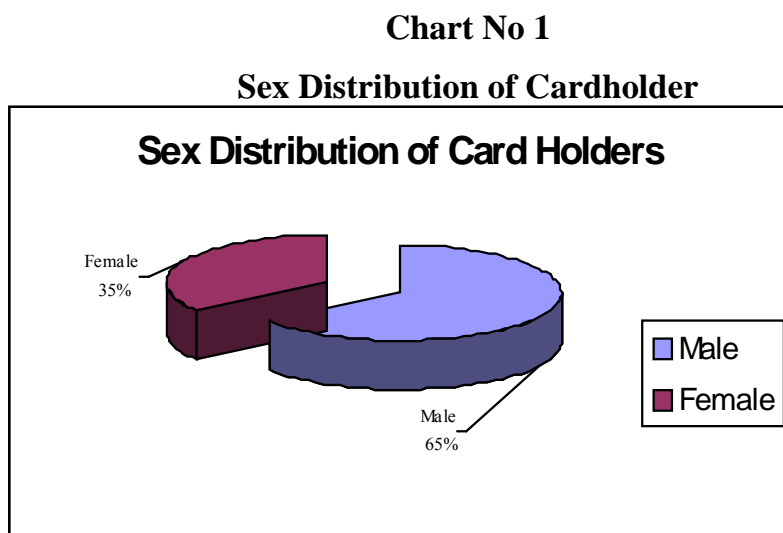
### 4.3 Presentation and Analysis of Data

The data obtained from the primary source has been analyzed and presented with the help of charts are as follows:

#### 4.3.1 Credit Card Holders

➤ **Most of account holders are Male**

Taking consideration Chart no 1, Out of 50 respondents, 65% were male, while 35% were female who had bank accounts of different banks.

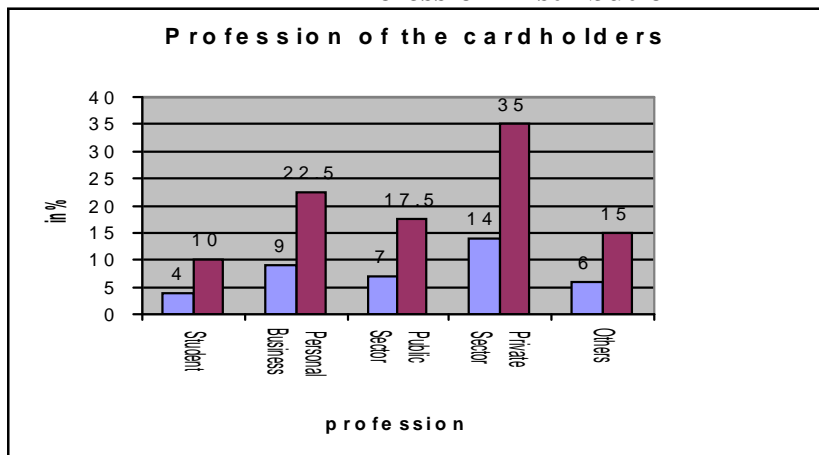


➤ **Most of Card Holders are professional and experienced**

As per chart 2, majority of the respondents worked in private sector and had personal business. In fact, 35% worked in private sector, which followed by personal business at 22.5%, Public Sector 17.5% and Students at 10%. Others included retiree which contribute 15% of the total respondents.

**Chart 2**

**Profession Distribution**

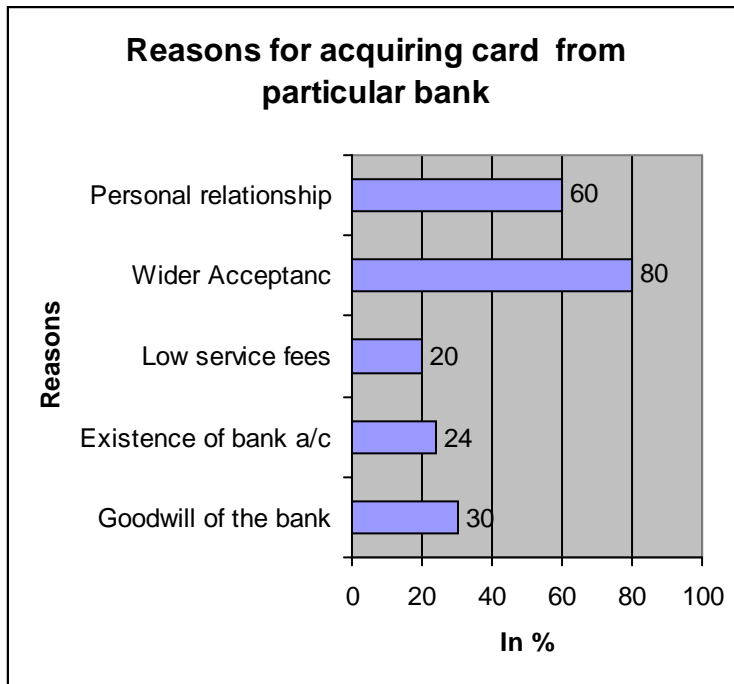


➤ **Most of the account holders are credit card users**

As per chart 3, Account Holders 39.9 percent acquired a card from a particular bank due to the **existence of a bank account**, 27.5 percent did so because of comparative **low service fees**, 20.7 percent did so due to **wider acceptance** of the type of credit card issued, 2.6 percent due to **better facilities** and 9.3 percent chose a particular issuer for **other reasons** such as promotion, goodwill and easier issuance.

**Chart 3**

**Reasons for Acquiring Credit Card from particular Bank**

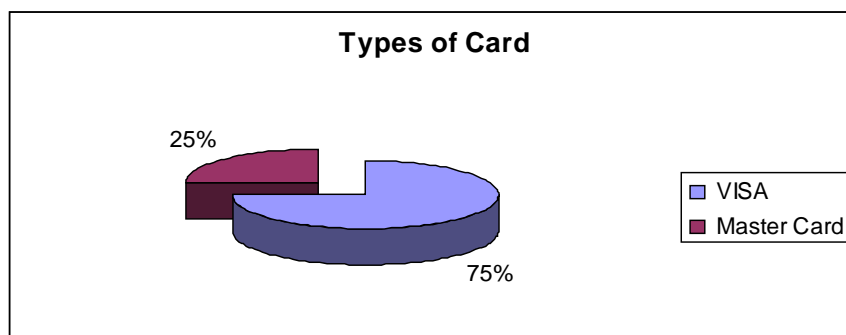


➤ **Visa is most Popular Card**

As per Chart No 4, out of the 50 respondents, 75 %(30) respondents had VISA and 25%(10) had Master Card. Hence, in Nepal VISA and Master Card is famous among credit cardholders.

**Chart 4**

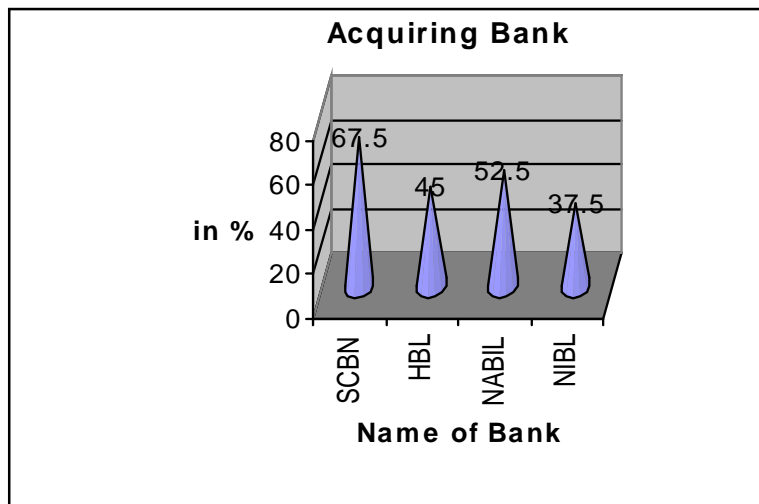
**Types of Credit Card**



➤ **Standard Bank is the most Famous bank for Acquiring Facility**

As per Chart No 5, from the sample population of 50, it is observed that the most of the customers have acquired credit card of Standard Chartered Bank Limited, 67.5%(27) acquired card of SCBN, 52.5% (21) acquired card from Nabil Bank, 45% (18) acquired card of HBL and 37.5%(15) acquired card of Nepal Investment Bank.

**Chart 5**  
**Usage of Cards of Different Bank**



From the table 7, NABIL and SCBN have the highest correlation figures, 0.45 in both cases. For NABIL, the corresponding variable is **low fees** while for SCBN it is **wider usage of cards**. These results are obviously due to the fact that NABIL charges the lowest structure of fees (*Rs. 2000*) while the MasterCard and VISA cards issued by SCBN are accepted by all vendors in Nepal - NABIL issues only MasterCard and HBL issues only VISA. The only relevant positive figure for HBL is 0.31 for **existing account**.

**Table 6**

**Comparison between Banks and Reasons for Choosing a Particular Issuer of Credit Cards At 1% significant level**

<b>Bank</b>	<b>HBL</b>	<b>NABIL</b>	<b>SCBN</b>
<b>Reason</b>			
Existing account	0.31	-0.01	-0.25
Low fees	-0.34	0.45	-0.17
Wider usage	-0.21	-0.13	0.45
Better facilities	0.00	-0.06	0.19
Marketing and Goodwill	-0.15	-0.20	0.28
Others	0.07	-0.06	-0.03

*(Source: Surveillance Study, 2011)*

This is mainly due to the fact that the bank issues credit cards only secured by deposits maintained in HBL bank accounts; that is, credit card holders should have accounts at HBL itself and should have a deposit equal in figure to or exceeding the amount of credit limit they are allowed. The other variables all show negative figures and hence are detrimental to obtaining future HBL credit card holders.

There are several ways for the bank to remedy this situation.

- ) The Annual and Subscription Fees for acquiring a credit card can be lowered such that they are competitively viable with those of the other banks while providing adequate return to the bank; the loss through cutting down the fees can be regained through attraction of more prospective clients.
- ) HBL can change its current policy of issuing cards only to selected account holders. NABIL and SCBN both issues cards without the collateral of a bank account in their prospective banks, hence, they have been able to capture a much higher share of the market than HBL.

In this case, HBL, by being highly risk averse and catering only to an exclusive class, has forgone the opportunity of gaining clients and building brand loyalty of a market in its infant stage.

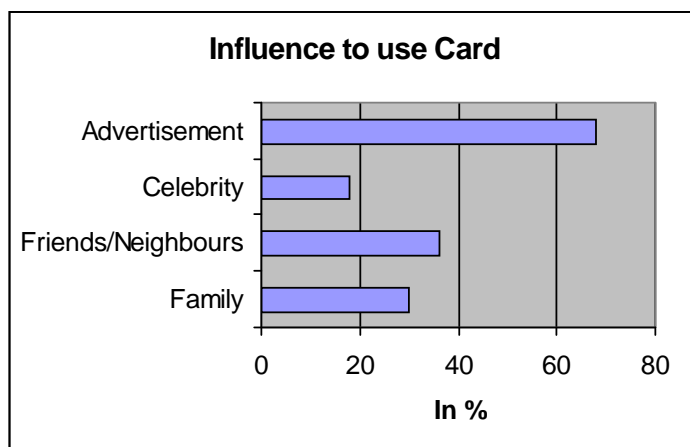
J) Another method is for HBL to hone up on its marketing efforts and provision of good and prompt service to its clients. In order for HBL to catch up on this segment, it needs to expand its marketing staff, provide them adequate training and target segments that are still unsaturated.

➤ **Advertisement plays vital role to increase the Sphere of Influence**

As per Chart 6, Out of 50 respondents, most of the respondents i.e. 68 % ( 34) were influenced by advertisement to use card, 36% (18) were inspired by their friends circle, 30 % ( 15) were influenced by their family and, 18 % ( 9) were encouraged by the celebrity to use the credit cards.

**Chart 6**

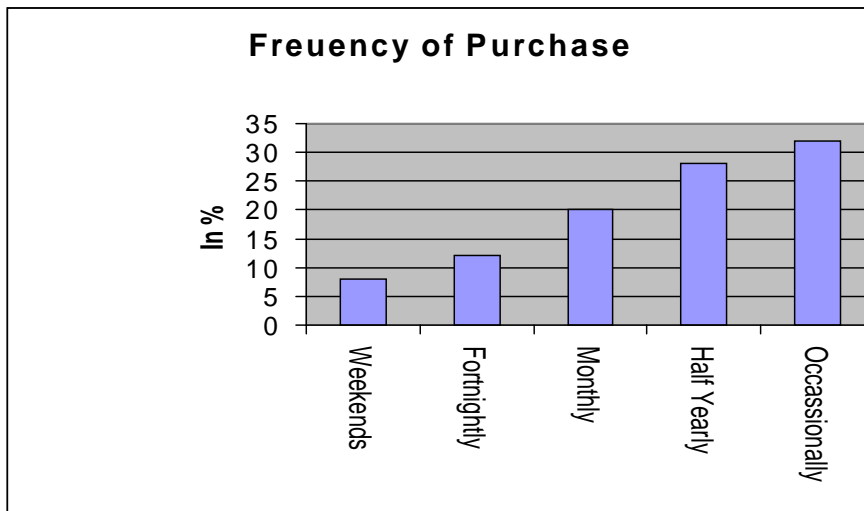
**Influence to use Cards**



➤ **Usage rate of Credit Cards and Schemes by customers that would aid in their increase in frequency of usage**

As per chart 7, Out of 50 respondents of Credit Card Holders, it is observed that 32 percent card holders used credit cards occasionally , 28 percent used it **once a month**, 20 percent(10) used it **fortnightly**, 8 percent used it **once a week**, 20 percent used it **2 times a week** while used it **daily**. From this, it seen that the average Nepali is not yet habituated to purchasing through credit cards. This problem might further be aggravated by the fact that not many vendors provide credit card facilities.

**Chart 7**  
**Purchase through Credit Cards**

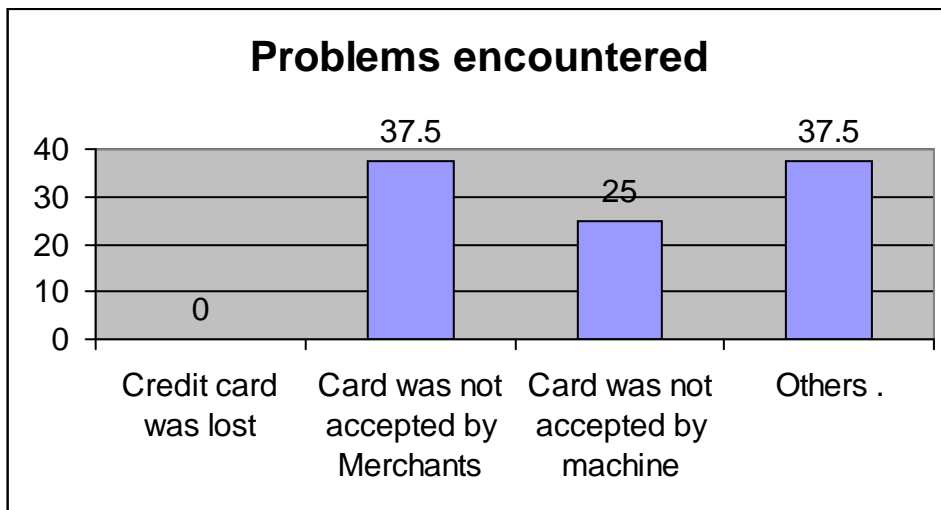


➤ **Satisfaction level of customers and various problems encountered**

The survey included a comprehensive analysis of the types of problems encountered by *Credit Card Holders*. Out of 50 holders, 37.5 percent reported experiencing 27 different problems with using credit cards. Out of these, 37.5 percent reported forgetting that the **limit** on their card had been **exceeded**, 25 percent reported the **non-acceptance** of their card by **machine**, and 37.5 percent had their cards **rejected by merchants**

**Chart 8**

**Problems Encountered**



**Table 7**

**Comparison between Banks and Customers' Satisfaction Levels**

**At 1% significant level**

Satisfaction and HBL	-0.201
Satisfaction and NABIL	-0.016
Satisfaction and SCBN	0.197

*Source: Behavior Surveillance Study, 2011*

From the table 8, the satisfaction level of HBL customers is a negative correlation figure while that of SCBN is a positive 0.197. In fact, the figures above seem to denote that HBL customers are the most unsatisfied of those among the three banks. Various factors could have contributed to this situation. HBL can tackle these problems in different ways.

) As HBL does not have fully automated systems to date, most credit card purchases have to be verified via the telephone. This can lead to impatience and irritation on the part of the customer. Full automation uses up time and cost; however, the manual system might be enhanced by the assignment of more

personnel trained in this function. HBL needs to improve its services; staff should be more helpful and competent.

) The group believes that the current situation of marketing personnel in charge of the credit card operations of HBL is vastly inadequate. Even if recommendations like telemarketing, e-mail, and backing up on manual systems are not considered, the existing procedures and market cannot be fully covered by such a small number. If HBL intends to penetrate more in the market, it should be willing to assign more human resources to this area.

) A legal expert cum consultant gave a voluntary interview while the group was conducting the regular questionnaire survey. In his opinion, HBL's requirements of maintaining a Premium Savings Account to acquire a credit card were not inviolable. Either the information regarding this, when reaching customers was distorted or such practices have been occurring and if so, should not be allowed to have a negative impact upon actual or potential customers.

➤ **Way the bank can retain defecting customers**

It has already been seen by observing table 9 that the most unsatisfied credit card holders are that of HBL; the table above corroborates this, as the correlation figure for terminating the usage of its credit card is the highest among the three banks.

**Table 8**

**Comparison between Bank and Reasons for Termination of Card at 1% significant level**

<b>Bank</b>	<b>HBL</b>	<b>NABIL</b>	<b>SCBN</b>
Better Services	-0.19695	0.054545	0.195108
Low fees	0.184466	-0.44115	0.134742
Wider acceptance	-0.19695	0.369697	-0.29581
Goodwill	-0.15811	0.23355	-0.14552
Promotion by bank	0.036927	-0.21212	-0.03147
Others	0.068465	0.044947	0.093352

*(Source: Surveillance Study, 2011)*

The biggest reason for termination of HBL card is low fees, promotion of bank is a low second although it is negligible. The ways to remedy this situation is to pay attention to its weaknesses. Again, the recommendations are repeated, although for different reasons.

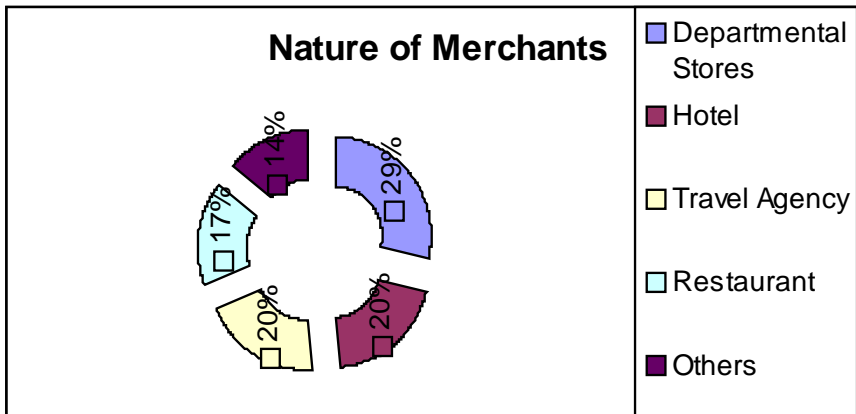
- ) Promotional schemes outlined above should be entered into and the various information media should be utilized.
- ) Fees should be lowered in accordance to the market norm and the requirement of having the credit limit backed by deposits should be considered.

#### **4.4.2 Merchants**

➤ **Departmental Stores are equipped with credit cards facilities**

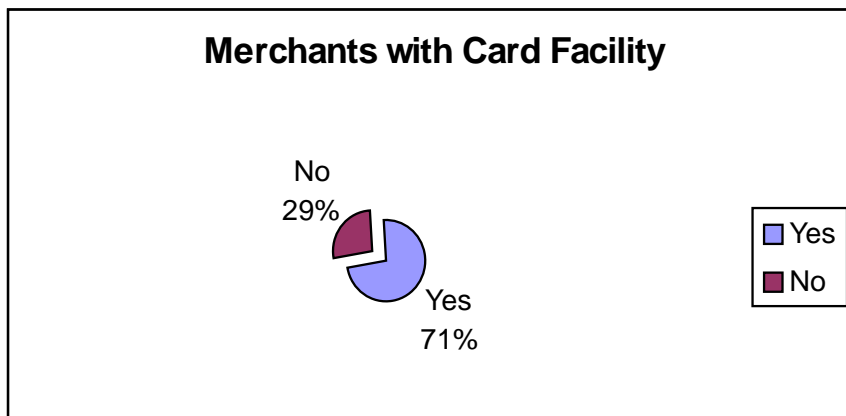
As per chart 9 out of the respondents, 29% Departmental stores, 20% Hotels and 17% Restaurants, 20 % Travel Agents and other 14 % were retail outlets and other business.

**Chart 9**  
**Sample size Composition**



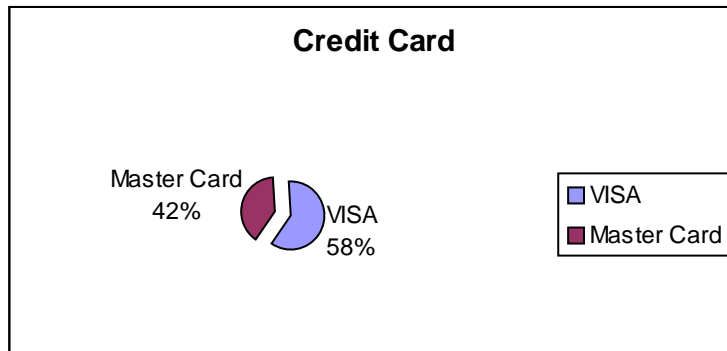
As per chart 10, out of 35, sample population, 71 percent (25) had installed credit card facility, while 29 percent (10) had rather decided not having it.

**Chart 10**  
**Merchants Using Credit Cards**



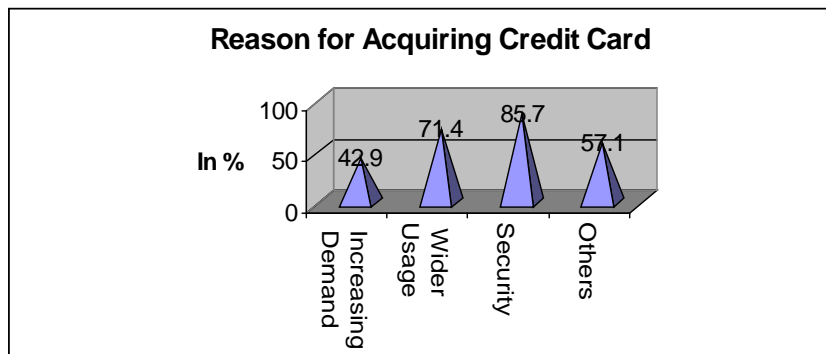
As per chart 11, Out of the 25 respondents obtained from 35 merchants (who had installed credit card facility), 100% (25) percent had VISA Card , 72(18) percent had Master Card. Out of the 25 respondents obtained from 35 merchants (who had installed credit card facility).

**Chart 11**  
**Types of Card Used by Merchants**



As per chart 12, As far as reasons for selection of bank goes, 43 percent (15) of the merchants have selected bank for their **goodwill**, 71 percent (25) for **existing transactions** with the bank, 86 percent (30) for **wider acceptance** of the bank's service, 57.1 percent for **good relation ship**.

**Chart 12**  
**Reasons for acquiring**

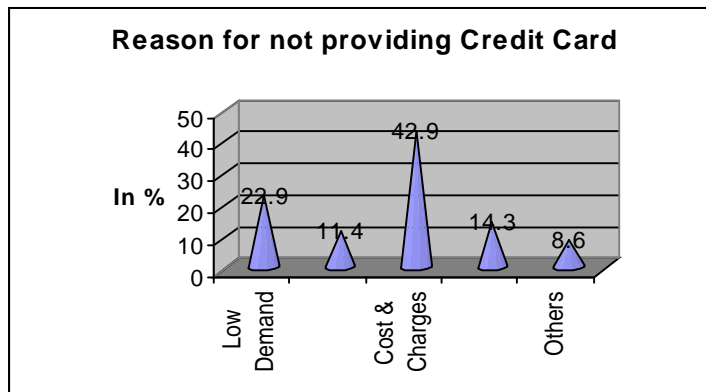


➤ **Merchants Reason For acquiring and Not acquiring Credit Card Facilities**

Chart 13, Out of the 71 percent of respondents having credit card facility, a majority of 50 percent cited wide usages as a crucial reason for installing it, while 32 percent had installed it, as there was demand for credit. Similarly, 2 percent cited for safety from bad debts and 16 percent had other reasons for the same. Out of the 34 percent of respondents not having credit card facility, 27.3 percent claimed as tedious process, 22.7 percent marked as low usage of cards as well as

less credit demand, 18.2 percent pointed out the service cost and 9.1 percent cited lack of information as the various reasons.

**Chart 13**  
**Reasons for not providing Card**



The various reasons cited for having and not having installed credit card facilities cannot be ignored by HBL. In order to increase the usage of credit card in Nepal, especially targeting those merchants, who previously had relied on foreigners, is a critical one.

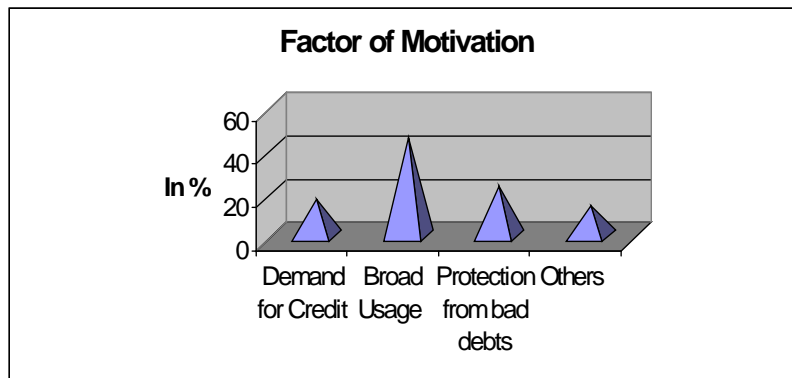
- ) As there is a saying that we need two to tango, the promotional effort targeted at merchants should go parallel with the promotional effort done to increase the issuance and usage of credit card. It should focus on the core issue of informing the merchants about the opportunity lost by forfeiting or more importantly ignoring its usages. Psychological aspects such as safety – in particular from bad debts can be used to intensifying the need of credit facility among merchants.
- ) Merchants ignoring the service citing the reasons such as tedious process and lack of information should be handled by presenting the actual information. Issues such as demand for credit, low usage of cards and less credit demand can be tackled along with the issuance of credit cards.
- ) One of the critical issues that were observed through surveying various establishments was that of the dissatisfaction regarding charging flat margin by banks. With this reference, HBL can initiate a compensation package or

decrease the margin through the Nepal Credit Card Forum, thus motivating the owners of various establishments as well as encouraging them to continue with the credit card facility.

### **Other Business is Primarily Influence Factor**

- Chart No 14, Out of having credit card facility, a majority of 90 was influenced by other business to provide credit card facility, while 80% had installed it though friends. In the same respect, 48% were influenced from family and 28 & were influenced from advertisement.
- Of the total respondents replied for safety and protection from bad debt, while 73% replies was in favor of receiving benefits of reliability, status, and increasing number of transaction/customer. In the same respect, 33% replies were in favor of convenience.

**Chart 14**  
**Motivation Factor**

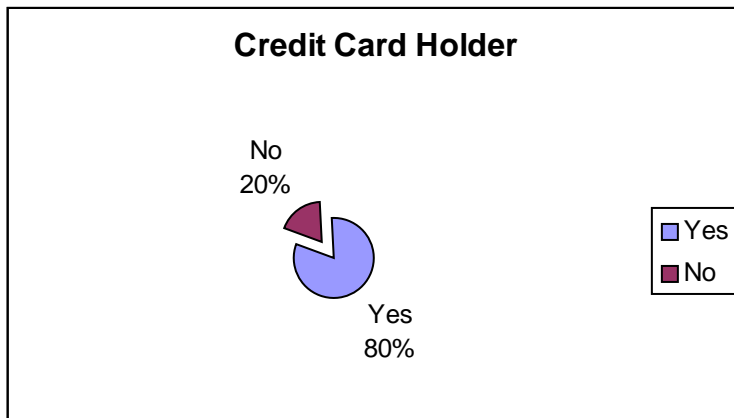


#### 4.4.3 Staff

➤ **All most all staff have credit card**

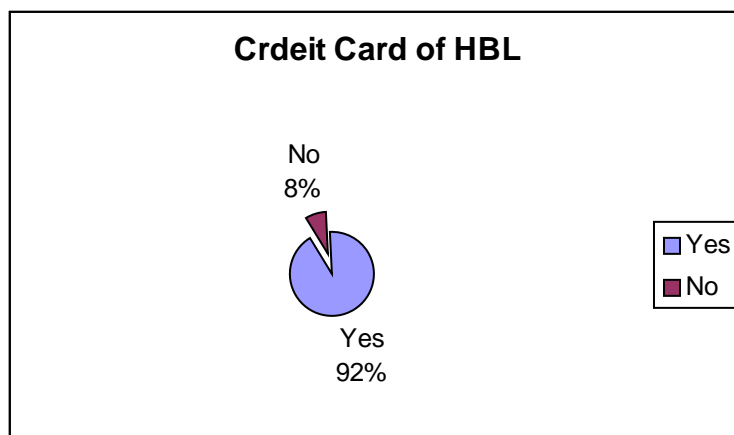
As per the Chart 15, out of 15 staff 90% (12) had credit card, while 10 % ( 3) had not credit card.

**Chart 15**  
**Staff with Credit Cards**



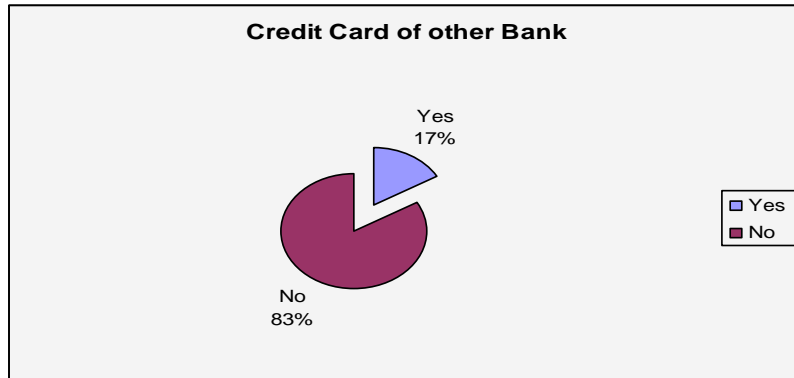
Out of credit 12 staff having credit card, 92% (11) have credit cards of HBL while 8% (1) had not credit card of HBL

**Chart 16**  
**Credit Cards of HBL**



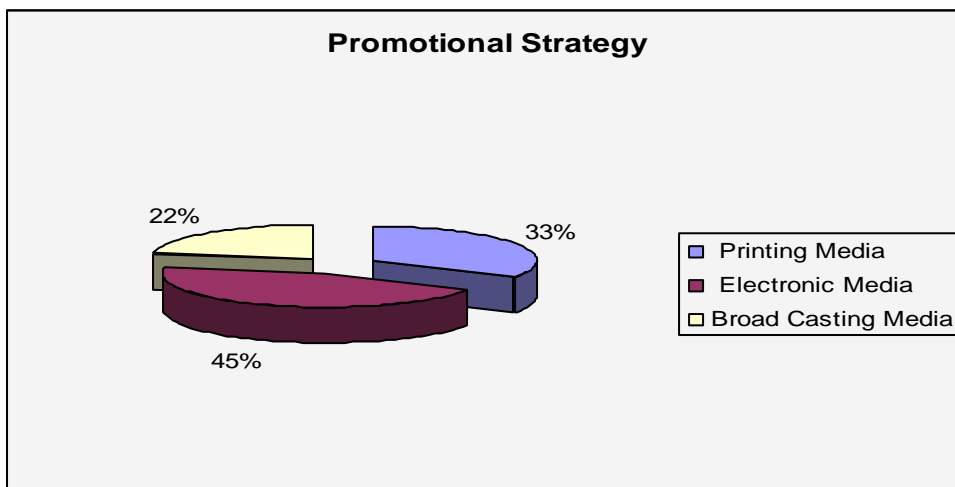
As per chart 17, out of 12 staff having credit card, 17% had credit card of other bank as well HBL, while 83% had credit card of HBL only. In which, 2 staff having credit card of other three banks.

**Chart 17**  
**Cards of other Banks**



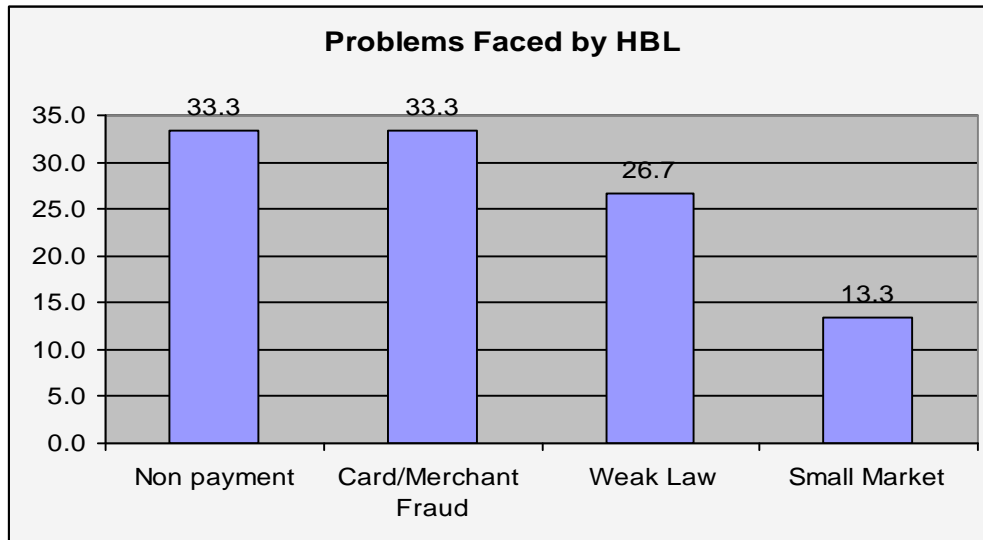
As per chart 18 , out of 15 staff, majority of 43% (6) of the promotional efforts (8) have been carried out through print media for the promotion other credit card, while 57 %(4) through electronic media, 29 % through broad casting media.

**Chart 18**  
**Promotional Strategy**



As per chart 19, 15 staff reported experiencing five different problems in relation to the credit cards. Out of these, 33% problems was lack of awareness problems were no-payment. Merchant fraud or card fraud had 33% weightage. In the same respect, there were 28% problems in weak law. In addition, the remaining 13% problem faced due to the small market.

**Chart 19**  
**Problem being faced by HBL**



Not all credit cards are equal so when one compare credit card offers it can be challenging. Additionally, what is best for one person may not be best for another? When considering which credit card is best, one consider and look at several factors, such as: the membership fee, the fixed interest rate, annual fees, rewards programs, membership benefits and other card member services.

#### 4.4 Major Findings

Since all the findings have been stated in each of the analysis. Following are the major findings in brief.

- The concept of credit card has not been developed in our nation as it has been in other nations.
- The major problem of the card business is the lack of conceptual framework among the people, the dwindling economic scenario and the huge cost associated with its operation.
- In case of the bank in question, it has been found marginally overcapitalized when compared to the overall capitalization rate of the bank.
- The vast majority of the people surveyed by the project reported dissatisfaction with the interest rate charged on the usage of the credit cards.

- Bank can venture into new territory that is students at senior levels as they represent both an immature market where brand loyalty can be built from an early stage and a group that is newly entering the professional fields.

## **CHAPTER - 5**

### **Conclusion and recommendations**

#### **5.1 Conclusion /summary**

Most of the frequent travelers who visit abroad must have encountered much bitter experience in nations like United kingdom, United States of America, Singapore etc without a card. In most of the big hotels and restaurants of the developed nations, credit card holders are materialistically valued more than those who produce hard cash. In many cases hotels even hesitate to check in those without bank cards and a non card checking is a sort of favor to the guest after intense negotiation in regard to the creditworthiness if the person checking in without card. And in some situations a huge deposit is needed which sometimes invites unfavorable circumstances during the whole trip. Renting a car in North America without a card is almost impossible. Credit cards are not only used to make purchases but a gamut of other services are also available, to name a few are cash advances, making utility payments, securing all the security data, privilege awards etc. In addition, most importantly above all it is very helpful to cope with emergency.

The card business in Nepal has not gained its momentum as it has in other nations. Credit Card business prospers in a volume driven nation where consumer financing plays a vital role to boost the economy of the nation. As stated earlier, Nepalese people have not yet developed their banking habit, they are mostly happy with hard cash and in most of the cases, even our highly educated ones do not at all have the sagacity regarding credit cards. Another important factor, which has constrained card business in Nepal, is the acceptance infrastructure. Most of the merchants are departmental stores, Travel agencies, big hotels etc most of which caters the need of tourist and higher middle class people. Nepalese people are still afraid of marketing in the sophisticated departmental stores, travel agencies, and big restaurants. Cards are not accepted at those places where most of the fixed income earners go for

shopping such as fancy stores, our local grocery shops etc. Again, alike other nations cards in Nepal cannot be used for making payments of regular expenses such as utility, school fees, membership fees etc. hence acceptance structure is an important factor and in Nepalese field , lack of adequate acceptance is one of the key factor, which has hindered the growth of card business.

The pioneer of credit cards in Nepal, HBL is at present in a tumultuous state owing to many factors – declining tourism and its effect on the acquiring business, emerging aggressive competitors, lack of penetration and habituation in the market, absence of adequate supporting technology, among others. This survey was conducted mainly to assess some of the factors' level of impact and reasons for their existence.

After the survey's completion, many issues came to rise. Primarily, the socio-cultural factor prevalent in Nepal perhaps might have negatively impacted the usage of credit cards. The older generation in its rigid set ways and habits are not easily persuaded to change their consumer behavior patterns and indeed credit cards are still a luxury item and not a product of necessity as they would be in a fully developed economy. The credit card industry will take over Nepal completely only when the supporting infrastructure and sound banking institutions are in place. Barring this, presently Nepalese banks can attempt to convert the educated working people gradually.

Currently, only two other banks are issuing credit cards. However, the possibility of other banks and/or financial institutions entering this field should not be ignored. HBL cannot afford to rest on its laurels and should aggressively segment the market and approach each segment with tailored programs rather than adopting an umbrella policy for all portions of society. In so doing, certain aspects of its policy might need to be revised or completely eliminated. This report has attempted to put its findings in a coherent, meaningful and useful manner. Action plans based on our

recommendations might be considered if the bank considers them to be useful in the long run.

Another key factor in Nepal is that the acquiring business is very much dependent of the quality and quantity of tourist arrival in Nepal in the absence of adequate local market, which for the past two years has significantly slumped owing to happenings of many detrimental events such as Royal massacre, the Hrithik Roshan riot, the ever prolonged Moist insurgency, dwindling law and order situation, regular shut downs (bandhs), political instability,Shahi Ghoshana etc.

As far as HBL's performance in card business is considered it cannot be said that it is under performing it terms if the dwindling economic factors. The direct profitability may not be very substantial or not in par with that of the international norms, which is probably due to the high fixed cost associated but it has made great contribution in the cross selling marketing strategy of the overall organization. Our economy is not being to generate enough business due to many factors. Tourists are not coming in and local people are not spending at all at the outset of such doldrums and hence, the card industry is not being able to generate enough income for them to boost their bottom line figure.

## **5.2 Recommendations**

Nepal too needs to develop the banking habit of its people. We just cannot make any more unsubstantial and detrimentally indigenous excuses. We do not want to be humiliated in the global arena and put ourselves in a very awkward plight by saying 'NO' when asked "Sir, Do you have a Credit Card?" Nepal just cannot isolate itself with the fast moving world, where everything is changing day by day. Payments through cash need to be suppressed. The world is heading towards e-business and in Nepal too, the global forces will shepherd our technology in the same direction. Without payment cards e-commerce is almost handicapped.

Although the business is totally depended on the external factors, which are not under the control of the players itself, every step should be taken to boost the immature local market. It has been seen that issuance business is more profitable than the acquiring business and since the acquiring business is mostly depended on the performance of the tourism industry, which itself facing the toughest time, possible effort should be initiated to get our local consumer in the card business by luring them by the associated core benefits of credit cards and introducing more and more attractive scheme and packages.

Himalayan Bank Ltd needs to focus more on its issuance part in order to share broader market base and compete with its nearest rival Standard Chartered Bank Nepal Limited & Nabil Bank Ltd. At the same time should also strive to boost the local merchants market, where the more diversified cardholders can use the issued cards, and reap the dual income of interchange. It should also strive its best to make effective and efficient use of its resources in order to escalate its capitalization rate and hence, should make best possible efforts to cut down the variable cost as much as possible. Based on the overall study following are the recommendations:

- Himalayan Bank Ltd needs to come up with more attractive and lucrative scheme to tap the card issuance market in order to reap the greater market share. For the said purpose it needs to go in the media and take the advantage of Web advertisement with a view to build their image stronger and create all round awareness among the prospective prospects. An online brochure, guide and application forms in the web site are highly recommended to penetrate more deeply in the market.
- It needs to penetrate more in the local usage market in terms of merchant's induction, as it has to create more acceptance infrastructure for their cardholders, which brings in the entire interchange to the department without the burden of sharing them with other institution.

- The Annual and Subscription Fees for acquiring a credit card can be lowered such that they are competitively viable with those of the other banks while providing adequate return to the bank; the loss through cutting down the fees can be regained through attraction of more prospective clients.
- HBL can change its current policy of issuing cards only to selected account holders. NABIL and SCBN both issues cards without the collateral of a bank account in their prospective banks, hence, they have been able to capture a much higher share of the market than HBL. In this case, HBL, by being highly risk averse and catering only to an exclusive class, has forgone the opportunity of gaining clients and building brand loyalty of a market in its infant stage.
- As HBL does not have fully automated systems to date, most credit card purchases have to be verified via the telephone. This can lead to impatience and irritation on the part of the customer. Full automation uses up time and cost; however, the manual system might be enhanced by the assignment of more personnel trained in this function. HBL needs to improve its services; staff should be more helpful and competent.
- The credit card operation of HBL is vastly inadequate. Even if recommendations like telemarketing, e-mail, and backing up on manual systems are not considered, the existing procedures and market cannot be fully covered by such a small number. If HBL intends to penetrate more in the market, it should be willing to assign more human resources to this area.
- Promotional schemes outlined above should be entered into and the various information media should be utilized.
- Lastly, it should ensure due prudence to its receivable by initiating consistent and efficient recovery measure with a view to maintain the receivable portfolio at a satisfactory level.

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## Appendix-1

Calculating correlation, between issuance and merchant by actual mean method

Here;

$X_1$	$x_2$	$X_1 = x_1 - x_1$	$x_2 = x_2 - x_2$	$X_1 x_2$	$X_1^2$	$x_2^2$
6928	1773	66	-858.6	-56667.6	4356	737193.96
8082	2247	1220	-384.6	-469212	1488400	147917.16
8605	2717	1743	85.4	148852.2	3038049	7293.16
1055	3134	5807	502.4	-2917436.8	33721249	252405.76
9640	3287	2778	655.4	1820701.2	7717284	429549.16
34310	13158			1473763	45969338	1574359.2

$$\bar{X}_1 = \frac{\sum x_1}{n} = \frac{34310}{5} = 6862 \quad \bar{x}_2 = \frac{\sum x_2}{n} = \frac{13158}{5} = 2631.6$$

By formula

$$\begin{aligned} r_{12} &= \frac{\sum x_1 \sum x_2}{\sqrt{\sum x_{12}} \sqrt{\sum x_{12}}} = \frac{-1473463}{\sqrt{45969338} \sqrt{1574359.2}} \\ &= \frac{-1473463}{6780.069 \times 1254.73} \\ &= \frac{-1473763}{-8507155.97} \\ &= -0.17 \end{aligned}$$

There is negative correlation between issuance and merchants.

## Appendix-2

### Calculating correlation between merchant and usage

$X_2$	$X_4$	$x_2 = \sum x_2 - \bar{x}_2$	$X_4 = \sum x_4 - \bar{x}_4$	$X_2^2$	$X_4^2$	$X_2 X_4$
1773	2880	-858.6	-1877.2	4356	3523879.84	1611763.92
2247	4135	-384.6	-622.2	1488400	387132.84	239298.12
2717	4908	85.4	150.8	3038049	22740.64	12878.32
3134	5971	502.4	1213.8	33721249	1473310.44	609813.12
3287	5892	655.4	1134.8	7717284	1287771.04	743747.92
13158	23786			45969338	6694834.8	3217501.4

$$\bar{X}_2 = \frac{\sum x_2}{n} = \frac{13158}{5} = 2631.6 \quad - \quad \bar{x}_4 = \frac{\sum x_4}{n} = \frac{23786}{5} = 4757.2$$

$$r_{24} = \frac{\sum x_1 x_4}{\sqrt{\sum x_1^2} \sqrt{\sum x_4^2}} = \frac{3217501.4}{\sqrt{45969338} \sqrt{6694834.8}}$$

$$= \frac{3217501.4}{6780.069 \times 2587.43}$$

$$= \frac{3217501.4}{17542953.93}$$

$$= 0.18$$

There is positive correlation between merchants and usage

### Appendix-3

#### Calculating correlation between Acquiring and visage

$X_3$	$X_4$	$x_3 = x_3 - \bar{x}_3$	$X_4 = x_4 - \bar{x}_4$	$X_3 X_4$	$x_4^2$	$X_3^2$
1375	2880	-1592	-1877.2	298850.24	3523879.84	2534464
2831	4135	-136	-622.2	84619.2	387132.84	18496

3418	4908	451	150.8	68010.8	22740.64	203401
3622	5971	655	1213.8	795039	1473310.44	429025
3589	5892	622	1134.8	705845.6	1287771.04	386884
14835	23786			1952364.84	6694834.8	3572270

$$\bar{x}_3 = \frac{\sum x_3}{n} = \frac{14835}{5} = 2967 \quad \bar{x}_4 = \frac{\sum x_4}{n} = \frac{23786}{5} = 4,757.2$$

$$r_{34} = \frac{\sum x_3 x_4}{\sqrt{\sum x_3^2} \sqrt{\sum x_4^2}}$$

$$= \frac{1952364.84}{\sqrt{3572270} \sqrt{6694834.8}}$$

$$= \frac{1952364.84}{1890.04 \times 2587.43}$$

$$= \frac{1952364.84}{4890346.197}$$

$$= 0.3992$$

$$= 0.4$$

There is positive correlation between acquiring and usage.

#### Appendix-4

Calculating correlation between issuance and tourist arrival

X <sub>1</sub>	X <sub>5</sub>	X <sub>1</sub> = x <sub>1</sub> - x <sub>1</sub>	X <sub>5</sub> = x <sub>5</sub> - x <sub>5</sub>	X <sub>1</sub> x <sub>5</sub>	X <sub>1</sub> <sup>2</sup>	X <sub>5</sub> <sup>2</sup>
6928	-	66	-3816.4	-251882.4	4356	14564908.96
8082	4636	1220	819.6	999912	1488400	671744.16
9605	4915	1743	1098.6	1914859.8	3038049	1206921.96
1055	4635	5807	818.6	4753610.2	33721249	670105.96
9640	4896	2778	1079.6	2999128.8	7717284	1165536.16

34310	19082			10415628.4	45969338	17192988.2
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$$\bar{x}_1 = \frac{\sum x_1}{n} = \frac{34310}{5} = 6862 \quad \bar{x}_5 = \frac{\sum x_5}{n} = \frac{19082}{5} = 3816.4$$

By formula

$$\begin{aligned} r_{15} &= \frac{\sum x_1 x_5}{\sqrt{x_1^2} \sqrt{x_5^2}} = \frac{10415628.4}{\sqrt{45969338} \times \sqrt{17192988.2}} \\ &= \frac{10415628.4}{67146.44} \\ &= \frac{10415628.4}{28113168.54} \\ &= 0.37 \end{aligned}$$

There is positive correlation between Issuance and tourist arrival.

## Appendix-5

Calculating correlation between acquiring and tourist arrival

$X_3$	$X_5$	$x_3 = X_3 - \bar{X}_3$	$x_5 = X_5 - \bar{X}_5$	$X_3 X_5$	$X_3^2$	$X_5^2$
1375	-	-1592	-3816.4	-1592	2534464	14564908.96
2831	4636	-136	819.6	-630496	18496	671744.16
3418	4915	451	1098.6	2216665	203401	1206921.96
3622	4635	655	818.6	3035925	429025	670105.96
3589	4896	622	1079.6	3045312	386884	1165536.16
14835	19082			7665814	3572270	17192988.2

$$\bar{X}_3 = \frac{\sum X_3}{n} = \frac{14835}{5} = 2967 \qquad \bar{X}_5 = \frac{\sum X_5}{n} = \frac{19082}{5} = 3816.4$$

$$r_{35} = \frac{\sum x_3 x_5}{\sqrt{\sum x_3^2} \sqrt{\sum x_5^2}} = \frac{7665814}{\sqrt{3572270} \sqrt{17192988.2}}$$

$$= \frac{7665814}{1890.04 \times 4146.44}$$

$$= \frac{7665814}{7836937.45}$$

$$= 0.97$$

There is positive correlation between acquiring and tourist arrival.

**Appendix - 6**  
**Sample Questionnaire -1**  
**For the Card Holders Only**

**Please mark tick or circle while responding**

<b>S.N</b>	<b>Questions</b>	<b>Response</b>
1	Sex	1. Male 2. Female
2	Occupation	1. Student 2. Personal Business 3. Service in Public Sector 4. Service in Private Sector 5. Others (Specify).....
3	Personal Monthly Income	1. Below 5,000 2. 5,000-9,999 3. 10,000-14,999 4. 15,000-19,999 5. Above 20,000
4	What kinds of card do you possess	1. VISA 2. Master Card 3. Dinners 4. JCB 5. Others (Specify).....
5	Of which bank do you possess a Card	1. Standard Chartered Bank 2. Himalayan Bank Ltd 3. Nabil Bank 4. Nepal Investment Bank
6	Why did you choose to acquire a Credit Card	1. Increasing Trend 2. Need for credit facility 3. Convenience and safety 4. Others (Specify).....
7	What was the primary reason for choosing the particular issuing bank/s specified above, apart from financial security	1. Goodwill of the bank 2. Existence of bank account 3. Low service fees 4. Location of the bank 5. Wider acceptance of the card 6. Marketing of the bank 7. Personal relationship 8. Others (Specify).....
8	Who influenced you to use credit card	1. Family 2. Friends 3. Neighbours

		<ul style="list-style-type: none"> <li>4. Celebrity</li> <li>5. Advertisement</li> </ul>
9	How often do you use credit card to purchase	<ul style="list-style-type: none"> <li>1. Once a week</li> <li>2. Twice a week</li> <li>3. Every Fortnightly</li> <li>4. Every Day</li> <li>5. Occassionally</li> </ul>
10	Of different cards you possess o fdifferent banks, which card do you use frequently	<ul style="list-style-type: none"> <li>5. Standard Chartered Bank</li> <li>6. Himalayan Bank Ltd</li> <li>7. Nabil Bank</li> <li>8. Nepal Investment Bank</li> </ul>
11	Have you ever changed cards	<ul style="list-style-type: none"> <li>1. Yes</li> <li>2. No ... ( Pls go to Q.No.13)</li> </ul>
12	Why do you choose to change your card	<ul style="list-style-type: none"> <li>1. Promotion of the bank</li> <li>2. Low service fees</li> <li>3. Better services from current issuer</li> <li>4. Inadequate services of previous bank</li> <li>5. Others (Specify).....</li> </ul>
13	Where do you usually use your credit card?	<ul style="list-style-type: none"> <li>1. Restaurants</li> <li>2. Travel Agents</li> <li>3. Department Stores</li> <li>4. Hotel</li> <li>5. Others (Specify).....</li> </ul>
14	Of your expenses what percnateg is done through credit Card?	<ul style="list-style-type: none"> <li>1. &lt; 20%</li> <li>2. 20%-40%</li> <li>3. 40%-60%</li> <li>4. 60%-80%</li> <li>5. &gt; 80%</li> </ul>
15	Have you ever encountered problems during the usage of your credit card?	<ul style="list-style-type: none"> <li>5. Yes</li> <li>6. No ... Pls go to Q.No 17</li> </ul>
16	What types of problem did you face?	<ul style="list-style-type: none"> <li>1. Credit card was lost</li> <li>2. Card was not accepted by Merchants</li> <li>3. Card was not accepted by machine</li> <li>4. Others (Specify).....</li> </ul>

17	Do you have any plans to terminate the usage of current card /or acquire a different card from the same or different bank?	<ul style="list-style-type: none"> <li>1. Yes</li> <li>2. No .. Thank You</li> </ul>
18	Why should you choose to do so?	<ul style="list-style-type: none"> <li>1. Promotion on the part of the bank</li> <li>2. Low service fees</li> </ul>

		<ol style="list-style-type: none"><li>3. Goodwill of the bank</li><li>4. Wider acceptance</li><li>5. Others (Specify).....</li></ol>
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**Questionnaire - 2  
For the Merchant**

<b>S.N</b>	<b>Questions</b>	<b>Response</b>
1	Type of Business	<ol style="list-style-type: none"> <li>1. Departmental Stores</li> <li>2. Hotel</li> <li>3. Travel Agency</li> <li>4. Restaurant</li> <li>5. Others (Specify).....</li> </ol>
2	Do you have credit card facility	<ol style="list-style-type: none"> <li>1. Yes</li> <li>2. No (Go to Q.No 12)</li> </ol>
3	What kind of Credit Card do you possess	<ol style="list-style-type: none"> <li>1. VISA</li> <li>2. Master Card</li> <li>3. Dinners</li> <li>4. JCB</li> </ol>
4	What is the acquiring Bank	<ol style="list-style-type: none"> <li>1. Standard Chartered Bank</li> <li>2. Himalayan Bank Ltd</li> <li>3. Nabil Bank</li> <li>4. Nepal Investment Bank</li> </ol>
5	What is the reason for selecting a particular Bank Multiple Answers	<ol style="list-style-type: none"> <li>1. Goodwill / Marketing position of the bank</li> <li>2. More transaction existing in the bank</li> <li>3. Location of the bank</li> <li>4. Broad Acceptance of card associated with acquiring of the bank</li> <li>5. Good Personal relationship</li> <li>6. Others (Specify).....</li> </ol>
6	Why did you choose to acquire a Credit Card Facilities Multiple Answers	<ol style="list-style-type: none"> <li>1. Increasing Demand</li> <li>2. Wider Usage of Credit Cards</li> <li>3. Protection from bad debts</li> <li>4. Others (Specify).....</li> </ol>
7	Who influenced you to use credit card	<ol style="list-style-type: none"> <li>1. Family</li> <li>2. Friends/Neighbors</li> <li>3. Other Business</li> <li>4. Celebrity</li> <li>5. Advertisement</li> </ol>
8	What is the daily frequency of usage of credit cards	<ol style="list-style-type: none"> <li>1. &lt; 10 Customers</li> <li>2. 10-20 Customers</li> <li>3. 20-30 Customers</li> <li>4. &gt; 30 customers</li> </ol>
9	How often do customers request for credit	<ol style="list-style-type: none"> <li>1. Once a week</li> <li>2. Twice a week</li> <li>3. Every Fortnightly</li> </ol>

		<ul style="list-style-type: none"> <li>4. Every Day</li> <li>5. Occasionally</li> </ul>
10	Of different cards you possess of different banks, which card do you use frequently making purchase	<ul style="list-style-type: none"> <li>1. Standard Chartered Bank</li> <li>2. Himalayan Bank Ltd</li> <li>3. Nabil Bank</li> <li>4. Nepal Investment Bank</li> </ul>
11	Has business grown after installing credit card facility	<ul style="list-style-type: none"> <li>1. Yes</li> <li>2. No</li> </ul>
12	Why have you not chosen to provide credit card facility? Multiple Answers	<ul style="list-style-type: none"> <li>1. No or less demand for credit</li> <li>2. Small usage of credit cards</li> <li>3. Cost associated with commission and other charges</li> <li>4. Long and difficult process of acquiring credit card facilities</li> <li>5. Others (Specify).....</li> </ul>
13	Do you have plans of providing credit card facilities?	<ul style="list-style-type: none"> <li>1. Yes</li> <li>2. No... Thank You</li> </ul>
14	What are the factors that motivate you to plan on doing so?	<ul style="list-style-type: none"> <li>1. Increasing Demand for credit</li> <li>2. Broad usage of credit cards</li> <li>3. Protection forum bad debts</li> <li>4. Others (Specify).....</li> </ul>

**Questionnaire - 3**  
**Staff of HBL**

<b>S.N</b>	<b>Questions</b>	<b>Response</b>
1	Do you have credit card	1. Yes 2. No
2	Do you have credit card of HBL	1. Yes 2. No
3	Do you have credit card of another bank as well	1. Yes 2. No ( Skip Q.No 4)
4	Of which Bank	1. Standard Chartered Bank 2. Himalayan Bank Ltd 3. Nabil Bank 4. Nepal Investment Bank
5	What kinds of customers generally come for credit card proposal?	1. Professionals 2. Students 3. Business People 4. Others (Specify).....
6	How has been the strategy for promotion of credit card carried out?	1. Printing Media 2. Electronic Media 3. Broad Casting Media
7	What are the major problem being faced by HBL in relation to credit cards?	1. Non payment 2. Card Fraud 3. Merchant Fraud 4. Weak Law 5. Small Market
8	Have you been provided training regarding Credit Card Operation?	1. Yes 2. No
9	How often you been provided training	1. Every fortnightly 2. Monthly 3. Semi Annually 4. Annually 5. Occasionally
10	What type of traing is given	1. One the job training 2. off the job training
11	Who are the training providers	6. External experts 7. Internal Experts
12	Have the training been fruitful	3. Yes 4. No
13	Do ou make customers aware about the frauds related to the credit cards	6. Yes 7. No