

CHAPTER- I

INTRODUCTION

1.1 Background of the Study

Nepal is one of the developing countries in the world. The economic growth rate of Nepal is very low and the economic development seems much sluggish in comparison to other developing and developed countries. In spite of being rich in natural resources, due to lack of proper management and inadequate capital such resources have not been utilized properly. Hence, the development of Nepalese economy is lagging behind. Therefore, the in-depth study of every aspect of Nepalese economy has to be made.

As a matter of fact, the economic standard of nation determines the lifestyle of the people. Hence the developing country like Nepal must pay due attention and make great effort to uplift the economic state of affairs. It is most necessary to carry out the various development steps in various sectors by developing countries for their own prosper and advancement.

The development of economy basically depends upon the development of financial sectors; banking sector is the main element of financial sectors. So banking sector is also known as backbone of economy, because it helps to formulate capital by collecting scattered amount among people and invest it to different productive sectors. Every country needs huge amount of capital to invest in different infrastructure like transportation, health and other basic needs of development in which private sector does not want to invest. That is why

banking sector is the platform through which scattered saving and scares resources can be transferred from the idle sector into productive sectors that ultimately helps to uplift the economic development of country. But only good investment is not sufficient to develop the nation. To develop the country, business transaction and personal life must be advanced. So nowadays to make easy business transaction, various types of equipments and new techniques are introduced. As a result of this banking sector and financial institution provide non-banking service beside instructed banking service to move towards modernization. Previously people used goods for goods to exchange necessary thing that they need to survive but they did not have. It is very difficult to measure and pay through barter system. That is why money was introduced. Money makes exchange system easy. But some time even the money is inconvenient because it is uncomfortable to carry huge amount to pay large bills, difficult to protect from theft and pick picketer and some other drawbacks. So, nowadays-different payment systems have been developed. Credit Card is one of them. It has helped to eliminate drawbacks of cash payment system and made life easy, tension free and high standard. Credit Card is one of the most popular forms of payment for consumer goods and services. It is a plastic card having a magnetic strip, issued by a bank or financial institution, which allows the holder to buy goods or services on credit. It is very convenient method of making purchase on credit without carrying cash. The way the normal credit card works is that the cardholder purchase goods by using his/her credit card and the concerned bank pays bill on the behalf of card user to merchant, which provides the product and services. The bank charged certain percentage from the merchant in return for processing the transaction paying the purchased amount less bank's commission to the merchant's account.

From the customer side, he is given a loan for that amount. Generally the bank gives monthly statement of cardholder's expenses but date of statement issued may be different from one bank to another bank. The cardholder will have to repay that amount within the time period given by the bank. If the cardholder does not want to pay the full amount he or she can pay the minimum (printed on the monthly statement) or 5% of total expenses which should be paid within 15 days of statement issued. And the rest of the unpaid balance gets deferred in the form of a loan with compound interest. 2.5% interest per month calculated on daily basis on that outstanding amount would charge. So the card is also known as loan machine.

Credit card is a convenient way of payment. The cardholder can use it for various expenses like to give donation, extend warranty etc. But all that depend on the specific card in use. The largest issuer of credit card worldwide is visa and master card. Another specific feature of credit card is that the cardholder can get cash advances using it at bank outlets and Automated Teller Machine (ATM). Withdraw amount is treated as loan, and interest is to be paid on it. 25% interest is charged on the amount withdraw from ATM.

Introduction to Banks involved in Credit Card Business

In context of Nepal credit card business is still in introduction phase. Only Six banks Nabil Bank Ltd. , Himalayan Bank Ltd, Standard Chartered Bank Ltd , Nepal Investment Bank Ltd, Bank of Kathmandu Ltd and Global Bank Ltd are involved in the business among 31 commercial banks(recently Sanima Bikas Bank Ltd has received final approval from NRB for up gradation in A class Commercial Bank). In the research work three banks Nabil Bank Ltd., Himalayan Bank Ltd, Standard Chartered Bank Ltd are considered as sample bank as they have been giving the service of credit card in Nepal for quite sometime.

History of Credit Card in the World

The payment system industry traces its roots back to 1914, when Western Union issued a metal plate to preferred customers allowing them to defer payment on purchase.

During the first half of century, a variety of other enterprises, such as hotels, department stores and oil companies also began to issue charge card to their customers. Earliest cards can be traced to a system called charge-it, developed by John Biggins in 1946. This system allowed customers to charge the purchases to an account they held with John Biggins. The retailers would receive their payment from John Biggins while he would collect the same from the customers on a periodical basis. In this type of closed systems, cards can only be used to purchase goods and services from the company that issued the cards.

Such type of payment card does not provide credit facility to those who have not such card and those who have card they also cannot use to other outlets. Such cards are issued by particular business and they cannot use in other shop. So necessity of such type of card, which is accepted by all outlets and every one, can hold the card that has capacity to hold was felt. As a result, concept of credit card was developed. In 1951, Franklin National Bank, New York followed this concept and it became the first bank in the world to issue Credit Card based upon the banks approval of a loan application. By 1959, many banks were issuing cards and by 1960, Bank of America issued the Bank Americard. Bank of America slowly licensed this product to other financial institutions. In 1966, fourteen banks formed interbank to process transactions occurring on their cards. In 1967, four banks formed an association and opened its membership to other banks too. Their produced was

called Master Charge and Interbank was licensed to use the Master Charge name and logo. Eventually, Master Charge/Interbank became Master Card and Bank Americard became Visa Cards. Other players already dominating the business were Diners Club and American Express. (Nowadays, both of companies are very popular and most accepted card companies in the world.) Within the next several years nearly 100 other banks across the country were also issuing cards. After succeeding the general Credit Card several bankcards offered cardholders a new feature like revolving credit, installment payment system.

In the early days, there was a charge card concept where the cardholder had to pay money within certain days (Usually in 45 days) after using the Credit Card. Later, charges developed into Credit Card and now, they have been modified into Debit Card and Smart Chip Cards.

Historical Background of Credit Card in Nepal

Credit card is generally associated with a financial institution or a bank. However, the history of Credit Card business in Nepal is not associated with any financial institution or bank. It is associated with a travel agency, in 1985, Alpine Travel Service Private Limited in association with an agreement with Chase Manhattan Bank of Singapore introduced credit card in Nepal. Although it was just a Credit Card acquiring System, it created a milestone towards the history of Credit Card transaction in Nepal. At that time, Alpine Travel service became very famous in Nepalese Tourism Sector through its involvement in Credit Card business. It enjoyed a monopoly for seven years. As a result, it was charging

very high commission. At that time, there were no merchants in the Nepalese Market. So, in spite of not being a commercial bank, Alpine Travel Service developed a very good system of handling cash to the cardholders. In the late 80's, the monopoly was disturbed. In 1989, Nepal Grindlays Bank Limited entered Credit Card acquiring market. After two years, in 1991, Nepal Arab Bank Limited also started the Credit Card acquiring business. In the year 1993 November, Nepal Arab Bank (Currently known as NABIL Bank Ltd.) issued Master Card and became the first Nepalese commercial bank to issue Credit Card. After that, in the year 1993 November, Himalayan Bank Limited entered the Credit Card issuing business with its typical local proprietary card branding "HBL Regular" and "HBL Gold". These cards become very popular in Nepalese general public, especially in the Kathmandu Valley. But now HBL Gold is not issuing because of the manipulation problem. Himalayan Bank Ltd. started to acquire internationally branded Credit Card (Visa) only since 1996. In the year 1997, Nepal Grind lays Bank Limited (currently known as Standard Chartered Bank Nepal Ltd.) Started to issue Visa Card. In April 2004, Nepal Investment Bank Ltd. Issued its Visa credit Card. As these five commercial banks entered the Credit Card market, a competition emerged. As a result, the commission charge came down sharply. Further, the Credit Card transaction was broadening as the commercial banks were directly involved in the business in comparison to the involvement of tourism related firm. Recently, Bank of Kathmandu Ltd. has extended its credit card service starting from October 2009. It has risen the competition of credit card service to next level. Till now, only Six (Out of Thirty one) commercial banks (Nabil Bank ltd, Himalayan bank Ltd., Standard chartered bank Nepal Ltd., Nepal Investment Bank Ltd ,Bank of Kathmandu and Global Bank Ltd.) are involved in the transaction of credit card business in Nepal.

1.2 Statement of the Problem

Credit card business started in the world in 1951. Franklin National Bank of Long Island, New York issued a card that was accepted by local merchant. Within the several years nearly 100 other banks across the country were also issuing card. But in case of Nepal only from 1986 that is after 35 years of inception of card business, credit card was started and from November 1996 issuing credit card was started. Himalayan Bank Ltd. and Nabil Bank Ltd. both started card business at once by issuing different cards domestic credit card and Master Card respectively.

Today credit card has become a synonym of currency notes in other foreign countries. In other countries there are cash free zones with all the financial needs being handled by bankcards. But in the context of Nepal it is quite difficult to do so. Card business is fluctuating till now from beginning. Acquiring volume is mostly depends upon the arrival of tourist but the present situation of the country is not sound for the tourism. So the concerned banks are forced to domestic internal user. So the study will be focused on the following problems related to the subject chosen.

-) What are the positions of different bank involved in card business?
-) What are the growth situations of the banks to expand the business?
-) What are the trends of credit card users in Nepalese market?
-) Whether the aggregate market increasing or decreasing over the periods?

1.3 Objective of the Study

In context of Nepal credit card is newly entered in financial and business sector. That is why credit card concept is quite new for both sector business and general public. Hence, its business is growing slowly. So the general information and current situation of card business are the subject matter of this study.

The main objective of this study is to explore the current situation of credit card market in Nepal. The specific objective of the study is mentioned below;

1. To study and examine different aspects of Credit Card (technical as well as non technical).
2. To analyze the growth rate of card business in terms of Usage ratio, merchant trend, acquired volumes, current market coverage(of Banks) .
3. To examine the trend of credit card users in Nepal.
4. To suggest and recommend on the basis of major findings.

1.4 Importance of the Study

Economic condition of the nation depends upon the development of financial sector of which banking sector is one the essential components. Financial and banking sector's growth depends upon reliable services provided by them. So, all financial institutions and banks have to provide special service to make transaction easy and fast. Previously bank provides only regular banking service to customer. Due to this reason credit card system

was introduced. But in Nepal, Credit card concept has recently entered in banking sector and general public. Card business is still in the growing stage. Hence, the in –depth research on the potentiality of card business is the subject matter of thorough study and research in the present context. Therefore credit card is chosen as the subject matter for this research which helps different parties like, the bank who are involved in card business to modify their card service and formulation of strategy for smooth operation of card, the government who has to make different policies for the regulating the new innovative business ideas, and student who want to know more about credit card.

1.5 Limitation of the Study

The study will be limited to the study of performance of Nabil Bank Ltd, Himalayan bank Ltd. and standard Chartered Bank Ltd. towards credit card business in Nepal. Since, credit card is a new concept for Nepalese business and personal life and the in- depth study and research has yet to be done. Probably such studies have not been made previously hence it is difficult to find the references and required information however the attempt has been made to present the collected data and information in a promising way.

-) The study analyzes the overall aspects of Credit Card in Nepal but study have special focus to only three commercial banks Nabil Bank Ltd, Himalayan Bank Ltd. Standard Chartered Bank Nepal Ltd.
-) The study covered only a period of 6 years since 2005-2010.

-) The study is particularly based on secondary data. Therefore the calculation and the conclusion of the study i.e. fully dependent on the accuracy of the data provided by the organization.
-) Problems due to non-availability of financial data due to privacy of the organization so financial analysis cannot be conducted.

1.6 Organization of the Study

The whole study is divided into five different chapters on the basis of research conducted.

Each chapter includes following subject.

- (i) Introduction
- (ii) Review of Literature
- (iii) Research Methodology
- (iv) Presentation and Analysis of Data
- (v) Summary, Conclusions, and Recommendations

The introduction chapter includes background. A Brief introduction to banks involved in credit card business, History of Credit Card in the world Historical background of Credit Card in Nepal, Focus of the study, statement of problem, objective of the study, importance of the study, and Limitation of the study, and organization of study.

The second chapter is concentrated upon review of literature. This chapter is subdivided into various sections such as conceptual framework, review from different studies, review from journals, articles, magazines and review of previous master's thesis.

The Research Methodology chapter includes research design, population and sample, sampling procedure, sources of data, data collection techniques, methods of analysis and its descriptive presentation

The fourth chapter is the presentation and analysis of data by using appropriate statistical tools.

The last chapter gives the summary, conclusions and different recommendations regarding it.

CHAPTER – II

REVIEW OF LITERATURE

Literature review is basically a “Stock Taking” of available literature in one’s field of research. The literature survey, thus, provides us with the knowledge of the status of their field of research. Therefore, this chapter has its own importance in the study (Kothari: 1990: 10).

This chapter includes the review of previous studies, articles, and conceptual framework for the related studies. To present the real framework of the study, mere analysis is not enough and review of some related materials should be dealt with to give the research a clear vision.

2.1 Conceptual/Theoretical Review

It is basically concerned with the theoretical part relevant to the topic.

2.1.1 Payment Card

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 also allows the holder to withdraw money from the Automated teller machine (ATM) or from the bank. Before proceeding further deeper in the intricacies of credit card, it

will be worth nothing that credit card is just a line of product of the card payment business. Now the biggest competitor of card payment business is cash and travelers cheque. There are many organizations in this business under whose membership different banks and credit card companies' issues different brands of payment, such as:

Member of Master card International, head-quartered at St. Louis, USA issues Master card branded payment cards. It is also a non-profitable organization till date run by the members.

American Express Corporation Ltd. being a big banking giant itself and head quartered at New York, USA issues American Express (hereinafter referred as AMEX cards) branded cards. It is a profitable organization.

Now all these globally operating institutions member banks and credit card companies' issues different types of payment card, which are distinguished from each other by the different features it carries. Such as:

2.1.2 Credit Card

Credit card is a plastic that allows us to purchase goods and services on credit. It is very convenient way of making purchases without carrying cash. The way a normal credit card works is that we make purchases using our card and the bank issuing the card pays on our behalf to the merchant (store), which provides us the product or services. The bank deducts a certain percentage from the merchant in return for processing the transaction paying the purchased amount less bank's commission to the merchant's account.

2.1.3 Debit card

Debit card is also a plastic card, which allows 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 cardholder must have an account with the bank and the moment he makes any purchases, his account gets immediately debited at the point of purchases, and it is called as debit card. Hence, we see a debit cardholder has access to his funds maintained in the account with the help of a small plastic card. Member banks and card companies of Visa and Master Card International issue debit cards.

2.1.4 Charge Card

Charge card is a payment card with a pre-set limit and payment against it limit usage requires to be settled in full at the end of given period.

2.1.5 Chip/Smart Card

A Chip/ Smart card is a payment card with a pre-loaded value in to the card. The card contains embedded electronic chip. Usage is restricted up to the value loaded in the card. The value decreases as cardholder use the cards. Values may or may not be re-loaded as per capability of the issuing bank. These types of credit cards are also known as pre-paid cards. In these types of cards other information like details of Driver license, passport, Medical History etc of the cardholder can be stored. A recently launched telephone card, shim card by Nepal Telecommunication Corporation is and example of such cards.

2.1.6 Advantages of Credit Card

Credit cards have numerous advantages some of them are mentioned below:

-) Safe and secure in comparison to traditional medium of payment like cash, cheque etc.
-) Very convenient to carry it instead of bulky cash.
-) Wide acceptance
-) Unlike cash it is easy to get replacement.
-) Not only for purchases, can a credit card be used to make cash advances.
-) Facility of revolving credit i.e. option of minimum stated payment on regular installment rather than settling it at once.
-) Monitoring transactions with ease and proper money management.

2.1.7 Disadvantage of Credit Card

In spite of being a most extensively used financial tool, credit card has some inconveniences.

-) Some time card holder complaint their goods are not delivered due to amount altered and transaction not authorized. There exist system errors.
-) Some time merchant can multiple imprint the card and sometimes transaction may happen on lost card or counterfeit card etc.

2.1.8 Parties Involved in Credit Card Business

There are five parties involved in credit card businesses that are mentioned below:

Issuer

Any financial or can financial institution which is authorized to issue cards under the granted license of visa and Master Card international, are called issuer. Examples of such issuers in Nepal are Nabil Bank limited Himalayan Bank Limited and Standard Chartered Bank Nepal Limited recently Investment Bank Ltd. also inter in this business.

Cardholder

Prospective person or organizations whose cards are issued by the issuer are called cardholder.

Merchant

All those outlets, which accept these cards as a mode of payment, are called merchants. Examples of such merchant are departmental stores, travel agencies, grocery center, shopping center, restaurants, hotels, car rental agencies etc. Now a day there are many online merchants who are allowed to do transaction on line without the card being present.

Acquirer

Whenever a cardholder makes a transaction the only thing s/ he dose is sign a sales slip. This sales voucher is then presented in financial institution, usually a bank, which makes

the payment to the merchant normally on the same day or the next working day. If further processes it to get the payment from the issuer. Such institutions that accept these transacted sales from the merchants are called acquirer. A bank can be both acquirer as well as issuer. For example Nabil Bank issues credit cards as well as processes the transactions for its various merchants.

Clearing and Settlement

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 every day. 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 Visa Card ,by Visa International (Thapa, 2002:15-16).

2.1.9 Components of Credit Card

The components of credit card are as follows:

Unique Card Number

It is the credit card number embossed on the credit card by embossing machine. Card number will be different for different card account. The beginning card number differs

depending upon the statement banks. For example Master Card begins with the number 5 and Visa with the number

Name of Cardholder

Name of cardholder is also embossed on the credit card with the help of embossing machine. The cardholder may be the account holder as well as any third party.

Validity Date

Validity date is also embossed on credit card by embossed on credit card by embossing machine. It is the date after which the card expires. The expiry month associated with specific year is mentioned on the credit card.

Issuing Bank

The name of the credit card issuing bank is printed on the card such as Nabil Bank Ltd, Himalayan Bank Ltd Etc.

Brand Name

The brand name of the credit card associated with certain settlement bank is also printed on the credit card. For Example, Master Card, Visa Card. JCB Card etc.

Magnetic Strips

Magnetic stripe will be on the credit card. It is main part of the credit card. All the data associated with the credit card is mentioned on it. The data can be studied with the help of specific machine.

Photo of the Holder

A photo of credit card holder may be attested on the backside of credit card to make the credit card transaction simple and convenient. It depends upon the credit card issuing bank. For example, in Nepal, a photo is attested in the Visa Card issued by Himalayan

Bank Ltd. & Nepal Investment Bank Ltd. but it is not attested in the Master Card issued by Nabil Bank Ltd.

2.1.10 Basic Eligibility Criteria for being a Cardholder

-) The following criteria must be fulfilled to be a cardholder in context of Nepal.
-) Age 18 years above.
-) Have a regular income sources with annual income more than Rs. 1,20,000/-
-) Maintains accounts with any branch of concern bank.

(As prescribed under Nepal Rastra Bank regulations for international dollar Card)

2.1.11 Documents Required

When once applying for a credit card following documents must be submitted with credit card application form.

Required documents for applying personal card

-) Salary certificate / documentation to prove income source.
-) Identification paper (copy of citizenship certificate / passport)
-) Two Passport size color photographs.
-) Required documents for applying a corporate card
-) Company/firm registration certificate
-) Income tax registration and tax clearance certificates,

-) Board resolution authorizing availing of credit card and debiting company account for all charges,
-) Letter by authorized management personnel for issuing individual credit card.
-) A copy of latest audited Balance Sheet and Statement of Profit & Loss of the firm along with proof of any other income sources.

2.1.12 Application Processing

Before issuing the card to the assigned merchant ,the concerned bank analyze the data and information provided by applicant to minimize the risk in this business. It is called application processing.

Merchant Application

When potential merchant submit the merchant application form the bank asks for all incorporation documents as mandatory during account opening. An analysis is executed by the representative officer, who has made the actual visit at the merchant's location and made study of the merchant. On the basis of analysis and history of the merchant, a merchant membership number is assigned called merchant number. The merchant is then either given an imprinter machine or an electronic terminal depending upon the volume and frequency of transactions.

Card Application

Similarly when a potential cardholder submits the card application form first a careful study of the form is made in order to have all the relevant and required information. There after documents are seek out to justify the applicant's request for a card. After analyzing the concerned documents by related officer and card is issued to those who prove to have genuine intention to pay back and can afford to avail the card. (Thapa, 2002:22-23)

2.1.13 How does a Credit Card Work in practice?

Credit card operation starts when cardholder makes purchase by using credit card at the authorized shop, or store. When merchant accepts the card during transaction, merchant makes sales draft by using imprinter. Electronic machine and gives to the cardholder to sign on the sales draft. After that such sales draft submit to the acquirer for reimbursing the amount. The acquirer reimburses the amount and deducts certain charge. Such charge is known as merchant service fee. Then the acquirer claims the amount from the settlement bank, that may be Visa International or Master Card International who further charges to the issuing banks.(Personal interview with the related authorities.)

2.1.14 History of Credit Card

Credit card is a most popular form of payment among types of payment due to its special features. This payment system traces its roots back to 1914, when Western Union issued a metal plate to preferred customers allowing them to defer payment on purchases.

During the first half of this century, a variety of other enterprises, such as hotels, department stores, and oil companies also began to issue charge cards.

Mr. Francis M. Mc Namara (a leading businessman of USA) was the pioneer of Credit card concept. When once found himself in an embarrassing situation at a holiday resort when he had no money in his pocket to pay the bill. This incident affected him so much that he thought of getting rid of huge amount of money. Every party will not be willing to accept cheques. So, he in association with his friend Mr. Blooming Day thought of alternative way of carrying huge amount of Money. They came in to conclusion that if a well known company issues a type of card with guarantee of payment, it will be accepted by every party. As a result, they developed the concept of credit card. This concept seemed to be useful one. In 1951, Franklin National Bank of Long Island, New York followed the concept and it becomes the first bank in the world to issue credit card and that credit card was accepted by all local merchants. Within the next several years nearly 100 other banks across the country were also issuing cards. After succeeding the general credit card several bank cards offered card holders a new feature like revolving credit, installment payment system.

In a very short period of time this business got popularity and in the 60's large number of banks entered into this field in a huge scale. In 1966, a number of banks got together and founded a card association. Later, it was named as visa International. In the same way, some other banks got together and founded master card International. In the same way, some other banks got together and founded Master Card International. Nowadays, both of companies are very popular and most accepted card companies in the world. They not only placed the banks all over the world in a competitive position but also led to the latest

innovation in credit card business. In the early days, there was a charge card concept where the cardholder had to pay money within certain days (Usually in 45 days) after using the credit card. Later, charges development into credit card and now, they have been modified into Debit Card and Smart Chip Cards.(Singh,2000:4)

2.1.15 Risk involved in Credit Card Business

There are various risk associated with credit card operation of credit card. They are mention below:

Loss of Card

The main risk associated with operation of credit card is loosing and stealing of credit card. If the card holder fails to inform about the loss or stealing of the card to the bank in time, the transactions made by unauthorized third person will be on account of the card holder. Through the bank fights for their clients, in case of losing the card the total burden of liability has to be borne by the card holder or the account holder.

Copy of Signature

Copy of signature occurs in case of lost or stolen cards. The unauthorized third party copies the signature at the back of the signature panel and renders goods and services. Charge slips of such types of transaction will be denied by the actual card holder. As a result dispute arises. If case is filled in the situation, any party, either the card holder or the merchant, may win depending upon the situation.

Change of Amount

Sometimes, merchants change the actual amount and currency on sales draft with bad motive and present them to the acquiring bank. As a result the card holder will deny the charges and present hid original copy of the true transaction. As a result dispute arises.

Transaction of Expired Card

Sometimes, merchants commit negligence in checking the expiry date of the card. In such case, if transaction is made through the expired card, the acquiring bank denies to make further procedure of the transaction. In this case the merchant will be in loss. Sometimes, the acquirer may send the draft to the issuing bank on the basis of good faith but the decision entirely depends upon the cardholder.

Duplication of Card

There are lots of syndicates around the world engaged in fraud transaction of credit card. They make the exact duplicate of the card. If the bank identification number is not used in making the duplicate, it is not used in making the duplicate. It can be caught with help of sorting machine. But sometimes, the bank identification number is also copied and cards similar to original cards are circulated in the market.

Identified Counterfeit Transaction

There are several criminal syndicates all around the globe who are engaged in the fraudulent transactions of credit cards. In the identified counterfeit transaction these syndicates uses the BIN (Bank Identification Number) and manufacturer fabricated

counterfeit cards and circulates them in the market, which resemble the original cards in every aspects.

Unidentified Counterfeit Transaction

This is similar to the aforesaid that the syndicates do not use any BIN to manufacture the counterfeit cards. The BIN used is not a valid one and cannot be traced in the interchange directory.

Magnetic Stripe fraud (Skimming)

It is recent and sophisticated fraud technology where the information in the magnetic stripe is re-encoded to counterfeit or altered cards. The card looks genuine when used in magnetic stripe reading terminal. (Singh, 2000: 11- 14)

2.1.16 Procedure followed during Dispute

The following procedure will be followed while disputes arise.

-) Chargeback Cycle
-) Arbitration
-) Compliance
-) T & E Resolution

Charge back Cycle

A chargeback is an electronic message that the issuer the Acquirer through the base II system. The Chargeback shifts the financial responsibility from an issuer to the acquirer.

The issuer should only charge back a transaction to the acquirer if it is not possible to

obtain payment from the cardholder. All the reason for initiating a chargeback is mentioned in the VIOR- II. Merchant Error

-) Acquirer processing error
-) Suspect fraud
-) Acquirer did not response to retrieval. the entire process begins with retrieval request and proceeds as follows:

Retrieval Request

The issuer on request of their cardholder may seek copies of transaction slips from the acquirer via Master Card/ Visa International. The purpose is to verify the transaction which is either being confused or disputed by the cardholder.

Fulfillment

The acquirer needs to send the copy of the charge slips to the issuer after receiving retrieval request. The Function of sending such slips is called fulfillment. Such fulfillment is made through Master Card (Master Card hub site to receive from acquirer and forward to issuer) via fax transfer in case of Master Card and in case of visa the image of sales slip is captured through scanners and sent to visa System thorough visa Online (Internet web site of visa International), then visa International forwards it to concerned issuers. The acquirer receives fees ranging from USD 1-8 depending on the date of submission. Amount from the acquirer with valid reason and the process of the same is called Chargeback. While initiating chargeback, the issuer must mention the reason for such chargeback within the parameter set by visa / Master Card international

along with reason code. Possible chargeback reason could be: Late presentment. Unauthorized transaction, expired card, credit not processed, listed in warning bulletin etc.

Representation

If the acquirer feels that the transaction was correct and as per the rules of Visa and Master Card International, it can represent the case with supporting logic and documents and get back the transaction amount.

Second Charge back

If the issuer is still not convinced with the logic and supporting documents forwarded by the acquirer, they can initiate 2nd chargeback and again the money. After 2nd chargeback the acquirer will have no right to represent the case.

Pre-arbitration and Arbitration

If the acquirer still feels the transaction was valid, it can file the case with Master/Visa international for their ruling. Before filling arbitration case, acquirer needs to send pre arbitration to the issuer for their final consideration. If the issuer declines to the pre arbitration request or fails to respond to the acquirer the allowed period it submits the arbitration.

Upon receiving the arbitration case, Visa / Master Card make the final verdict based on the documents submitted by both the parties concerned. The part, which loosed the case, needs to pay filing and application fee of USD 500 along with the chargeback amount.

Compliance

A merchant (issuer or acquirer) may file a dispute resolution procedure known as compliance when all of the following:

-) A Visa operating regulation has been broken.
-) The filing member has suffered or will suffer a financial loss because the rule has been broken.
-) No chargeback right exists

The filing member must be able to quote the exact rule from the operating regulations, which they believe has been broken or clearly show the financial loss they have or will incur. Because of this the arbitration and compliance committee will then decide which party in the dispute should be held liable for the transaction, as well as the compliance filing and review fees. Note that a compliance case will be rejected if a chargeback right or any other dispute resolution right exists.

T & E Resolution

This dispute resolution procedure can only be filed when the transaction in dispute occurred at a Hotel, or involves a US-based car rental merchant with "Specialized Vehicle Reservation Service" agreement. The dispute concerns a "No-show" transaction.

"No-show" transaction occurs when a cardholder makes a guaranteed reservation for a hotel and then fails to arrive for the booking. Under Visa's Guaranteed Reservation

Service, cardholder must cancel their bookings within the merchant's specified time frame, failing which they will be charged for one night's stay at the hotel.

When a cardholder must cancel within the specified time frame, the merchant must give the cardholder a cancellation code, with instruction to retain this code in case of dispute.

Dispute can arise between merchants and cardholders over cancellations and cancellation codes. A cardholder may claim that he cancelled his reservation within the specified time frame but was not given a cancellation code. The merchant, on the other hand, may insist that the cardholder did not cancel in time and must therefore pay quoted by a cardholder.

In such cases, the Issuer or Acquirer may file for T & E Resolution. Visa will then decide who is at fault- the cardholder or the merchant. However, due to the difficulty of determining which member should be liable for such transaction. Visa Asia –Pacific often funds such disputed transaction on the condition that the Issuer educates the cardholder and the Acquirer educates the merchant on the correct procedures for canceling Guaranteed Reservations. There is no filing fee and no review fee for T & E resolution. Member should not that T & E Resolution cases would be rejected if a compliance right is or was available. (Thapa, 2002:20-30)

2.2 Review of Literature

2.2.1 Review of Article

Hughes (2002) stated that Egg, the four- year-old internet bank in Europe, celebrated its first reported profit as customer growth in its booming credit card business accelerated during the first quarter of 2001. Its shares closed at an all-time high. Quarterly pre-tax profits were £4.1million, against a loss of £37.2million in the same period last year. Egg began trading profitably in during the last three months of 2001, in line with its business plan.

Paul Gratton. The chief executive stated that the issuance of 1,57,000 new credit cards, which was 1,54,000 the previous quarter, had exceeded the bank's the bank's expectations. While credit card balance raised £1.9billion, shares in Egg rallied in line with the sector, gaining 15p to 182p to value it at £1.5bn.

Although this news states the growth in profit but has these profits been stated in terms of time value of money or what is the return on assets in card business? Keepley (2002) state regional head of real Visa, in that developing East Asia is and will be in years to come Visa's fastest growing market. In the same work it is also stated that credit card usually generates returns on assets above 5%.

Visa International (2002) state in 1998 over 185 million bankcards were issued in Asia Pacific region alone, which accounted for transaction worth over US \$ 330 billion. When compared to other regions such as European Union, North American, etc the volume is

quite low but a consistent growth of 30% has been maintained by the payment card sector in the payment industry. Merchant locations outlets that accepts these cards as a means of payment, is over 5.4 million. The growth in electronic terminals (devices which execute transactions electronically) is growing at an annual rate of 40% whereas the numbers of ATMS (Automatic Teller Machines) has grown at the rate of 25%.

With demographics of about two third of the world's population and 25% of the world's gross domestic product – Asia Pacific Region has more than 500 million banked consumers. With the above stated growth rate and the emergence of middle class consumers, this fertile market holds, tremendous substance that it want to become a cash free Zone with all the financial needs being handled by bankcards.

Keeply, credit card spending in Korea is increasing at a rate of 90% per year. According to Visa, the sales volume for Visa brand only in the Asia Pacific region during 12 months ending December 31, 2000 reached US \$ 332 billion². For the same period card sales volume growth in constant dollar terms was headed by Korea-up 10.25% at US \$ 128.4 billion. and Japan – up 14.0% at US \$ 81.0 billion. These figures only account for one single brand and when combined with the other players such Master Card, Diners Club. American Express Card, Japanese Bureau Card (JCB), Discovery Card etc may result in huge digits.

The most advanced and latest development in the payment card sector is the issuance of Smart Card¹. A Smart card is a plastic card, which has an embedded computer chip in it

for storing and processing sensitive data. The application landscape includes public telephone, e-commerce, Electronic Wallets, Cable TV reference details, Health/ Medical applications and other authentications such as Net stock broking, petroleum retail, and car parking. Although payment card sector is credited for the genesis of such as telecommunication companies, mass transit companies, government departments are issuing such cards. For example, Gujarat Government, a state of India, issues driving licenses based on smart on smart cards.

Let's analyze the facts and figure in regard to our two neighbors. I.e. China and India

China

Visa International 2000 state China's economy has maintained real average growth of around 8.0% since 1978, making it one of the latest growing economics in the world. The growth primarily backs up from the government initiated foreign investment and exports. The growth slowed down to 7.0% in 1998 largely due to a less competitive export sector as neighboring countries depreciated their currencies while China maintained its pledge not to devalue the Yuan. Large government infrastructure continues to fuel domestic consumption and is expected to sustain growth of at least 7.0% until 2006. Increasingly, the government is turning to domestic consumption to sustain growth.

The regional downturn has triggered the rapid development of the card industry in China. To five massive boosts to their economic growth by initiating domestic stimulus packages, in March 1999 the central bank (People's Bank of China – PBOC) announced policy revisions designed to encourage revolving credit by:

) Cutting annual interest rates by 165% to 18.5%

-) Introducing interest free grace period
-) Abolishing the requirement for a security deposit.

As a result of which the national has 30,000 international cards with the increasing numbers of foreign travel by Chinese citizens. In terms of local consumption about 70% holds debit cards for online debit purpose and the rest 30% holds deferred debit cards. Despite a central bank cap on card transaction, commercial usage still accounts for over 80% of the total carded business.

As per Visa International there is enormous growth potential in china. The PBOC has projected the figure of 200 million of cards by the end of 2003. China is enthusiastic about e-commerce and chip card technology, but significant infrastructure development is still to occur.

India

Visa international state India has sustained average annual growth of around 6.0% since 1990. Visa and Master Card issued. After the government made the Indian rupee convertible the usage of international cards has increased manifolds.

The prediction for the number of payment card on issue by mid 200 was around 10 million, which have exceeded way ahead. India has some promising long – term prospects due to the rise of middle-class consumers and changing lifestyles.(Thapa 2002:30-33)

In the international market credit card is using as synonyms of cash. They are going to declare some places as cash free Zone. But in case of Nepalese card business the number of card and the outlets are very low in comparison of other countries. Last year there were 12100 credit card users in Nepal out of which 90% were Kathmandu base. The Number of credit card users is estimated to increase by 18000 to 20000 this year. According to industry sources Nepal at present 4000 establishment that range from hotels, travel agencies trekking and mountaineering agencies, supermarkets, retail outlets that accepts Master cards, visa card, American express and diners club cards. Recently Nepal Investment bank the bank alone has issued around 4000 debit cards. The debit card was launched last September and plans to launch their debit card soon are in place. Nepal Investment bank has facilitated first visa electron Debit card in Nepal. (Shrestha 2004:8)

2.2.2 Review of the Study

Credit card a kind of facility provided by financial or commercial bank. it is very popular in international business and their personal life but in our country it is new concept. Due to lack if necessary infrastructure for using credit cards its business position is still in unsatisfactory level. However, only few researchers have done research on this credit card market. So only few working paper and previous thesis were reviewed in this thesis. The following working paper is drawn from website:

Chandler Ewert-1976 state ignoring the sex of the applicant when granting credit will systematically diminish the opportunity for females to obtain credit. Analysis is applied to a large data base of applicants for bank credit cards

Sullivan and Johnson-1980 explored an alternative pricing structure that might be adopted for bank credit cards. Permitted charges suggested are (1) an annual percentage rate from date of purchase or posting to reflect cardholder's use of credit services; (2) a transaction fee for the value received by cardholders from having a convenient payment mechanism; and (3) an annual fee that would reflect the value of the option upon the line of credit provided cardholders.

Baron, Staten, and Umbeek, 1992 analyzed cash discounting in retail gasoline markets. The paper focuses on the peculiar period in the history of gasoline credit cards during which discounts for cash were introduced, became popular, and eventually faded. The more general question addressed is: What changed in the market to trigger the explicit pricing of credit services, and changed again by the end of the decade to discourage it?

Staten and Carrow 1995 this paper presents evidence from two surveys on the reasons consumer choose to use a general purpose bank card vs. a proprietary credit card. One survey targeted holders of retail department and specialty store cards. The second survey gasoline credit cardholders. Results yield insights about who would use store card given the many general purpose card alternatives. The paper also discusses the prospect for co-branding by retailers, relative to gas card issuers.

Author Yobas, 1996 in today's world credit is seen as an essential component of daily life which explains the enormous growth in credit card ownership over the past twenty years. As a consequence of this growing demand, creditors want to increase their revenues by granting credit to more creditworthy applicants. Credit Scoring is a technique used by Credit grantors to assess the creditworthiness of an applicant in order to aid the credit granting decision for a loan or a credit card. In this predictive power of neural networks, decision trees and genetic algorithms in credit scoring for credit cards is investigated. All these techniques learn from examples provided to them and they can capture non-linear relationships which make them alternative to the conventional techniques such as discriminate analysis and regression. The results show that traditional techniques compare very well with the techniques studied in this project. Neural Networks performed slightly better than genetic Algorithms and Decision Trees.

Anderson, 1999 stated, internationally most Internet trade related are performed with the use of a credit card based payment system on the Internet. Payment against invoice is still most common when trading over the Internet in Sweden. The security development, comfort and timesaving indicate that credit card based payment systems on the Internet soon will have a breakthrough in Sweden as well.

The Swedish legislation concerning payment is neither especially extensive nor suited to electronic payments but to payments performed with notes and coins. When the legal effects, of payment performed with a credit card based payment system on the Internet,

set in is not fixed. My objective with this essay is to analyze when the legal act payment should be considered to have been realized, when the payment is performed with the use of a credit card based payment system on the Internet.

Stated & Barron 2002, This report provides benchmark measures of prominent attributes of college student credit card usage by utilizing a pooled sample of credit card accounts randomly selected from the portfolios of five of the top 15 general purpose credit card issuers in the U.S. The analysis compares behavior across three types of accounts: those opened through college student card marketing programs, those opened by young adults aged 18-24 through normal marketing channels (i.e., not through dedicated student marketing programs), and those opened by order adults through normal marketing channels. All accounts analyzed in this study were opened during the period mid-1998 until early 2000 and observed over twelve-month periods during 2000-2001. This study is the first to utilize random samples of account-level data from the number of large credit and card users to compare the activity and performance of student-marketed credit card accounts to other types of accounts.

2.2.3 Review of Thesis

- **Ashish, Ghimire (2007, Nepal Commerce Campus)** had conducted research on "Prospect and challenges of credit card Business in the banking sector of Nepal" .

Objectives of Mr Ghimire's Study

1. To find out prospect and challenges of credit card business in the banking sector of Nepal. Researcher had taken Nabil bank Ltd and Standard Chartered Bank Ltd. as a sample bank.
2. To study different parties involved in Credit Card business and defining their role and responsibilities.
3. To find out how acceptance structure plays major role in enhancing Credit Card business.
4. To analyze cost structure associated with card operation.

Major Findings of Mr Ghimire's Study

1. The researcher found that the main problem of credit card business is acceptance infrastructure, credit card business depend upon arrival of tourist and high fixed cost associated with card operation.
2. Analyze the challenge for Bank, challenge for the merchants and for the ultimate users and ways to overcome such challenge.
3. Analyze the prospects of Credit Cards for Banks, Merchants and ultimate users in Nepal.

Recommendation provided by Mr Ghimire in his Study

1. Many more should be done by Banks, Merchants, and Government to make Credit Card as a means of payment for safer payment transaction and to remove paper money as a payment medium.

2. Ways to make acceptance infrastructure more large such that different sectors viz service, business and other accepts Credit Card as a payment medium.
3. Recommendations to Banks to reduce the Credit Card charge to customers by ways of minimizing the subscription fee, renewal fee and other associated fee to ensure more and more customers subscribe Credit Card and more transaction takes place from Credit Card.

➤ **Khanal, Shiva (Sep 2008, Nepal Commerce Campus)** had conducted research on “Credit Card Business in Nepal”. The following was the objective, major findings and recommendation of the study conducted by Mr Khanal.

Objectives of Mr Khanal’s Study

1. Study trend of Credit Card Business in Nepal.
2. Examine aggregate market trend for Credit Cards.
3. Provide necessary suggestion to improvise card business in Nepal.
4. Analyze different problems of Credit Card faced by users and merchants in Nepal.

Major Findings of Mr Khanal’s Study

1. Study on Primary data collected and interpret it in terms of Usage ratio, Earnings and other relevant criteria.
2. Defining percentage of Credit Card used by Tourist visiting Nepal and frequency of their use in different outlets, stores, hotels and other Credit Card acceptable areas.

3. Defining the types of different brand of Credit Card Users have acquired on the basis of Primary data collected by the Researcher.
4. Study of Knowledge pertaining to Credit Card acquired by Users and prospective users.

Recommendation provided by Mr Khanal in his Study

1. Banks and Other Credit Card related companies (Like Alpine Card Services) should aggressively advertise on Credit Card benefits to its Users and Merchants and make them aware of this service they provide.
2. Encourage local customer to use Credit Card (in certain places where credit card is accepted) for comfort and make ease transaction.
3. Since the trend of using Credit Card in supermarkets, department stores, hotels, restaurant is being increased. Banks should allure their Customers to use the Credit Card more frequently such that the overall transaction from CC is increased. This can also be done by lowering Credit Card renewal fees.

- **Karki, Sabina (June 2010, Nepal Commerce Campus)** had conducted a research on “Credit Card: Its Business in Nepal”. The following was the Objective, major findings and recommendation of the study conducted by Miss Karki.

Objectives of Miss Karki’s Study

1. Examining Credit Card’s trend and studying its business in Nepal.
2. Conducting a detail study on major credit card issuer (Banks) and problem faced by customers, merchants while using the CC.

3. To provide necessary recommendation and suggestion based on major findings from the study.

Major Findings of Miss Karki's Study

1. Analyzing the impact of credit card in case of Nepalese Users, Issuer and merchants by way of collecting various primary data and secondary data.
2. Findings on customer usage ratio, merchant transaction details, usage by foreigners in Nepal and analysis of prospective users.
3. Finding on brand of different credit card used by customers, problem faced by the customers and merchants while transacting through credit card.

Recommendation provided by Miss Karki in her Study

2. Adequate marketing should be done to merchants such that they can promote the usage of credit card to their visiting customer and make the visiting customer more informative regarding benefits of Credit Card usage.
3. There is lack of training to Bank's staff, due to which they were not so able to disseminate complete information to existing and prospective users. So Bank should make arrangement to provide adequate trainings to their staff in various departments which are directly related to customer service and also train their Card department staffs when emergency situation arises and deal tactfully to such situation with ease.
4. To enhance the acceptance infrastructure (special recommendation for merchants) such that users can use their Credit Cards in more and more areas ranging from

- hotels, motels, stores, shopping centers (including malls) and other areas where normally Credit Card are not accepted.
5. Incentive can be provided for Credit Card users by revising the initial or renewal fees charged by Banks to ensure more users coming in their gamut and more transaction through Credit Card.
 6. It was found during the study that Credit Card was oftenly used by person having their own personal or family business. General customers were not using cards oftenly (they may have acquired but usage ratio was low). So Banks and Merchants should think on how this can be resolved and make the general customers to use cards instead of money (where applicable).

2.2.4 Research Gap

Here we try to analyze and find out the shortcoming of research study conducted by Mr Shiva Khanal (2008, Nepal Commerce Campus), Miss Sabina Karki (2010, Nepal Commerce Campus) and Mr Ashish Ghimire (2007, Nepal Commerce Campus) and present strong views on the superiority of current study over research conducted by the researcher in different period of time.

Mr Khanal's research study entitled "Credit Card Business in Nepal" has been comprehensively conducted to give a clear picture of overall aspects of Credit Card business in Nepal but has missed some core issues regarding acceptance structure of Credit Card, Transactional problem faced by merchants while using the Credit Card

etc. The researcher does give a recommendation for Banks but does not suggest the way by which the ultimate users can be relieved of the higher cost charged by some of the Banks while issuing CC or at the time of renewal of such facility. His study is descriptive rather than analytical and has failed to give a true clear picture of CC situation in Nepal. The shortcomings in Mr Khanal's research work has been seriously observed, analyzed and included in current research work to make the study more analytical and precise.

Miss Sabina Karki research work entitled "Credit Card: Its Business in Nepal" has some shortcoming too since the researcher had failed to conduct her work as per her objectives. One of Miss Karki's objective of the research work was "conducting a detail study on major credit card issuer (Banks) and problem faced by customers, merchants while using the CC" but the researcher had failed to analyze the actual problem faced by Bank's i.e how can they increase the transactional volume of Credit Card keeping all other factors constant. It is an actual matter of headache for Banks to enhance the transactional volume since the competition of Credit Card business on the rise and more players are entering in the business with more sophisticated techniques of business and different marketing strategies. Also Miss Karki's one of the recommendations was that she was of the view that "there are more users of CC who own their own personal business" but she fails to explain what factors are responsible for the business persons to carry credit cards instead of money.

Mr Ghimire's research work entitled "Prospect and challenges of credit card Business in the banking sector of Nepal" had been carried out by the researcher focusing the viability and challenges on the part of Banks, merchants and ultimate users but had

failed to give a clear picture on how the challenges be tackled or how the prospects could be materialized into action. The researcher had focused mainly on transactional problem faced by the Banks and Merchants and suggested various ways to overcome the problem but has missed out other various core aspects like acceptance structure of credit card, primary data collection, Government role for the development of credit card business (as a facilitator) and importance of Credit Card in replacing the popular Paper money as a core medium of payment. So Mr Ghimire's research work had missed some core issue in his study which has called for another fresh research on similar topic to ensure all issues has been dealt with and proper recommendation has been given to different related parties for business expansion and more coverage of CC to replace the paper money as a core medium of payment.

Present research has been conducted keeping in mind the shortcomings, lacking and incompleteness in previous studies conducted by different researcher in different period of time and with the help and contribution of different person in different field this research work has been able to ensure completeness in study by analyzing the subject matters from different optics , listing the findings, recommending the ways and suggesting necessary ideas for improvement of the overall system of operation of CC. What is most important is the core objective of this study is to suggest ideas to make Credit Card as the general means of payment in Nepalese market in different sectors ranging from service to business sectors to education to health sector and the like so as to ensure less use of paper money and healthy payment mechanism. In this research the other main thing that has been more prioritized is the collection of primary data since "accuracy in data collection ensures precise study". Understanding this fact the researcher has asked different questions to users on different aspects of CC such that the study gives a more clear picture. So this research is different than the research conducted by other researcher in different time period.

CHAPTER -III

RESEARCH METHODOLOGY

A research is systematic and in-depth study or search of any particular topic by formulating hypothesis, collecting information, analyzing and interpreting them through the valid results. It is also called a creative inquiry (investigation) to search new insight to phenomena.

"Research is essentially a systematic inquiry seeking facts through objectives verifiable methods in order to discover the relationship among them and to deduce them broad principles or laws" (Joshi, Pushpa Raj, "Research Methodology", 2002:3)

Research methodology is a technique used for conducting research. It provides various methods for the collection, presentation, interpretation and analysis of data. For this, various financial and statistical tools are used to analyze the data and conclude to the finding.

3.1 Research Design

A research design is a plan or blue print of investigation for the collection and analysis of data. It helps the researcher in the right direction in order to achieve the goal.

This is descriptive, diagnostic and development research. Descriptive research is essentially a fact finding approach relative largely to present, and abstracting

generalizations by cross sectionals study of the current situation and diagnostic research design relates to problem and find out that solution. The research can also be taken as a development approach as it finds out the development trend of credit card business in Nepal. This research shows trend of credit card business in Nepal.

3.2 Population and Sample

There are thirty One commercial banks currently operating in Nepal (Recently Sanima Bikas Bank Ltd has received green Signal from NRB for upgradation to A Class Commercial bank). Among those Commercial banks, only six banks have initiated credit card business. So the total population in this study is “Six Commercial Banks which have issued different Credit Cards as of today” and their study from different optics. However, due to various constraints and to make the study more comprehensive and reliable only 50% Credit Card issuing Commercial Banks have been taken as sample of the study and which are as under:

-) Nabil Bank Limited.
-) Himalayan Bank Limited
-) Standard Chartered Bank Nepal Limited.

3.3 Sampling Procedure

Sampling is the process of selecting the sample from the given population. The method of selecting a sample usually depends upon the nature of the investigation. Under different technique of sampling judgmental sampling technique has been used in this study.

3.4 Sources of Data

Primary as well as secondary data have been used to achieve the objective of the study. Under primary sources interview and questionnaire are used and under secondary sources annual report of the concerned banks, previous study, websites of commercial banks and unpublished records etc. are used.

3.5 Data Collection Technique

All required data are collected through primary and secondary data collection technique. Questionnaire, personal interviews, and observation technique are used to collect primary data. Annual Report and other published financial report are used to gather required secondary data. Some unpublished data (In general) provided by bank also used as secondary data.

3.6 Methods of Data Presentation and Analysis

As stated earlier, the basic structure of this study is descriptive and analytical as well. In order to make the study more precise, the data are presented in the tabular form. Charts and diagrams are used to clarify and verify the data presented.

Various statistical tools are used to evaluate the performance of credit card business comparing among Nabil Bank Ltd., Himalayan Bank Ltd. and Standard Chartered Bank Ltd.

3.7 Statistical Tools Used

The following statistical are used to evaluate the working performance of credit card business in the credit card market of Nepal.

- Standard Deviation
- Coefficient of Variation
- Correlation
 - Partial Correlation
 - Partial Correlation Determination
 - Multiple Correlations
 - Multiple Correlation Determination
- Trend Analysis
 - Least Square Method

CHAPTER -IV

DATA PRESENTATION AND ANALYSIS

Data presentation and analysis is the crucial part of any research. The main purpose of data presentation is to change it from an unprocessed form to an understandable presentation and to organize the collected data so that it can be used for interpretation. The presentation of the data and its analysis helps to draw valid conclusion. Hence this part of the thesis mainly focuses on the presentation of data and its analysis.

4.1 Users Trend of Credit Card Business

Table 4.1 Users Trend of credit card Business

Year	Nabil	HBL	SCBNL	Industry
2005/06	2415	2654	1859	6928
2006/07	2381	3247	2194	7822
2007/08	2769	3050	2786	8605
2008/09	3286	3276	3133	9695
2009/10	3984	2324	6161	12469
Average	2967	2910.2	3226.6	9103.8
Growth rate	10.52%	-2.62%	27.07%	12.47%
Standard deviation	607.18	367.48	1532	1913

(Source: Consolidated minute of Nepal Card Forum 2005/06-2009/10)

The credit card business is quite new in Nepalese market. Hence, the user of credit Card is substantially low. The following table shows the number of credit card user of sample banks and industry for the past 5 years.

Figure 4.1. Users Trend of Credit Card Business of Bank

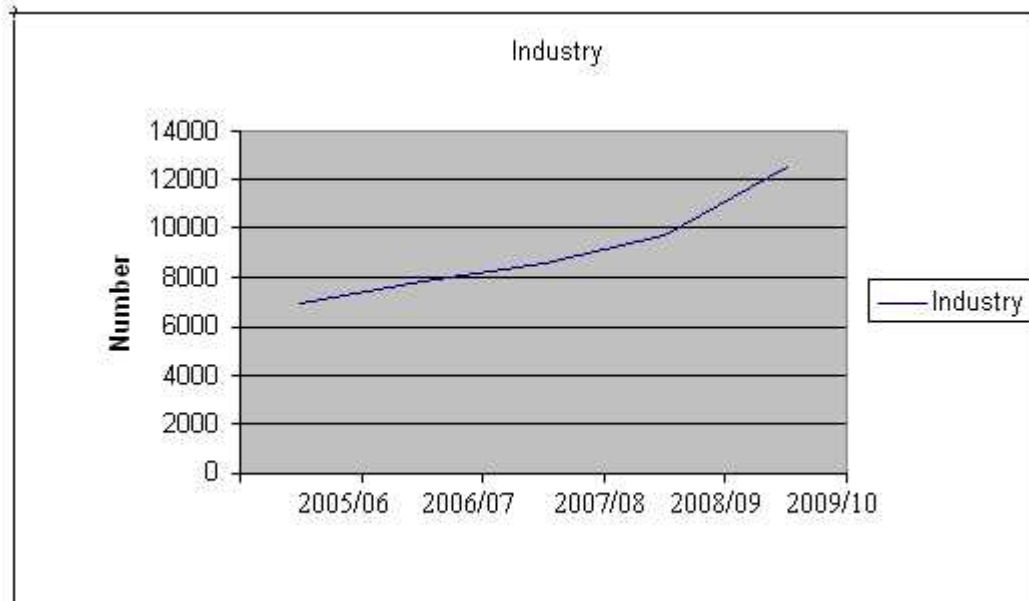


Table 4.1 and figure 4.1 shows the trend of card user. The average user of different banks Nabil, HBL, SCBNL and Industry are 2967, 2910, 3226 and 9103 respectively. Similarly the annual growth rate are 10.52%, -2.62%, 27.07% and 12.47% respectively, In addition, standard deviation and coefficient of variation of Nabil, HBL, SCBNL and Industry are 607.18,367.48,1532 and 1913 and 20.46, 12.46,47.62 and 105.066 respectively. Analyzing these figures, SCBNL has highest and HBL has lowest average number of card users. In case of growth rate only HBL has negative growth rate. In comparison to industry Nabil and HBL have less growth rate than Industry and SCBNL has higher growth rate than industry. While analyzing the volatility of user trend SCBNL has the highest volatility among three-sample banks. But all banks have less volatility than Industry.

Based on the above figures, Nabil and HBL are following the slow growth motion whereas SCBNL has been moving or rapidly in the card business. SCBNL has taking positive track in card business and industry is in increasing trend.

4.2 Merchant Trend of Credit Card Business

The acceptance infrastructure plays vital role in boosting the card business. It encourages people to use the card and facilities in payment. The following table shows the merchant trend of credit card business.

Table 4.2 Merchant Trend of Credit Card Business

Year	Nabil	HBL	SCBNL	Industry
2005/06	1536	591	2299	4426
2006/07	1300	747	2958	5005
2007/08	1520	900	3576	5996
2008/09	1654	977	3858	6489
2009/10	1512	546	4494	6558

(Source: Consolidated minute of Nepal Card Forum 2005/06-2009/2010)

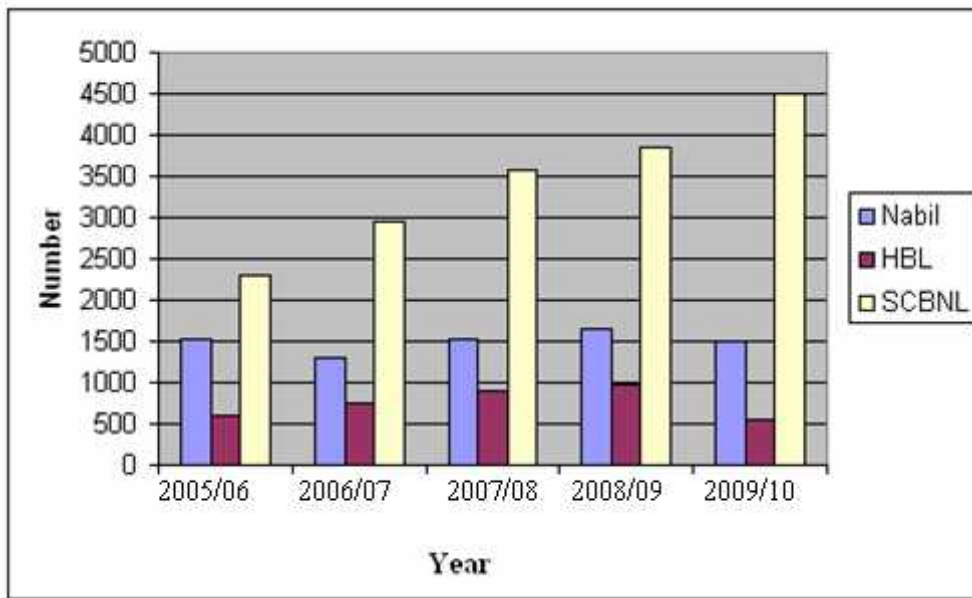


Figure 4.2 Merchant Trend of Credit Card business

Above the table and the graph show the merchant trend in card business. Among the sampled banks, Nabil, HBL, SCBNL and Industry have average number of merchant as 1504, 752, 3437 and 5694 respectively. SCBNL has the highest and HBL has lowest average number of merchant among sampled bank. In comparison to industry all banks have less number of merchant than Industry.

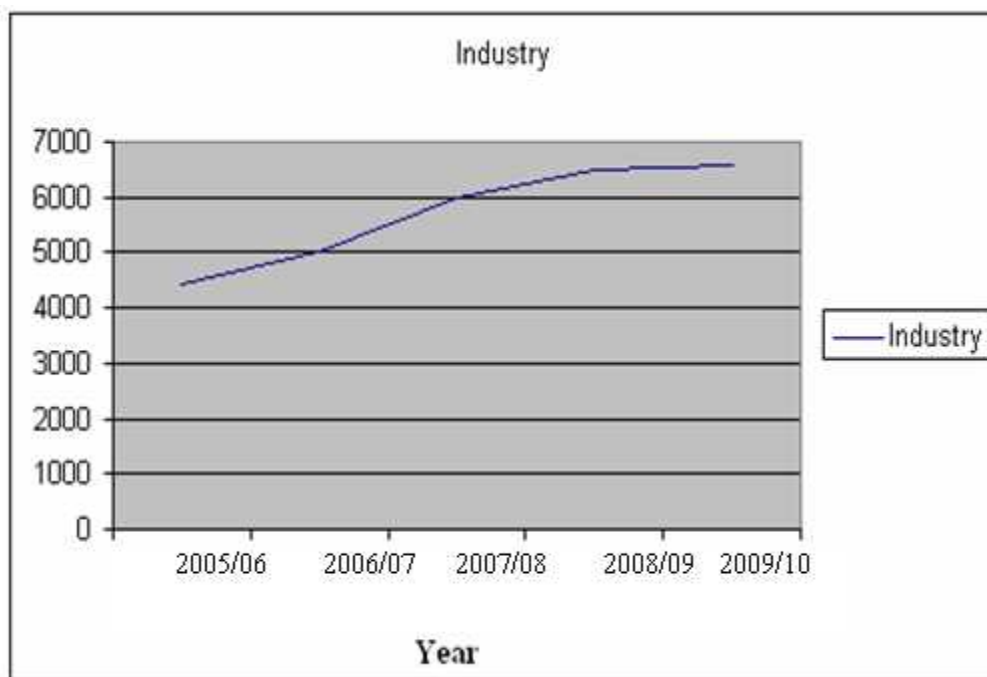


Figure 4.3 Merchant Trend of Industry

Similarly annual growth rate of sampled banks Nabil, HBL, SCBNL and Industry are - 0.31%, -1.57%, 14.37% and 8.18% respectively. Nabil and HBL have negative growth rate and SCBNL has positive growth rate. Nabil and HBL have less and negative growth rate and SCBNL has higher growth rate than Industry.

Standard deviation of Nabil, HBL, SCBNL and Industry are 114.41, 167.87, 753.43 and 842.88 respectively. It shows that the volatility of Merchant of SCBNL has highest within the Industry and Nabil has lower volatility. All banks have less volatility as compared to Industry.

The coefficient of variation of sampled banks Nabil, HBL, SCBNL and Industry are 7.6, 22.31, 21.92 and 14.80 respectively. Analyzing those figures Nabil has the lowest and HBL has the highest risk Industry. Nabil has lower, HBL and SCBNL have higher risk as compare to industry.

Considering above fact SCBNL has the highest number of merchant, volatility and positive growth rate among three banks. Nabil's position is satisfactory and HBL's position is quite satisfactory.

4.3 Acquiring Trend of Credit Card Business

Acquiring volume refers to the usage rate of credit card. In Nepalese market, the number of merchant is few but usage of card is increasing. The following table shows the acquiring volume of different banks and industry.

Table 4.3 Acquired Volumes of Different Banks

Rs in 000

Year	Nabil	HBL	SCBNL	Industry
2005/06	582388	104915	688580	1375883
2006/07	924453	192023	1714756	2831232
2007/08	1374660	183994	1859756	3418410
2008/09	845152	110089	1106624	2061865
2009/10	934332	184032	1549669	2668033
Average	932197	155011	1383877	2471085
Growth rate	9.91%	11.89%	17.61	14.16%

(Source: Consolidated minute of Nepal card forum 2005/06-2009/10)

Figure 4.4 Acquired Volume of Different Banks

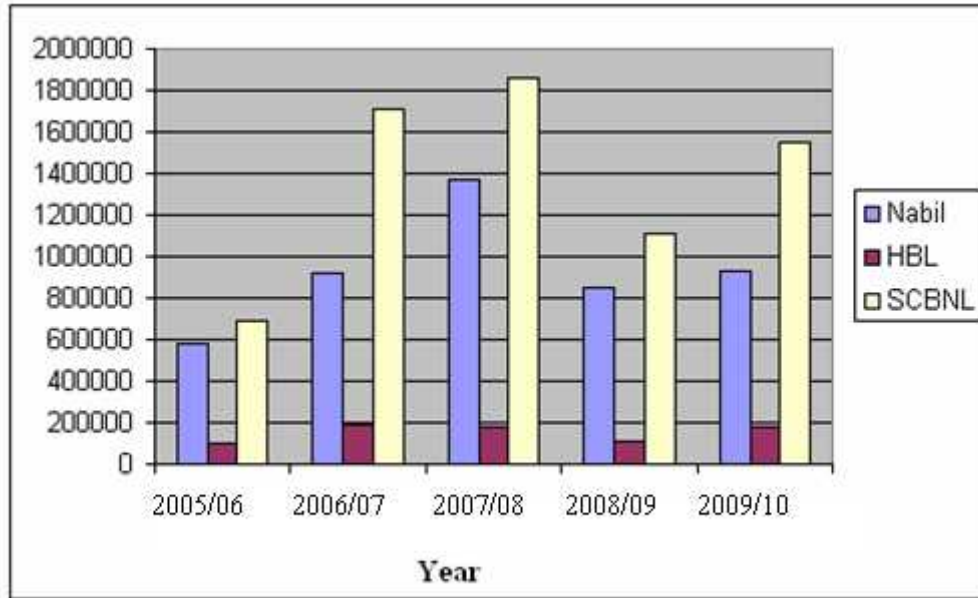
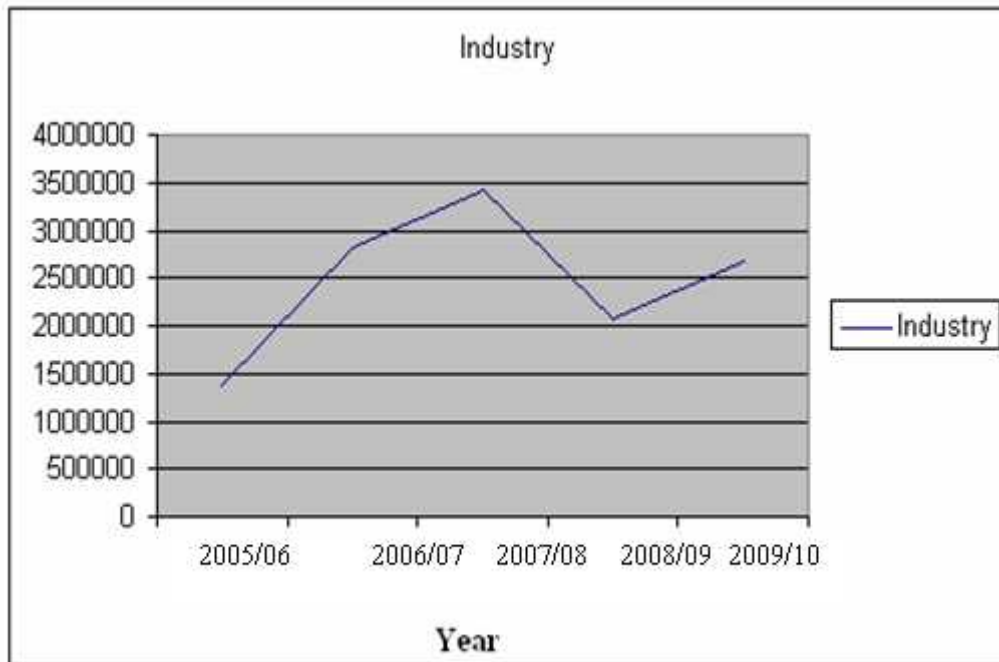


Figure 4.5 Acquired Volume of Industry



Above table shows the acquiring volume of sampled banks. The average acquired volume for Nabil, HBL, SCBNL and Industry are Rs. 932197, Rs.155010.6, Rs.1383877 and

Rs.2471084.6 respectively. SCBNL has highest and HBL has lowest acquired volume among three banks. All banks have less acquired volume as compare to Industry.

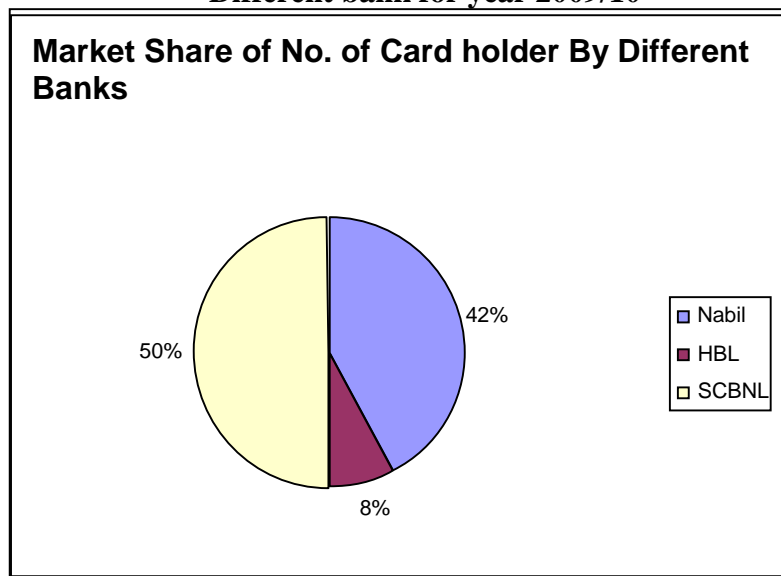
Growth rate of Nabil, HBL, SCBNL and Industry are 9.91%, 11.89%, 17.61% and 14.16% respectively. Nabil has lowest and SCBNL has highest growth rate among three banks. Nabil, HBL have less growth rate than Industry and SCBNL has higher rate in comparison to Industry.

Standard Chartered is performing the card business smoothly. It has highest acquired volume positive growth rate business. Nabil and HBL doing their business in slow motion.

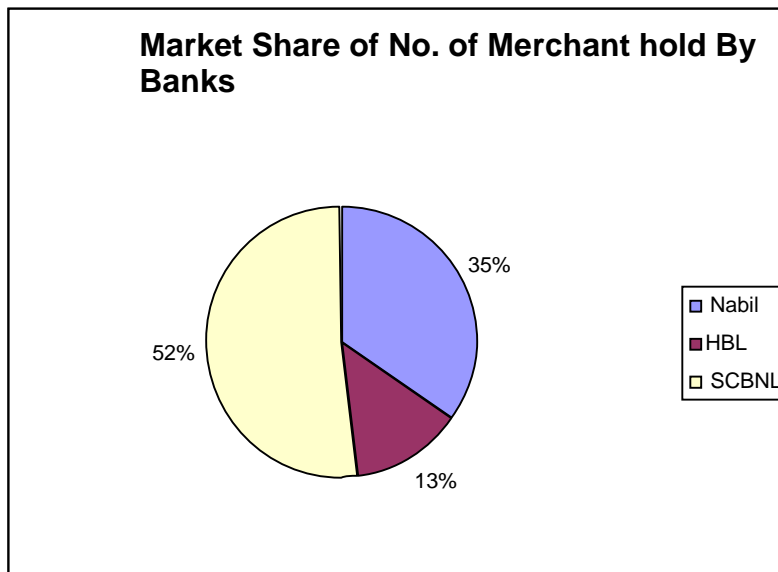
4.4 Present Market Share Hold by Different Banks

In context of Nepalese Credit card business three Nabil, HBL and SCBNL are involved. In the following chart market share of sampled banks are presented in case of number of cardholder and merchant.

Fig 4.6 Market Share of no. of Cardholders hold by Different bank for year 2009/10



**Figure 4.7 Market Share of No. of Merchant hold by
Different bank for the year 2009/10**



Above Chart shows the market share of different banks involved in card business. In case of number of cardholder or issuance market Nabil, HBL and SCBNL hold 52%, 35% and 39% respectively. SCBNL has the highest percentage and HBL has lowest percentage share among three banks. Similarly In case of merchant Nabil, HBL and SCBNL hold 35%, 13% and 52% respectively. The figure indicates the highest share and lowest share of SCBNL and HBL.

In both conditions issuance and merchant SCBNL has highest market share than other banks. Nabil and HBL are lagging behind in card business in comparison to SCBNL.

4.5 Analysis of Primary Data

1. Age group of Credit card user

Age	Number	%
Below 25	0	0
25-35	2	10
35-45	15	75
45-55	3	15
55 and above	0	0
Total	20	100

From the above table 10% of the credit card user falls under the age group of 25-35, 75% (35-45), 15% (45-55). Majority of the users belong to the age group of 35-45.

2. Occupation of credit card users

Occupation	Number	%
Government	5	25
Non-government	10	50
Business	5	25
Total	20	100

25% of the credit card users are under government service, 50% Non-government service and 25% doing their own business.

Majority of the users are doing Non-government service.

3. Card type of the card users

Type	Number	%
Visa Card	12	60
Master Card	8	40
Others	0	0
Total	20	100

From the 20 credit card users, 60% of them are holding Visa Card whereas only 40% are holding Master Card. Hence majority of the users are holding Visa Card.

4. Issuing Banks

Issuer	Number	%
HBL	9	45
NABIL	3	15
SCNBL	8	40
Total	20	100

45% are using the credit card issued by HBL, 15% from NABIL and rest 40% card holder i.e. 40% are carrying SCBNL credit card.

5. Motive behind acquiring a credit card

Motive	Number	%
Ease of purchase	10	50
Exp. management	5	25
Security	4	20
Others	1	5
Total	20	100

50% of the total users carry the card to carry make the purchasing caries while 25% for managing their expenditure, 20% for their own security and 5% for other various reason.

Majority of the user carry the card for easy purchasing

6. Reasons for choosing the respective banks

Reason	Number	%
It is reliable	6	30
It has fast service	8	40
Have already been occur to need to it	3	15
Have good relation with the bankers	3	15
Total	20	100

There are various reasons behind choosing the respective banks i.e. 30% due to its reliability, 40% due to the fast service provided by the banks, 15% of they are already been occurs to need to the bank \$ 15%. Since they have good relations with the bankers. Thus, we can say that majority of the users have chosen the respective banks for its fast and standard services.

8. Income

Nrs	Number	%
Below 10000	8	40
10000-20000	6	30
20000-30000	2	10
30000-40000	2	10
40000-50000	2	10
50000 and above	-	-
Total	20	100

40% of card holder have the income below 10000, 30% of card holder have the income between 10000-20000, and 10% of card holder are between other group except 50000 and above. So majority of the card holder lies between below 10000.

9. Expenses

Age	Number	%
Below 10000	4	20
10000-20000	12	60
20000-30000	2	10
30000-40000	2	10
40000 and above	-	-
Total	20	100

20% of card holder have the income below 10000, 60% of card holder have the income between 10000-20000, and 10% of card holder are between other group except 40000 and above. So majority of the card holder lies between 10000-20000.

10. Card Holder Preference

Preference	Number	%
While going overseas	4	20
Cash advances	5	25
Air tickets	2	10
Entertainment	3	15
Medicals	2	10
Retail purchaser	4	20
Total	20	100

From the various of 20 card holder, 20% use their card while going overseas. 25% for taking cash advances, 10% for buying air tickets, 15% for entertainment, 10% for treatment while 20% for retail purchasing. Hence, most of the card users use their card for cash advances (i.e. taking cash in advance) which has become very popular and easy way of using the cash in credit.

11. Satisfaction of holding

satisfaction	Number	%
highly satisfied	12	60
Satisfied	4	20
Neutral	4	20
Dissatisfied	-	-

Highly dissatisfied	-	-
Total	20	100

Above table shows that 60% of card holder highly satisfied from the holding of credit card of different banks, 20% card holder are satisfied and 20% card holder are neutral. Majority card holders are highly satisfied from holding the credit card issuing by different banks.

12. Difficulties of credit card

Difficulties	Number	%
Yes	4	20
No	16	80
Total	20	100

20% of card holder feels that there are difficulties of holding the credit card and 80% card holder feels there is no difficulties of holding credit card. Majority of cardholder feels no difficulties of holding credit card.

13. Kind of difficulties

Difficulties	Number	%
Operating	2	50
Disturbance in the system of issuing banks	2	50
Other technical Problems	-	-
Total	4	100

50% of card holder feels that there is operating difficulties of holding the credit card and 50% card holder feels the disturbance in the system of the issuing banks for holding the credit card.

14. Efficiency of handling credit card.

Handel	Number	%
Highly Efficient	4	100
Efficient	-	-
Neutral	-	-
Inefficient	-	-
Highly inefficient	-	-
Total	4	100

100% card holder, who feels that the using of credit card have difficulties says the issuing company have been able to handle the difficulties very efficiently.

Measuring correlation (r)

Correlation coefficient helps to find the relationship between variables. In this study relationship between different bank in case of cardholder and merchant is calculated and found as follow:

Table 4.4 Correlation Analysis of Nabil bank

Tool	Nabilwith HBL	Nabilwith SCBNL	Nabil with Industry
Correlation(no. of cardholder)	-0.5071	0.95	0.98
Correlation (no. of merchant)	0.1453	0.2763	0.4789

According to the above table the correlation between the number of cardholders of Nabil bank with HBL, SCBNL and Industry which are -0.5071, 0.95 and 0.98 respectively and number of merchant are 0.1453, 0.2763 and 0.4789 respectively. Which indicate Nabil has negative corrective with HBL but highly positive relationship with SCBNL and Industry? This means Nabil and SCBNL both banks move in the same direction. In case of number of merchants, Nabil has positive correlation with other sample banks and Industry.

Table 4.5 Correlation Analysis of HBL

Tool	HBL with Nabil	HBLwithSCBNL	HBL with Industry
Correlation(no. of cardholder)	-0.5071	-0.6433	-0.7417
Correlation (no. of merchant)	0.1453	0.1315	0.3578

Above table shows the relationship of HBL with Nabil, HBL with SCBNL, and HBL with Industry. Regarding number of cardholders, HBL has negative correlation with Nabil, SCBNL and Industry but in case of number of merchant, HBL has positive relationship with Nabil, SCBNL and Industry.

Table 4.6 Correlation Analysis of SCBNL

Tool	SCBNL with Nabil	SCBNL with HBL	SCBNL with Industry
Correlation(no. of cardholder)	0.95	-0.6433	0.89
Correlation (no. of merchant)	0.2763	0.1315	0.9664

Above figure show the relationship of SCBNL with Nabil, SCBNL with HBL and SCBNL with Industry. Regarding the number of cardholders, SCBNL has both close and positive relationship with Nabil and Industry but has a negative relationship with HBL. Whereas regarding the number of merchant, it has positive correlation with Nabil, HBL and Industry. Correlation coefficient between number of cardholder and number of merchant

In card business number of cardholder and number of merchant are interrelated parties. So to analyze the correlation between number of cardholder and number of merchant, the correlation coefficient is calculated and result is 0.76, which means there is positive or closed relation between these variables. If the number of cardholder is increased or decreased, the number of merchant also may move in same direction.

Measuring Coefficient of Multiple Determination

This multiple correlation is calculated to find joint effect of independent variable on dependent variable. In this analysis acquired volume is treated as dependent variable and number of cardholder and number of merchant are supposed to be independent variable. The calculated values are:

Multiple correlation coefficient (R)	0.5815
Coefficient of multiple determination (R ²)	0.3381 or 33.81%

The above table shows that the multiple correlation coefficient and coefficient of multiple determination of acquired volume that is 0.5815 and 33.81% nearly 34% respectively. It means that around 34% change in amount of acquired volume is caused by number of cardholder and merchant and the rest 66% (100-34) change is due to other factor. This means that the acquired volume is less dependent upon number of cardholder and merchant.

Measuring the Partial Correlation Determination

Partial Correlation is the measure of relationship between one dependent variable and only independent variable by keeping all the other independent variables constant. Here partial correlation coefficient is calculated by letting acquired volume as X1, number of cardholder as X2 and number of merchant as X3. The calculated values are as follows:

R 12.3	R ² 12.3	R 13.2	R ² 13.2
0.5819	0.3386	-.220	0.00048

The partial correlation determination $R^2_{12.3}$ is 0.3386 which means change in dependent variable X_1 (acquire volume) is due to the effect of the of variable X_2 (number of cardholder) up to 34% if the effect of variable X_3 (number of merchant) is eliminated and rest 66% due to other factor. Similarly $R^2_{13.2}$ is 0.0048 which means that 0.048% change in dependent variable X_1 (acquired volume) is due to the effect of variable X_3 (number of merchant) if the effect of variable X_2 (number of cardholder is eliminated).

Trend Analysis

A time series shows the relation between two variables, one being the time. the most commonly used method to describe the trend is the method of least square which helps us movement of data and by using this tool the future value can be predicted. In this analysis to predict the future value of number of card holder and number of merchant for present year 2008/2009, least square method is used and summarize value are follows:

Table 4.7 Projected Value of different banks for the year 2009/10

Tool	Nabil	HBL	SCBNL	Industry
No. of cardholder	4200	2721	6090	12990
No. of Merchant	1596	795	3676	7419

Above figures show the data for year 2008/09. According to table, the number of cardholders and number of merchants of Nabil are 4200 and 1596, HBL are 2721 and 795, SCBNL are 6090 and 3676 and industry are 1290 and 7419 respectively. Nabil, HBL and industry have increased the cardholder and merchant but SCBNL has decreased the cardholder and merchant, which indicate that the movement of Nabil, HBL and SCBNL towards card business is satisfactory level.

4.6 Major Findings

Present research has been conducted keeping in mind the shortcomings, lacking and incompleteness in previous studies conducted by different researcher in different period of time and with the help and contribution of different person in different field this research work has been able to ensure completeness in study by analyzing the subject matters from different optics, listing the findings, recommending the ways and suggesting necessary ideas for improvement of the overall system of operation of CC. The following are the major findings of the study:

-) Analysis of technical and non technical aspects of Credit Card. The technical aspects here implies definition of Credit Card from Banks perspective and non technical aspects here implies definition of Credit Card from Customer and Merchant perspective.
-) Analysis of different aspects of Credit Cards in terms of Usage ratio, merchant trend, acquired volumes, current market coverage (of Banks) .
-) Current position and future prospects of Nepalese Credit Card business and role of different stakeholders for growth of Credit Card business in Nepal.

CHAPTER -V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

Credit card, a plastic card, which allows holder to purchase the goods and services on credit, issued by bank or financial institution. But in context of Nepal this concept is quite new and most of the people are not aware about this service. Even card business has passed one decade successfully. So in depth study and research have to be made in this sector.

This research is aimed at studying the present condition of card business in Nepal. In Nepalese card business Nabil, HBL and SCBNL are involved. For the analysis of data standard deviation, correlation, partial correlation, multiple correlation and trend analysis are used as statistical tool but lack of financial data financial analysis can not performed.

The summary of the statistical analysis is as follows:

Table 5.1 Summary of Statistical analysis

	NABIL	HBL	SCNBL	INDUSTRY
Standard deviation (card holder)	607.18	367.48	1532.8	1913.11
Coefficient of variation (Cardholder)	20.46	12.62	47.48	105.066
Standard deviation (Merchant)	114.41	167.87	753.43	572.88
Coefficient of variation (Merchant)	7.6	22.31	21.92	14.8

Correlation of Nabil with other bank and industry

	HBL	SCNBL	INDUSTRY
r(cardholder)	-0.5071	0.95	0.98
r(merchant)	0.1453	0.2763	0.4789

Correlation of HBL with other bank and Industry

	NABIL	SCNBL	INDUSTRY
r(cardholder)	-0.5071	-0.6433	-0.7417
r(merchant)	0.1453	0.1315	0.3578

Correlation of SCNBL with other bank and Industry

	NABIL	HBL	INDUSTRY
r(cardholder) 0.95	0.95	-0.6433	0.89
r(merchant)	0.2763	0.1315	0.9664

Growth Rate

	NABIL	HBL	SCNBL	INDUSTRY
Cardholder	10.52%	-82.48%	27.07%	79.97%
Merchant	-0.73%	-1.57%	14.34%	8.18%
Acquiring	9.91%	11.89%	17.61%	14.16%

Time series analysis (Least Square Method)

	NABIL	HBL	SCBNL	INDUSTRY
Value of 2060 (No. of cardholder)	4200	2721	6090	12990
Value for 2060 (No of Merchant)	1596	795	3676	7419
Multiple correlation coefficient (R)			0.5815	
Coefficient of multiple determination (R ²)			0.3381 or 33.81%	
Partial correlation coefficient				
R _{12.3}	R _{212.3}		R _{13.2}	R _{213.2}
0.5819	0.3386		-0.022	0.00048

The brief details of the above figures are explained below:

Risk is the major element of any kind of business. Card business is also a risk business.

Among three banks SCBNL has highest risk in comparison other banks.

Correlation shows the relationship between two or more variable. In this study the issuance, merchant and acquiring are correlated or not are studied as matter. Analyzing the result, it shows the Nabil has positive relation with SCBNL but negative relation between HBL in case of cardholder. Similarly in case of merchant Nabil has positive relation with HBL and SCBNL. HBL has positive relation with Nabil and SCBNL in case of issuance but has negative relation with both banks in case of merchant. Similarly SCBNL has positive relation between all banks in case of issuance and merchant.

Growth rate or movement of card business is different from each other. Nabil has positive growth rate in case of issuance and acquiring but negative growth rate in merchant. Similarly HBL has negative growth rate in case of issuance and merchant but its acquiring volume is increasing, SCBNL, the leading bank of card business, has positive rate in issuance, merchant and acquiring. Industry which covers all banks it has stepping towards ahead.

By using time series analysis, it is revealed that card business in Nepal has a great potential and will definitely increase if present trend continue. Time series analysis show that value of each bank in card business has increased as that of previous year.

These are different factor which effect card business. Major factors are issuance and merchant. Card business is nearly 34% dependent in number of cardholder but just 0.048 dependencies on merchant. Which shows that it mostly depends upon issuance. To find out the joint effect of issuance and merchant multiple correlations is calculated and the result is 34% analyzing the result acquiring business is nearly 34% dependent upon

issuance and merchant despite rest 66% considered as other factors. Internal and external factor are considered as other factor.

5.2 Conclusion

The analysis of data revealed various facts about the credit card business in Nepal. From the statistical analysis of the data, it is obvious that credit card business is in optimistic track.

In the present context of globalization and modernization each country has enough opportunities to develop its economy and citizen of the nation. But due to different direct and indirect factors, Nepalese economy is lagging behind. In the present world, there are various new advancement is applied like credit card but in context of Nepal, Nepal had started the credit card business after 35 years of business begin in the world. So the card business has not gained its momentum as it has in other nations. In Nepal, card business was started only 10 years before. Since then it has faced various circumstances even through it is moving ahead. In card business just three commercial banks Nabil, HBL and SCBNL are involved. Among them SCBNL, NABIL and HBL are 1st, 2nd and 3rd position respectively on the basis of percentage hold by sampled banks. Growth positions of sampled banks found that positive and negative. SCBNL has positive but Nabil and HBL have negative growth position which indicate that SCBNL's business is growing but Nabil and HBL are lagging behind. Being a new means of payment it is gaining popularity as the user's trend is increasing. All banks have increasing number of cardholder and merchant, which shows in future, card business may play vital role in

financial sector. In aggregate card business is in increasing trend. So all above factor shows the optimistic condition of card business in future.

5.3 Recommendation

In present context of modernization and IT or Information Technology credit card also plays vital role in financial as well as personal life. As credit card business growing slowly concerned authorities must think how to increase this business so that Nepal can keep pace with ever changing international market. As there are lots of limitations regarding credit card business in Nepal. On the basis of the study following suggestions and recommendations are provided to banks, merchants and cardholders.

5.3.1 Recommendation to the bank (Issuer)

From the research, it is found that the following steps should be taken by the concerned bank to boost the credit card business.

) Advertising

All concerned banks should advertise a lot because most people do not know about credit card. For this they can choose TV, magazine and web advertising media. Clear concept plays the appreciable role to enhance card business. The advertisement should be focused to middle level citizens.

) **Attractive scheme**

The concerned bank should come up with attractive scheme like low balance, low service charge, additional card, student card, rewards points an every purchase etc.

) **Seminar**

Bank should organize the seminar in regular interval of time to know the current position of the market. Seminar must concentrate on interaction among cardholder, merchant and banks. This will help them to know the pros and cons of promote market condition.

) **ATM**

As far as cash advance business from credit card is concerned, each bank needs to install the global ATM's and connect their existing ATM's making them compatible to accept the internationally branded cards. Since card advance from international card generates more fee based income for the banks and also earn foreign currency. Every effort should be made to increase this market.

) **Merchant**

To increase the card business, merchant play vital role. In Nepalese market there is a lack of acceptance infrastructure. So, acquiring bank must concentrate on the local market and signed up with local merchants

to increase the acceptance of card. As card business in Nepal is in increasing trend, more people will use their card in the local market provided they find more shopping outlets to use their card. This will again increase the card market resulting more profit for the bank.

Further, concerned bank should issue Master Card as well as Visa Card which are leading brand along with local cards. Bank should also issue small business credit card like in other countries. In Nepal there are lots of small businesses which contribute in the economy of Nepal. If concerned bank issued small business card with low interest rate it might move the card business ahead. Like wise banks should provide fast and reliable service to customer. Statement should be issued on time. Card business is totally depends upon faith so before issuing the card concern authority should take detail analysis of parties and take precaution regarding fraud. It will help to minimize fraud. Banks must be flexible while issuing credit cards such as avoider of service charges, no deposit required for card this will encourage customer of the banks to apply for credit card. On the other hand, banks should have specific guidelines, manuals and rules for cardholder. So that their credit portfolio is safe and reliable. Concerned government authorities must act to bring rules and regulation governing repayment of credit card loan. Then after, card business will gain new height in Nepal.

5.3.2 Recommendation to the Merchant

) Advertising

Advertising is key of success for any business. AS of date, people are still in doubt whether the merchant accepts card or not. Hence, to aware

the customer regarding card acceptance more awareness programmes are required so that people can go out in the market with only plastic card in their bag.

) **Quality service**

Merchant should provide quality service by providing quick service and should not take unnecessary charges to cardholder.

) **Faith maintain**

There must be relation of faith between merchant and cardholder. Merchant should not manipulate the Currency, amount and other manipulation related with card user to build of faith. As a result, more people will be confident in using their card.

5.3.3 Recommendation to the cardholder

) **Proper utilization**

The cardholders should utilize the credit card properly. Timely payment of balance,

Renew and to take precaution regarding card fraud.

) **Faith maintain**

The cardholder should provide correct information about self-financial condition.

) **General Awareness**

The cardholder should utilize the card as a service provided by bank as other service. So the cardholder also co-operate with bank.

In addition to above recommendation to different parties involved in card business. Individual banks especially HBL and Nabil have to focus on their card business because their business is lagging behind as compare to SCBNL. Besides that government also should take some step regarding card business. Only private and joint venture banks are involved in this business but most people transact with government banks. So government should be provided card service to their customer. The government should make necessary rules and regulation, laws for the handling of card business. In context of Nepal, card service is taken as miner service but it should be taken as major service, which leads to modernization and globalization. At present some other commercial banks like Investment Bank Ltd. and Everest Bank Ltd. are involving in card business by issuing Debit Card. This is matter of happiness in business sector. In future Nepal also may have cash free zone. Therefore government should think about the progress and prosperity of card business.

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Appendix 1

Calculation of Standard of Deviation and C.V. of Nabil Bank LTD.

Year	No. of Cardholder (x)	d(x-a) a=2769	d ²
2005-06	2415	-354	125316
2006-07	2381	-388	150544
2007-08	2769	0	0
2008-09	3286	517	267289
2009-10	3984	1215	1476225
	= 2967	d= 990	=2019374

Standard deviation (S.D) = 603.87

Coefficient of variation = 20.46%

Calculation of Standard Deviation and C.V of HBL

Year	No. of Cardholder (x)	d(x-a) a = 3050	d ²
2005-06	2654	-396	156816
2006-07	3247	197	38809
2007-08	3050	0	0
2008-09	3276	226	51076
2009-10	2324	-76	527076
	= 2910.2	d= 702	=773777

Standard deviation (S.D) = 367.48

Coefficient of variation = 12.62%

Calculation of Standard Deviation and C .V of Standard Chartered Bank Ltd.

Year	No. of Cardholder (x)	d(x-a) a = 2786	d ²
2005-06	1859	-927	859329
2006-07	2194	-592	350464
2007-08	2786	0	0
2008-09	3133	347	120409
2009-10	6161	3375	11390625
	= 3226.6	d= 2203	=12720827

Standard deviation (S.D) = 1532

Coefficient of variation = 47.48%

Calculation of Standard Deviation and C.V of Standard Chartered Bank

Ltd.

Year	No.of Cardholder (x)	d(x-a) a = 2786	d2
2005-06	1859	-927	859329
2006-07	2194	-592	350464
2007-08	2786	0	0
2008-09	3133	347	120409
2009-10	6161	3375	1.1E+07
	= 3226.6	d= 2203	=12720827

Standard deviation (S.D) = 1532

Coefficient of variation = 47.48%

Calculation of Standard Deviation and C.V of Standard Chartered Bank

Ltd.

Year	No.ofCardholder (x)	d(x-a) a = 2786	d2
2005-06	1859	-927	859329
2006-07	2194	-592	350464
2007-08	2786	0	0
2008-09	3133	347	120409
2009-10	6161	3375	1.1E+07

	= 3226.6	d= 2203	1.3E+07
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Standard deviation (S.D) = 1532

Coefficient of variation = 47.48%

Calculation of Standard Deviation and C.V of Himalayan Bank Ltd.

Year	No.ofCardholder (x)	d(x-a) a = 900	d2
2005-06	591	-309	95481
2006-07	747	153	23409
2007-08	900	0	0
2008-09	977	77	5929
2009-10	546	354	125316
	= 752.2	d= -739	250135

Standard deviation (S.D) = 167.87

Coefficient of variation = 22.31%

Calculation of Standard Deviation and c.v of Industry.

Year	No.ofCardholder (x)	d(x-a) a = 5996	d2
2005-06	4426	-1570	2464900
2006-07	5005	-991	982081
2007-08	5996	0	0

2008-09	6489	493	243049
2009-10	6558	562	315844
	= 5694.8	d= 1506	4005874

Standard deviation (S.d) = 840.88

Coefficient of variation = 14.80 %

Calculation of correlation coefficient of difference bank and Industry

Calculation of correlation coefficient between Nabil and HBL

Nabil(x)	HBL (y)	X(x-x)	X ²	Y(y-y)	y ²	xy
2415	2654	-552	304704	-256	65638	141422
2381	3247	-586	343396	336	113434	-197364
2769	3050	-198	39204	139	19544	-27680
3286	3276	319	101761	365	133809	116690
3984	2324	1017	103428	-586	343630	-596165
X= 2967	y= 2910		X ² = 1823354		y ² = 6760568	xy= -563098

$$r = -0.5071$$

Calculation of correlation coefficient between Nabil and SCBNL

Nabil(x)	SCBNL (Y)	X(x-x)	X ²	y(Y-)	y ²	xy
2415	1859	-552	304704	-2399.6	1870329 1066262	754915.2
2381	2184	-586	343396	-440.6	194728	605103.6
2769	2786	-198	39204	-93.6	8760	87238.8
3286	3133	319	101761	2934.4	8610703	-29858.4
3984	6161	1017	103428			2984284.8
X= 2967			X ² = 1823354		y ² = 11750185	xy= 4401684

$$r = 0.95$$

Correlation between Nabil and Industry

Nabil(x)	Industry (Y)	X(x-x)	X ²	y	y ²	xy
2415	6928	-552	304704	-215.8	4734105	1201041
2381	7822	-586	343396	-1281	1643011	751134
2769	8605	-198	39204	-498	248801	98762
3286	9695	319	101761	-591	349517	188592
3984	12469	1017	103428	3365.2	11324571	3422408
X= 2967			X ² = 1823354		y ² = 18300006	xy= 5661940

$$r = 0.980$$

Correlation between Nabil and HBL (No. of Merchant)

Nabil(x)	HBL(Y)	X	X ²	y	y ²	xy
1536	591	31.6	998.56	-161	25985	-5093.92
1300	747	-204	41779	-5.2	27.04	1062.88
1520	900	15.6	243.36	147.8	21844	205.68
1654	977	149.6	22380.166	224.8	50535	33630.08
1512	546	7.6		-206	42518	-1567.12
1504.4	= 752.2		x ² = 65459		y ² = 140910	xy= 30337.6

$$r = 0.1453$$

Correlation between Nabil and Industry (No. of Merchant)

Nabil(x)	Industry(Y)	x	X2	y	y2	xy
1536	4426	31.6	998.56	-957.8	25985	-40094.08
1300	5005	-204	41779	301.2	27.04	140995.12
1520	5996	15.6	243.36	794.2	21844	4698.72
1654	6489	149.6	22380.166	863.2	50535	118812.32
1512	6558	7.6			42518	6560.32
1504.4	= 5694		x2= 65459		y2 = 140910	xy= 230970.4

$$r = 0.4789$$

Correlation between Nabil and SCBNL (No. of Merchant)

Nabil(x)	SCBNL(Y)	x	X2	y	y2	xy
1536	2299	31.6	998.56	-138	129504	-35960.8
1300	2958	-204	41779	-479	229441	97907.6
1520	3576	15.6	243.36	139	19321	2168.4
1654	3858	149.6	22380.166	421	177241	62981.6
1512	4494	7.6		1057	111724	-8033.2
1504.4	= 3437		x2= 65459		y2= 283829	xy= 119063.6

$$r = 0.2763$$

Correlation between HBL and SCBNL (No. of Cardholder)

HBL(x)	SCBNL(Y)	x	X ²	y	y ²	xy
2654	1859	-256	65638	-1367	187032	350379
3247	2194	336.8	113434	-1032	106626	-347779
3050	2786	139.8	19544	-440	194128	-611595
3276	3133	365.8	133809	-93.6	8760	34238.88
2324	6161	-586	343630	2934	861070	1720145
2910	= 3226		x ² = 676056		y ² = 11750185	xy= 1813380

$$r = 0.6433$$

Correlation between HBL and Industry (No. of Cardholder)

HBL(x)	Industry(Y)	x	X ²	y	y ²	xy
2654	6928	-256	65638	-2175.8	4734105	557439
3247	7822	336.8	113434	-1281.8	1643011	-431710
3050	8605	139.8	19544	-498.8	248801.4	-69732
3276	9695	365.8	133809	591.2	349517.4	216260
2324	1246	-586	343630	3365.2	11324571	-2881284
2910	= 9103		x ² = 676056		y ² = 18300006	xy= -2609025

$$r = 0.7417$$

Correlation between HBL and Industry (No. of Merchant)

HBL(x)	Industry(Y)	x	X2	y	y2	xy
591	4426	-164	25985	-1268.8	1609853	204530
747	5005	-5.2	27.04	-689.8	475824	3586.96
900	5996	147.8	21844	301.2	90721	44517.36
977	6489	224.8	50535	794.2	630753	178536
546	6558	-206	42518	863.2	745114	-177991
752.2	= 5694		x2= 140910		y2= 3552266	xy= 253179.2

$$r = 0.3578$$

Correlation between HBL and SCBNL (No. of Merchant)

HBL(x)	SCBNL(Y)	x	X2	y	y2	xy
591	2299	-164	25985	-1138	1295044	183445.6
747	2958	-5.2	27.04	-479	229441	2490.8
900	3576	147.8	21844	139	19321	20544.2
977	3858	224.8	50535	421	177241	94640.8
546	4494	-206	42518	1057	1117249	-217953
752.2	3437		x2= 140910		y2= 2838296	xy= 83168

$$r = 0.1315$$

Correlation between SCBNL and Industry (No. of Cardholder)

SCBNL(x)	Industry(Y)	x(x-x)	x ²	y(y-y)	y ²	xy
1859	6928	-1367	1870329	-2175.8	4734105	2975624
2194	7822	-1032	1066262	-1281.8	1643011	132998
2786	8605	-440	194128	-498.8	248801	219771
3133	9695	-93.6	8760.9	591.2	349517	-55336
6161	12469	2934	8610703	3365.2	11324571	9874842
x = 3226	y = 91038		y ² = 1175018		y ² = 18300006	xy= 1314790

$$r = 0.89$$

Correlation between SCBNL and Industry (No. of Merchant)

SCBNL (x)	Industry (Y)	x	X ²	y	y ²	xy
2299	4426	-1138	1295044	-1268.8	1609853	1443894
2958	5005	-479	229441	-689.8	475824	330414.2
3576	5996	139	19321	301.2	90721	41866.8
3858	6489	421	177241	794.2	630753	334358.2
4494	6558	1057	1117249	863.2	745114	912402.4
3437	5694		x ² = 2838296		y ² = 3552266	xy= 3062936

$$r = 0.9646$$

Calculation of project values of cardholder and merchant for the different bank involved in card business

No. of cardholder Nabil

Year (X)	No. Of cc (Y)	x(X-2004)	X ²	xy
2005-06	2415	-2	4	-7241
2006-07	2381	-1	1	0
2007-08	2769	0	0	3286
2008-09	3286	1	1	7968
2009-10	3984	2	4	
N = 5	y = 14835	x = 0	x ² = 10	xy = 4013

Since $\sum x = 0$, so $a = \frac{y}{n} = \frac{14835}{5} = 2967$

And $b = \frac{\sum xy}{\sum x^2} = \frac{4013}{10} = 401.3$

Substituting the values of a and b in (i) the required trend line is

$$Y = a + bx$$

$$= 2967 + 401.3x$$

When $x = 2010$ then $x = (x - 2007) = (2010 - 2007) = 3$

$$Y \text{ for } 2010 = 2967 + 401.3 \times 3 = 4170.9$$

Therefore the value for the year 2010 is 4170.9

No of cardholder for SCBNL

Year (X)	No. Of cc (Y)	x(X-2004)	X ²	xy
2005-06	1859	-2	4	-3718
2006-07	2194	-1	1	-2194
2007-08	2786	0	0	0
2008-09	3133	1	1	3133
2009-10	6161	2	4	12322
N = 5	y = 16133	x = 0	x ² = 10	xy = 9543

Since $x = 0$, so $a = y/n = 16133/5 = 3226.6$

And $b = xy/x^2 = 9543/10 = 954.3$

Substituting the values of a and b in (i) the required trend line is $y = a +$

bx

$$Y = a + bx$$

When $X = 2010$ then $x = (x-2007) = (2010-2007) = 3$

$$Y \text{ for } 2010 = 3226.6 + 954.3 \times 3 = 6089.5$$

Therefore the value for the year 2010 is 6089

No of cardholder HBL

Year (X)	No. Of cc (Y)	x(X-2004)	X ²	xy
2005-06	2654	-2	4	-5308
2006-07	3247	-1	1	-3247
2007-08	3050	0	0	0
2008-09	3276	1	1	3276
2009-10	2324	2	4	4648
N = 5	y = 14551	x = 0	x ² = 10	xy = -631

Since $x = 0$, so $a = y/n = 14551/5 = 14551/5 = 2910.2$

And $b = xy/x^2 = -631/10 = -63.1$

Substituting the values of a and b in (i) the required trend line is $y = a +$

bx

$$Y = a + bx$$

$$= 2910.2 + -63.1x$$

When $X = 2010$ then $x = (x-2007) = (2010-2007) = 3$

$$Y \text{ for } 2007 = 2910.2 + 63.1 \times 3 = 2720.9$$

Therefore the value for the year 2010 is 2720.9

No of cardholder Industry

Year (X)	No. Of cc(Y)	x(X-2004)	X ²	xy
2005-06	6928	-2	4	-13858
2006-07	7822	-1	1	-7822
2007-08	8605	0	0	0
2008-09	9695	1	1	9695
2009-10	12469	2	4	24938
N = 5	y = 45419	x = 0	x ² = 10	xy = 12953

Since $\sum x = 0$, so $a = \frac{\sum y}{n} = \frac{45419}{5} = 9083.8$

And $b = \frac{\sum xy}{\sum x^2} = \frac{-12953}{10} = -1295.3$

Substituting the values of a and b in (i) the required trend line is $y = a +$

bx

$$Y = a + bx$$

$$= 9083.8 + 1295.3x$$

When $X = 2010$ then $x = (x - 2007) = (2010 - 2007) = 3$

$$Y \text{ for } 2010 = 9083.8 + 1295.3 \times 3$$

$$= 9083.8 + 3885.9 = 12969.7$$

Therefore the value for the year 2010 is 12969.70020

No. of Merchant (Nabil)

Year (X)	No. Of Merchant(Y)	x(X-2004)	X ²	xy
2005-06	1536	-2	4	-3072
2006-07	4300	-1	1	-1300
2007-08	1520	0	0	0
2008-09	1654	1	1	1654
2009-10	1512	2	4	3024
N = 5	y = 7522	x = 0	x ² = 10	xy = 306

Here $x = 0$, $y = 7522$ $x^2 = 10$ and $xy = 306$

Since $x = 0$ so $a = y/n = 7522/5 = 1504.4$ and $b = xy/x^2 = 306/10 = 30.6$

Substituting the values of a and b in (i) the required straight line trend is

$$Y = a + bx$$

$$= 1504.4 + 30.6x$$

When $X = 2010$ then $x = 2010 - 2007 = 3$ so the value for 2010 is

$$Y = 1504.4 + 30.6 \times 3$$

$$= 1596.2$$

Therefore the value for the Nabil Bank is 1596.2

Himalayan bank limited

Year (X)	No. Of Merchant(Y)	x(X-2004)	X ²	xy
2005-06	591	-2	4	-1182
2006-07	747	-1	1	-747
2007-08	900	0	0	0
2008-09	977	1	1	977
2009-10	546	2	4	1092
N = 5	y = 3761	x = 0	x ² = 10	xy = 140

Here $x = 0$, $y = 3761$ $x^2 = 10$ and $xy = 306$

Since $x = 0$ so $a = y/n = 3761/5 = 752.2$ and $b = xy/x^2 = 140/10 = 14$

Substituting the values of a and b in (i) the required straight line trend is

$$Y = a + bx$$

$$= 752.2 + 14x$$

When $X = 2010$ then $x = 2010 - 2007 = 3$ so the value for 2010 is

$$Y = 752.2 + 14 \times 3 = 794.2$$

$$= 795$$

Therefore the value for the Himalayan Bank is 795

Standard Chartered Bank Nepal Limited

Year (X)	No. Of Merchant (Y)	x(X-2004)	X ²	xy
2005-06	2299	-2	4	-4598
2006-07	2958	-1	1	-2958
2007-08	3576	0	0	0
2008-09	3858	1	1	3858
2009-10	4494	2	4	4494
N = 5	y = 17185	x = 0	x ² = 10	xy = 796

Here $x = 0$, $y = 17185$, $x^2 = 10$ and $xy = 796$

Since $x = 0$ so $a = y/n = 17185/5 = 3437$ and $b = xy/x^2 = 796/10 = 79.6$

Substituting the values of a and b in (i) the required straight line trend is

$$Y = a + bx$$

$$= 3437 + 79.6x$$

When $X = 2010$ then $x = 2010 - 2007 = 3$ so the value for 2010 is

$$Y = 3437 + 79.6 \times 3 = 3675.8$$

$$= 3676$$

Therefore the value for the SCBNL is 3676

Industry

Year (X)	No. Of Merchant (Y)	x(X-2007)	X ²	xy
2005-06	4426	-2	4	-8852
2006-07	5005	-1	1	-5005
2007-08	5996	0	0	0
2008-09	6489	1	1	6489
2009-10	6558	2	4	13116
N = 5	y = 2874	x = 0	x ² = 10	xy = 5748

Here $x = 0$, $y = 28474$ $x^2 = 10$ and $xy = 5748$

Since $x = 0$ so $a = y/n = 28474/5 = 5694.8$ and $b = xy/x^2 = 5748/10 = 574.8$

Substituting the values of a and b in b the required straight line trend is

$$Y = a + bx$$

$$= 5694.8 + 574.8x$$

When $X = 2010$ then $x = 2010 - 2007 = 3$ so the value for 2010 is

$$Y = 5694.8 + 574.8 \times 3$$

$$= 7419.2$$

Therefore the value for the year 2010 is 7419

Appendix 2
SAMPLE QUESTIONNAIRE

Dear Sir/Madam,

I am preparing my research work on the topic of "CREDIT CARD & ITS SCOPE IN NEPAL" for the partial fulfillment of the requirement for the degree of master in business study. The questionnaire given below will be very helpful to collect primary data in respect of my research work. Therefore, I would like to request for your grateful opinion and correct information regarding these questions.

I hope forward for your kind cooperation

Respondent

Researcher

Name	:	Prabesh Adhikari
Education	:	Nepal Commerce Campus
Occupation	:	T.U regd. 7-2-426-20-2003
Position	:	M.B.S
Date	:	

For the card Member

Please tick in the following questions:

Q.1. Gender

Female Male

Q.2. Personal Monthly Income

Below 5,000 5,000-9,999 10,000-14,999
 15,000-19,999 20,000-24,999 25,000-29,999
 30,000 and above

Q.3. What kind of card do you possess?

VISA Master Card Diners
 JCB Other (please specify).....

Q.4. Of which Bank do you possess a Card?

- Standard Chartered Bank Himalayan Bank Limited
 Nabil Bank Nepal Investment Bank

Q.5. Why did you choose to acquire a Credit Card?

- fashion and trend Need for credit facility
 Convenience and safety other (please specify).....

Q.6. What was the primary reason for choosing the particular issuing Bank/s specified above, apart from financial security?

- Goodwill of the bank Low service fees
 Existence of bank account Location of the bank
 Wider acceptance of the card Marketing of the bank
 Personal relationship other (please specify).....

Q.7. Who influenced you to use credit card?

- Family Friends Neighbors
 Celebrity Advertisement

Q.8. How often do you use credit card to purchase?

- Once a week Twice a week Every Fortnight
 Every day Occasionally

Q.9. Of different cards you possess of different banks, which card do you use frequently?

- Standard Chartered Bank Himalayan Bank Limited
 Nabil Bank Nepal Investment Bank

Q.10. Have you ever change cards?

- Yes No

Q.11. If 'Yes' why did you choose to change your card?

- Lower fees Promotion of the bank
 Inadequate services Better services from current issuer
 other (please specify).....

Q.12. Where do you usually use your credit card?

- Restaurant Hotel Department Stores
 Travel Agents other (please specify).....

