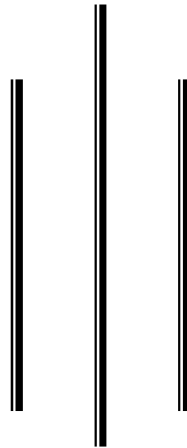


**CREDIT CARD PERFORMANCE  
&  
BEHAVIOR PATTERN OF CREDIT CARD USERS**

**SUBMITTED BY:**

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2<sup>nd</sup> year Exam Symbol No:5159**



**A THESIS**

**SUBMITTED TO:**

**Office of the Dean  
Faculty of Management  
Tribhuvan University  
Kathmandu**

*In the partial fulfillment of the requirements for the degree of  
Masters of Business Studies (M.B.S.)*

**April,2012**



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### VIVA VOCE SHEET

We have Conducted the Viva-Voce Examination of the Thesis Presented

By

Hira Maya Shrestha

Entitled

**"Credit Card Performance and Behavior Pattern of Credit Card Users"**

And found the thesis to be the original work of the student and written according to the prescribed format, we recommend the thesis to be accepted as partial fulfillment of the requirement for

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## RECOMMENDATION

This is to certify that the Thesis

**Submitted By**

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has been prepared as approved by this Department in the prescribed format of the Faculty of Management.

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## **Declaration**

I hereby declare that the work reported in this thesis entitled "**Credit Card Performance and Behavior pattern of Credit Card users**" submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master's Degree of Business Studies (M.B.S) under the supervision of Associate Professor Mr. Sajeeb K. Shrestha and Prof. Mr. Iswor Raj Lohani of Shanker Dev Campus.

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## **LIST OF ABBREVIATIONS**

<b>ATM</b>	<b>: Automatic teller Machine</b>
<b>POS</b>	<b>: Point of Sale</b>
<b>PIN</b>	<b>: Personal Identification Number</b>
<b>HBL</b>	<b>: Himalayan Bank Limited</b>
<b>NIBL</b>	<b>: Nepal Investment Bank Limited</b>
<b>NABIL</b>	<b>: Nepal Arab Bank Limited</b>
<b>SCBNL</b>	<b>: Standard Chartered Bank Nepal Limited</b>
<b>NRB</b>	<b>: Nepal Rastra Bank</b>
<b>SWOT</b>	<b>: Strength, Weakness, Opportunities and Threats</b>
<b>NCMF</b>	<b>: Nepal Card Member Forum</b>
<b>VISA</b>	<b>: Visa International Service Association</b>
<b>IPS</b>	<b>: International Payment System</b>
<b>VSS</b>	<b>: Visa Net Settlement Service</b>
<b>ICA</b>	<b>: Interbank Card Association</b>
<b>AXP</b>	<b>: American Express</b>
<b>JCB</b>	<b>: Japan Credit Bureau</b>
<b>UBS</b>	<b>: Union Bank of Singapore</b>
<b>ATS</b>	<b>: Alpine Travel Service</b>
<b>BIN</b>	<b>: Bank Identification Number</b>
<b>CIB</b>	<b>: Credit Information Bureau</b>
<b>CAN</b>	<b>: Computer Association of Nepal</b>
<b>ISPs</b>	<b>: Internet Service Providers</b>
<b>VSAT</b>	<b>: Very Small Aperture Terminal</b>

# CHAPTER -1

## INTRODUCTION

### 1.1. Background of the Study

A Bank is an institution, which accepts deposits of various types, withdrawal by cheque and advances loans of different kinds. Bank is established which makes to individuals such advances of money as may be required and safely made to and to which individuals want money when not required by them for use. Sayers defines in his word that ordinary banking business consist cash for bank deposits and bank deposits for cash; transferring bank deposits from one person or corporation to another; giving bank deposits in exchange for bills of exchange, government bonds, the secured promises of businessmen to re-pay and so forth. So a well-developed banking system is an important pre-condition for economic development in a modern economy. Bank provides financial resources for the growth of industrialization and also influences the direction in which these resources are to be utilized. Nepal being poor and underdeveloped country, the banking facilities are limited in urban areas. Besides, these banking activities are limited mostly to trade, commerce and paying little attention to industry and agriculture. Structural as well functional reforms in the banking system are needed to perform creative role in under developing countries.

Bank is a financial institution that deals with monetary transactions. The main Function of bank is accepting deposits and advancing loan. Bank collects scattered money from public in the form of deposit by providing them certain percent of interest and distributes the accumulated fund to others, who are in need of money by charging certain percent of interest, which is usually higher than the interest that it gives to the depositors. Bank can also be termed as an intermediary, which bridges the gap between the savers of fund and users of fund. Now days, bank provides financial as well as non-financial services to its customers. Bank is associated directly and indirectly with all the people in day-to-day transactions, so it is very important to know the precise meaning of Bank.

A bank may be defined as an institution which performs financial, economic and in monetary activities. A broader definition of a bank is any financial institution that receives, collects, transfers, pays, exchange, lends, invests or safeguards money for its customers.

Some of the few definitions given by different authors are quoted below:

“Bank is an establishment for the custody of money received from or on behalf of its customers its essential duty is to pay their draft on it, its profit arise from its use of the money left unemployed by them.” (The shorter Oxford English Dictionary; 2002: 26)

Banks have gained paramount trust in the public nowadays. The functions of banks are not confined to just accepting deposits and giving loans. They render a wide range of services to the different strata of society. In modern society, bank plays the important role for development in every sector from our simple life to big industrial sector. It's like the relationship between heart and the blood.

Modern commercial banks perform various functions like payment of subscriptions, insurance premium, rent etc and collection of cheques, bills, salaries, pensions, dividends, interest etc on behalf of their customers by charging a small amount of commission for the services. In addition, they purchase and discount bills of exchange, promissory notes and exchange foreign currencies. Furthermore, commercial banks also arrange to remit money from a place to another at very low fees by mean of cheques, drafts, SWIFT etc. They buy and sell shares and securities on behalf of customers, acts as the custodian of the valuables such as jewelry, documents of title to goods, securities belonging to customers.

It may be said that banking in its most simple form, is as old as authentic history. As early as 2000 B.C. Babylonians had developed a system of banks. In ancient Greece and Rome the practice of granting credit was widely prevalent. “Traces of credit by compensation and by transfer orders are found in Assyria, Phoenicia and Egypt before the system attained full development in Greece and Rome. The books of the old Sanskrit law giver, Manu, are full of regulations governing credit. He speaks of judicial proceedings in which credit instruments were called for, interest of loans on bankers, usuries and even of the renewal of commercial papers. (Macleod; 1966:34-31)

According to Alfred Marshal, “In Greece, the temples of Delphi and other safer places acted as store houses for the precious metal before the days of coinage, and private purposes at interest, though they paid none themselves. Private money changers began with the task of reducing many metallic currencies, more or less exactly, to a common unit of value, and went

on to accept money on deposit at interest and to lend it out at higher interest permitting meanwhile drafts to be drawn on them". In Rome, the bankers were called Argentaril, Mensaril or Callybistoe. The banks were called Tabernoe Argentarioe. Some of the banks carried business on their own account and others were appointed by the Government to receive the taxes.

They used to transact their business on similar lines as those of the modern bankers. People used to settle their accounts with their creditors by giving a cheque or draft on the bank. If the creditor had also an account at the same bank, the account was settled by an order to make the transfer of such money from one name to another. To pay money by a draft was known as prescribere, and the draft was known as attribution. These bankers also received deposits and lent money. Loan banks were also common in Rome. From these loan banks, the poor citizens received loans without paying interest. They lent money for a period of three or four years on the security of land.

During the early periods, although the banking business was mostly done by private individuals, many countries established public banks either for the purpose of facilitating commerce or to serve the government. Modern banking made its first appearance in medieval Italy, despite strong Christian prohibitions against Usury (the charging of interest) according to the Canon law. Florence, Genoa and Lucca became the centres of finance and trade in twelfth and thirteen centuries.

The term 'bank' is derived from Latin word 'bancus', Italian word 'banca', French word "banque", which mean 'a bench' and German word 'bank', which means Joint Stock Company. In most simple form, banking is as old as authentic history. The bank of Venice, established in 1157 A.D. is supposed to be the ancient bank. Originally, it was not a bank in real sense being simply an office for the transfer of the public debt. After the establishment of Bank of Venice, the banks established were the Bank of Barcelona and Bank of Genoa in 1410A.D. and 1407A.D. respectively. Banking slowly spread to the rest of Europe, and by the late thirteenth Century, in Barcelona, even the clergy was engaged in banking. The Germans and Swiss rose to pre-eminence in the 1480A.D. The Bank of Amsterdam was the great bank of the 17<sup>th</sup> Century and it enjoyed a prestigious position, no less important than is held currently by the Bank of England, for a long tome in the sphere of international commerce. (Radhaswamy and Vasudevan; 1979:98-105).

The beginning of English banking may correctly be attributed to the London Goldsmiths. They used to receive their customers valuables and funds for safe custody and issue receipts acknowledging the same. These notes, in course of time, became payable to bearer on demand and hence enjoyed considerable circulation. In fact, the goldsmiths note may be considered as the precursor of the bank note. The business of the goldsmiths got a rude shock by the ill treatment of the government or Charles II, under the Cabal ministry.

The concept of modern commercial bank came into existence by the emergence of Bank of England in 1694A.D. by a group of wealthy London merchants and financiers. Since, at that time, there was no concept of joint stock company, it was necessary to obtain a special charter from the crown to pool their money in common venture. King William III was too pleased to grant a royal charter to Bank of England, because in return of capital he was lent to fight his war against France. The charter also gave the new bank the right to issue notes, payable on demand, up to the amount of the loan to the king(Joshi;2001:33-36)

In spite of the establishment of Bank of England in 1664 A.D., the development of modern commercial banking institutions had to wait for another century and four decades until the passage of Banking Act of 1833A.D. which provided freedom for the establishment of joint stock banks. While banking arose far early and rapidly in some countries than in other, it was only in the 19<sup>th</sup> century that the modern joint stock commercial banking system developed in the leading countries of the world. When colonies were established in North and South America old banking services were transferred to the New World. Banking institutions have then changed in character and contents to further extent. They have developed from a few simple operations involving satisfaction of a few individual's wants to the complicated mechanism of modern banking involving the satisfaction of the whole community by serving speedy application of capital, slowly seeking employment and thus providing the very life blood of commerce (Vaidya; 1999:19)

The history of banking in Nepal may be described as a component of the gradual and orderly evolution in the financial and economic sphere of the Nepalese life. Even now the financial system is still in the evolutionary phase. The existence of unorganized money market

consisting of landlords, shahukars (rich merchants), shopkeepers and other indigenous individual money lenders have acted as barrier to institutionalized credit.

These institutions although quite underdeveloped could still mobilize funds from a widely range of different sources. For many years, the indigenous individual, wealthy agricultures, landlords, merchants and traders conducted some banking activities along with their other business occupations. The activities were fragmented and mostly localized.

The history of modern banking industry in Nepal is relatively a short one. Prior to the establishment of Nepal Bank Ltd. there was no organized financial institution in Nepal. The establishment of “Kausi Tosha Khana” as a banking agency during the time of great King Prithvi Narayan Shah and “Tejarath Adda” during the Prime Ministership of Randolph Singh around 1877A.D. can be regarded as the initial step in the direction of initiating banking development.

The absence of modern banking institutions made transfer of amount and encashment complicated. Hence, need for modern banking institution was felt. It was only in 1937 A.D. first commercial bank was established with the name Nepal Bank Ltd (Dahal & Dahal; 2002:158-165)

The need to regulate financial and monetary system increased immensely resulting the establishment of Central Bank. Nepal Rastra Bank was established in 1956 A.D. under Nepal Rastra Bank Act 2012 B.S. which has helped to make banking system more systematic and dynamic after that time. The Nepal Rastra Bank Act states that “In the absence of any bank in Nepal, the economic progress of the country was being hampered and causing inconvenience to the people, and, therefore, with the objective of fulfilling that need by providing services for the people and for the betterment of the country, this law is hereby promulgated for the establishment of the bank and its operation”.

In order to cater the demand of banking system, Rastriya Banijya Bank was established in 1966 A.D. under 100 percent government ownership.

To encourage healthy competition in the Nepalese government introduced financial sector reforms policy in 1980 A.D., which allowed the entry of foreign banks in the form of joint

venture bank in Nepal There are several joint venture banks operating in Nepal that aim at contributing to trade and commerce of the nation.

In order to provide service to the agriculture sector, Agriculture Development Bank was established in 1968 A.D. Two commercial banks i.e. Nepal Bank Ltd. And Rastriya Banijya Bank both governments owned and two development banks in the form of Agriculture Development Bank and Nepal Industrial Development Corporation were serving industrial and agriculture sector under the separate acts for these institutions.

It was only in 1984 A.D. that Nepal Arab Bank, the first joint venture bank in private sector, was established .It is the pioneer of joint venture banks in Nepal. This made the history of joint venture banks of seventeen years old. In the last decade Nepal has gone through tremendous changes in the banking sector.

Currently there are 31 commercial banks, 79 finance companies operating in the country. There are numerous co-operative societies operating in the country under the broad framework of Co-operative act (NRB; 2007).

Many of these banks have shown tremendous progress in terms of deposit, lending or in customer base within a short period. In addition, the government has also introduced five regional development banks which have boost up the income of poor in rural areas. The legitimate entry of foreign commercial banks with full fledged banking functions led to rapid growth of banking system, accompanied by greater sophistication due to diversity of instruments and institutions handling different modes of raising funds and deployment of funds. Notwithstanding its many shortcomings, the system has shown dynamism and innovativeness in meeting the challenges of mobilizing resources for country's development.

## **1.2 Function of Commercial bank**

Commercial banks are profit oriented banks. It provides services to public and maximizes the profit whereas central bank regulates the function of commercial banks with the banking policies made mobilize the national economy.

Following are the function of commercial bank:

## **1. Primary Function**

- Accepting Deposits
- Demand Deposits
- Saving Deposits
- Fixed Deposits
- Providing Deposits
- Cash credits
- Overdraft
- Loan and Advance
- Call Loans

## **2. Secondary Function**

- Remittance of money
- Collection of Payment of Credit Instruments
- Purchase and Sale of Securities
- Income receiving and payments
- Acting As trustee and Executor

## **3. Contingent function**

- Locker Facility
- Traveler's Cheque
- Letter of credit
- Dealing in foreign Exchange
- Collection of Statistics

### **1.3 Role of Commercial Bank in Nepal**

#### **a) Creation of Competitive Environment**

Clients are beneficial either by higher rate of interest in their deposition or by lower rate of interest on credit. It is possible only under competitive environment. The arrival of commercial bank, old banks is also been competitive. Fair competition among banks not only beneficial for bank themselves and economy too. Fair personnel management efficient financial performance, quality services and research-oriented development is possible only in the competitive environment

## **b) Introducing new method and Technology in Banking Service**

Modern managerial principles and practices in banking sector have been introducing by commercial banks in Nepal. New banking techniques such as hypothecation and syndication are also introduces under NRB guidance. Various techniques follow by international banks in deposition, lending exchange and they have been introducing by these banks in Nepal.

After the establishment of commercial banks, other new and old banks began to computerize the banking system. Some new banks have adopted new techniques such as tele-banking, e-banking, credit, debit card system, twenty-four hour services, and ATM service. Now, these banks are seeking to follow up some developing techniques in international banking sectors.

## **c) Providing more resource for Investment**

The commercial banks have played a significant in canalizing the additional resources for investment for the development of the country. Although it is argued by many that resources raised to locally in the prevailing market those resources would have been mobilized by many other domestic institution, it is assumed that the commercial bank have mobilized net additional resources if they tap so far untapped resources in the local market.

## **Contribution to National Economy**

Commercial banks comparatively are adopting new banking systems. They are already established in financial, garments, agricultural and housing needs and playing a significant role to contribute in national economy from own sector.

Thus, through such banks managerial and banking techniques, new ideas and philosophy, foreign investment and capital, healthy, competitive atmosphere and diversified market concepts transfer to other companies.

But here is remarkable point that investments should be directed by economic need and not by political interest. Financial & legal rules, regulations and practices should be clear and convenient to investors.

## **1.4 Focus of the Study**

This study of ‘**Credit Card performance and Behavior pattern of Credit Card Users**’ is essential to develop theories about Credit Card, summarize the facts, outlet new ideas, provide sources of livelihood to the professionals of all sector from management team, investor, customer, policy maker, economics, commerce to all the fields. The study tries to show the market share of HBL and NIBL in Credit Card business.

Market share is the portion or percentage of sales of a particular product or service in a given region that are controlled by a company. Market share is used by businesses to determine their competitive strength in a sector as compared to other companies in the same sector. It also allows you to accurately assess your performance from year to year. If you only use sales to measure your performance, then you don't take into account the market conditions that may have improved or decreased your sales. Your sales may have gone up because of increased popularity of your type of widget, or they may have gone down because of a drought or recession. Since those factors are beyond your control, they don't give you meaningful information about how you are actually doing as a company in terms of improving your business. By measuring market share, you can see if you are doing better or worse compared to other companies that are facing the same challenges and opportunities that you are. There are four basic ways you can improve your market share. You can improve your product so that it is better than your competitors or you can change the price or offer special incentives for buyers, such as discounts or sales. Alternatively, you can find new methods to distribute your product so people can buy it in more places. Finally, you can advertise and promote your product. Using these techniques in any combination may improve market share.

This study also focuses on the awareness of people about Credit Card and its uses and also shows the current Credit card business volume. From this study, the new banks that are emerging in Credit Card business can benefit by knowing about the market share of banks that are in Credit Card business and about the preference of users about Credit Card.

## **1.5 Statement of the Problem**

Various studies have been conducted on the commercial banks of Nepal. Most of them were concentrated to comparative study but few studies are conducted on the services offered by

commercial banks. Commercial bank set up in Nepal seems to need greater funds in terms of financing to the expansion of their assets because of growing new number of new establishment of commercial bank in the country. These banks deal with other people's deposits, most of which are payable to on demand. There is no doubt that survival of commercial bank and other financial institution depend upon how they manage their assets and liabilities to maximize their profit with the minimum exposure of assets to risks, and guided by three important conflicting criteria of solvency, liquidity, and profitability. The commercial banks have been providing various services to provide efficient services to the customer. Card business has been adopted by most of the commercial banks in Nepal and it has also been one of the key services in increasing the financial condition of the banks. This service has enhanced the financial position of banks.

If the concern is on research and analysis the different problem such as data is difficult to find, not audited data, lack of time, change in policy of Nepal Rastra Bank, global change etc may occur. In the mean time political instability, deteriorating laws and order situation, frequent change of other environment have made an impact on economic growth. So, it is a great concern of this study to accumulate the various aspects of Credit Card business. Bank is the central and focus point of every business. If cash is blood of every business then bank is heart of almost business and cannot imagine business without bank.

In the context of the above mentioned issues this study will concentrate on examining into the following research questions:

1. What are strengths, weaknesses, Opportunities and threats of Credit card business in Nepal?
2. What is the current situation of credit card market in Nepal?
3. What is the competitiveness of HBL and NIBL in Credit Card business?
4. How do credit card holders view the ownership and use of the card?

## **1.6. Objective of the study**

This study primarily aims to assess the current situation regarding the market shares of banks in the credit card segment and its performance. The specific objectives of this study are as following:

1. What are the extents of general awareness of credit cards among people?
2. How the transaction of credit card is reviewed at the market?
3. How to encounter interest of people in credit card and to determine in which sector of society and which income group they fall into?
4. What are the statuses of credit card performance of different banks?
5. What are the customers' preferences of particulars of their credit cards?

### **1.7. Limitations of the study**

This study has attempted to evaluate the Credit Card performance and Behavior Pattern of Credit Card Users. Every study has its own limitations. This study is also not an exception. Like other researchers, this research has also certain limitations. These are the limitations, which will be taken into consideration regarding which the research is conducted:

1. The study is based on both primary and secondary data. The survey is conducted to gather the primary data's. The secondary data and information are based on the published report of Nepal Card Member Forum (NCMF), Himalayan Bank Limited (HBL), Nepal Investment Bank Limited (NIBL).
2. A more in-depth could not be performed, as the bank could not, understandably, disclose financial information regarding set up costs, operating costs etc. Due to the extensive competition in the credit card business, the member banks can't reveal all the important data's.
3. The sample considered for merchants and potential customers and present cardholders of various banks, which may not be sufficient for generating significant result.

### **1.8. Chapter plan of the Study**

To study effectively and systematically "Credit Card Performance and Behavior Pattern of Credit Card Users" has been organized in five chapters. They are Introduction, Review of literature, Research Methodology, Data Presentation and Analysis, Summary, Recommendation and Conclusion.

The introduction chapter briefly describes meaning of banking, an introduction to banking, the history of banking industry, statement of the problem, objective of the study and limitation of the study.

The review of literature chapter review of credit card is presented in the Credit Card in Nepal section. Review of literature shows as well as visualize past literature's objective, opinion, view and conclusion. In the course of research, review of the literature would help to check the chances of duplication in the present study. Thus, one can find what studies have been conducted and what remains to go with.

The research methodology is the guideline solving systematically the research problem through various techniques. This chapter consists of research design, source of data, population and sample and data analysis tools.

The data presentation and analysis presents the data required for the study, calculate and analyses by using data analyses tools.

In the Summary chapter, the summary of the study is presented. The chapter summarizes the work presented in the main body of the thesis.

In the recommendations chapter, various recommendations are provided based on the study result and feedback generated through various tools.

Finally, the project is wrapped in the Conclusion chapter. The chapter evaluates the extent to which the original goal has been accomplished and shows the contribution of this thesis to the research on the code acquisition problem.

## **CHAPTER -2**

### **REVIEW OF LITERATURE**

Review of literature means reviewing research studies or other relevant proposition in related area of the study so that all past studies, their conclusions and deficiencies may be known and further research can be conducted. It is secondary sources and such, and do not report any new or original experimental work. Its ultimate goal is to bring the researcher up to date with current literature on the topic and forms the basis or another goal, such as further research that may be needed in the area. All those studies related to this thesis works are categorized in to two parts: first conceptual framework and covers the area of the research work and theoretical concepts developed by the various scholars writers. The second part refers review of related studies. It includes review of articles and review of thesis. This has been grouped as 1) Concept of Credit Card 2) Concept of Credit Card market in Nepal 3) Review of past studies.

#### **2.1. Concept of Credit Card**

##### **2.1.1. Introduction of Credit Card**

A credit card is a plastic card issued by any financial institution, which is the member of Master Card, Visa Card International etc, and it allows the cardholder to avail goods and services without paying cash at spot. In other words, credit card is a instrument of payment, which is used to pay the price of goods and services instead of cash. Actually it is the concept of “buy now and pay later.” There are various types of bankcards such as debit card, ATM, which allows withdrawals against deposit only and credit card is different from them.

A Credit Card is a payment card, which enables you with the option of making purchases on credit. Spend now and pay later! It is a convenient financial management tool. It offers many benefits, however at the same time it also carries many responsibilities to the holder thereof. It provides you with a freedom from the burden of carrying cash. Credit cards have very wide applications, wider than the currency notes and safer than them too!

A credit card is issued against the credit worthiness of customer with some annual and membership fee along with credit limit. The bank credits the account of the merchant as sales

slips are received and assembles charges to be billed to the cardholder at the end of the billing period either monthly or in yearly basis. The cardholder, in turn, pays the bank either the entire balance or in monthly installments with interest. The issuing bank rejects the transaction if the cumulative transaction amount exceeds given credit limit.

A credit card is used to obtain goods or services on credit. There is no obligation to pay the full amount owed on the account at the end of the billing period. However, if the full amount is not paid, the cardholder could incur charges for extended credit or late payment. Often the cardholder enjoys an interest-free or grace period on the credit, which can be as long as 45 days. Visa Classic, Visa Gold and Visa Platinum are the examples of the credit card products. (VISA Guiding Banking Professionals to new opportunities; 2004:1-25).

***Visa Classic:***

- It is the original general-purpose credit card, issued to provide cardholders with the ability to purchase goods and services at participating merchants around the world. Classic credit cards are often a cardholder's first bankcard.
- Such cards are targeted at middle-income consumers who need a general-purpose card with moderate credit limits.
- Cardholders benefit from access to a personal line of credit, universal card acceptance and the revolving credit payment option.

***Visa Gold:***

- It offers higher credit limits and a broader range of core services than the Classic card. This is the card of choice for today's more affluent consumers, whether they are looking for a card to use for travel, to make purchases with, or having the convenience of a higher credit limit.
- The target market for Gold cards is a consumer with an annual income of approximately \$30,000 to \$ 50,000 or more, who wants a general-purpose bankcard with a higher credit limit and a broader range of core and optional services.

- Cardholders get greater convenience through higher credit limits and expanded services on their Gold cards. It is an effective way for Issuers to acquire new cardholder accounts and retain the profitable accounts they already have.

***Visa Platinum:***

- It offers the most desirable consumer payment product that distinguishes and caters to the highest level of cardholders.
- Visa Platinum cardholder's represents higher profit potential due to higher spending and revolving balances. The product offers Issuers with a strong customer retention device by rewarding Visa Gold cardholders with an offer of an upgrade to the Visa Platinum Card. (VISA Guiding Banking Professionals to New Opportunities; 2004: 30-50)

### **2.1.2. History of Credit Card**

Bank Card industry began when the individual retail merchants extended credit to customers allowing them to pay for their purchase over a period of time. Many people preferred to purchase in credit, which caused the increase in credit transaction volumes. So many smaller merchants, who want to offer this service found difficult and they couldn't provide credit services to their customers for the purchase of goods and services. This situation provided an opportunity for financial institution to become involved in credit card business. Local banks offered merchants immediate cash for their credit sales. They also started issuing their own cards to customers, which are accepted by participating merchants in the local community.

This process lead to innovate the earliest form of bankcard, "charge-it" a system of credit developed by John Biggins in 1964 A.D. This system allowed customers to charge local retail purchase. The merchants deposited the charges at "Biggin's Bank". The bank then reimbursed the merchants for the sale and collect payments from the customers ([www.visa.com](http://www.visa.com)).

This process helped the way for the discovery of first bank credit card. "Franklin National Bank" in New York circulated the first credit card in 1951 A.D., when customers submitted an application for credit loan and were screened for credit worthiness. The approved customers were issued a card that could be used to make retail purchase.

Cardholders liked the convenience of the new card and having credit. Even though the new customers had to pay their balance in full, each month they will receive a free one-month loan. On the other hand, merchants discovered that the bankcard customers were most likely to purchase and they bought more with card than with cash. Handling the card was much safer than handling cheque or cash for payment. This system was less costly so both the cardholders and merchants benefited from the credit card. Over the next few years, more and more financial institutions began credit card programs. Due to the benefits enjoyed by all parties; merchants, customers and banks, it led to rapid growth in cardholders account, merchant account and sales volume.

### **2.1.3. Terminologies used in the Credit Card**

**i) Card-holder**

The cardholder is the person, who obtains card from the issuer and authorized to use the card.

**ii) Issuer**

The issuer can either be a financial institution or other type of institute that issues credit cards to those eligible to hold it. The Issuer has the right to define the fees, charges, repayment requirements and services for each individual account. Bank can issue own credit or others credit card. Membership is required to issue MasterCard, Visa, Amex, etc. Bank may issue domestic card against local currency or international card against foreign currency.

**iii) Merchants**

Merchant's means the organization that has entered into an agreement with the acquiring member of particular card, to accept the card as means of payment against the goods and services sold to the cardholders. They fall into many categories such as retail, airlines, health clubs, travel agencies, hotel, restaurants etc. (VISA General Rule; 2003:5-10)

**iv) Acquirer**

An acquirer is an organization that collects credit-authentication requests from merchants and provides the merchants with a payment guarantee. Acquirer should be a member of international payment system (IPS) viz. MasterCard, Visa, etc. or card

issuer. The acquirer is paid by IPS on behalf of issuing bank. The claim process may be automated or manual depending upon system setup. For every transaction at merchant some commission is mutually set for acquirer. This commission will be shared between acquirer and the international payment system.

v) **Floor Limit**

It is the maximum limit assigned to various types of merchant industries or merchants under which merchants can accept the card without taking the prior approval from acquiring bank.

vi) **Discount amount and rates**

It is that amount, which is paid by the merchant to the acquiring bank as service fee for having privilege to accept credit cards. The discount amount is charged to the merchants by the acquirer on each credit card transaction and expressed in terms of percentage.

vii) **Card Association**

Card association is the one, which permits the issuer to issue cards using their Brand Name. It sets all rules and regulations for the use of the cards and plays an active role in clearing and settlement of transaction. e.g. VISA cards, Master Cards, American Express, Diners Club, JCB etc.

viii) **Clearing Bank**

Clearing bank is the banker of credit card members (issuer & acquirer), which carries out the fund movement of credit card transaction. (VISA General Rule; 2003:5-10)

ix) **Charge Slip**

Charge slip means a sale draft prepared by merchant using an imprinted/electronic machine, which contains card holder's name, card number, expiration date of the card, the authorization number for the amount over the floor limit, the amount of transaction, signature of the card holders and date of transaction etc.

x) **Imprinter**

Imprinters are those machines, which are used to print the embossed details of credit card on the charge slip.

**xi) Warning Bulletin**

Warning bulletin is the listing of those card numbers with whom no transaction should be made. In other words, it is the list of the black listed card numbers. The warning bulletins are published every week/month as well as on emergency and are circulated to all the merchants of the world.

**xii) Settlement**

All the transactions received by an acquirer from Merchant are sent to IPS for settlement. An acquirer receives payment from IPS on behalf of issuing banks. The IPS will claim payment from issuing bank and the issuing bank raises payment from cardholder. Settlement is the process of calculating and determining the net financial position of each member for all transactions that are cleared. The net amount is then passes to the settlement bank for payment to or collection from the member. For example: Visa Net Settlement Service (VSS) facilitates the settlement function by calculating Members net settlement position for the business day, provides daily balancing and settlement reports and arranging for funds transfer between Member accounts at Visa settlement banks

**xiii) Charge Back**

The process to claim the dispute amount between issuing bank and cardholder to the acquirer is called Charge back. (NCMF Bulletin; 2002: 15-20)

**xiv) Clearing service**

Clearing is the process of collecting an individual transaction from one member or processor and delivering it to another.

## **2.1.4. Types of Credit Card**

There are many types of credit cards available with different brand names around the globe. Out of which the most popular cards are as follows:

### **2.1.4.1. VISA Card**

Visa is a brand of credit card and debit card operated by the Visa International Service Association of San Francisco, California, USA, an economic joint venture of 21,000 financial

institutions that issue and market Visa products. The Visa card was launched in 1976 A.D. and the card was derived from the earlier “BankAmericard” issued by Bank of America. Visa is a recursive acronym.

Internationally, “BankAmericard” was known by other names prior to the introduction of the Visa brand for the network. The blue-white-gold motif used by “BankAmericard” was also used for these cards. In the United Kingdom, it was known as the “BarclayCard,” issued by Barclays Bank. In Canada, an alliance of banks (including Toronto-Dominion Bank, Canadian Imperial Bank of Commerce, Royal Bank of Canada, and Bank of Nova Scotia) issued credit cards under the “Chargex” name. In France, it was known as “Carte Bleue (Blue Card)” ([www.visa.com](http://www.visa.com))

Visa offers through its issuing members the following types of cards:

- pay now (debit) cards
- pay later (credit) cards and
- prepaid cards

Visa operates the PLUS ATM network and the Interlink EFTPOS network. Visa’s corporate structure is regionally de-centralized, which is unique in the payment scheme industry. Legally, no entity is called Visa. Rather, Visa comprises four non-stock, separately incorporated companies that employ 6000 people worldwide: Visa International Service Association, Visa U.S.A., Inc., Visa Canada Association and Visa Europe Ltd. The separately incorporated regions are group members of Visa Association, whereas the unincorporated regions (Visa Latin America [LAC], Visa Asia Pacific and Visa Central and Eastern Europe, Middle East and Africa [CEMEA]) are divisions. The de-centralized nature of Visa allows it to respond to member needs and adapt the Visa International rules and products to suit the individual needs of their regional members. Regional banks therefore have a strong stake in the governance of their region.

The Visa International Board has the dual responsibilities of:

- s** Oversight of the worldwide interests of the Association
- s** Strategic direction and supervision of the three unincorporated divisions and the central staff of Visa Worldwide services.

The Visa Association is not a profit- driven organization and the four companies that make up Visa issue no cards and make no loans. Members (about 21,000 worldwide) fund day to day management and make the investments needed to maintain and develop the Visa payment system. Fees are levied according to the following formula:

Operating and Marketing costs

+ Investments in new products, platforms and systems

+ Increase in Reserves

= Members annual fees

The blue and gold in Visa's logo were originally chosen to represent the blue sky and golden-colored hills of California, where Bank of America was founded.



Fig-1

The Visa Flag Symbol is used by merchants to denote the acceptance of Visa credit cards.



Fig-2

JPMorgan Chase is the world's largest issuer of the Visa card after acquiring Bank One which was the largest Visa card issuer. Since,1988 A.D. Calgary Winter Olympic Games, as a worldwide Olympic partner, Visa is the only form of electronic payment accepted at all venues and Olympic-related transactions. Its current contract with the IOC as the exclusive payment card will continue through 2012 A.D. ([www.encarta.com](http://www.encarta.com))

#### **2.1.4.2. Master Card**

MasterCard Incorporated is a membership organization owned by the 25,000 financial institutions that issue its card. MasterCard is also the company's brand of credit cards. It was originally created by United California Bank, Wells Fargo, Crocker Bank, and the Bank of

California as a competitor to the “BankAmericard” issued by Bank of America. “BankAmericard” is now the VISA credit card, issued by Visa International.

The name “Master Charge” was licensed by these California banks from the First National Bank of Louisville, Kentucky in 1967 A.D. With the help of New York's Marine Midland Bank (now HSBC), these banks joined with the Interbank Card Association (ICA) to create "Master Charge: The Interbank Card". In 1979 A.D., "Master Charge: The Interbank Card" was renamed "MasterCard". Based on an SEC filing in early 2005,

MasterCard's largest current shareholders are:

JPMorgan Chase - 11.7%

Citigroup - 6.2%

Bank of America - 6%

Euro Kartensysteme - 5.2%

Europay France - 5.0%



Fig-3

The company plans to convert from a cooperative organization to a for-profit company with an initial public offering in late 2005 A.D. ([www.mastercard.com](http://www.mastercard.com))

#### **2.1.4.3. American Express Card**

American Express (AXP) is a diversified global financial services company, headquartered in New York City. The company is best known for its credit card, charge card and Traveler's cheque businesses.

The current CEO is Kenneth Chenault, who took over in 2001 A.D. The company was led by Harvey Golub from 1993 to 2001 A.D. and prior to that it was headed by James D Robinson III from 1977 to 1993 A.D. The company's common stock trades on the New York Stock Exchange under the ticker symbol AXP. It is one of the 30 stocks that comprise the Dow Jones Industrial Average.



Fig-4

American Express was founded in 1850 A.D. by Henry Wells, William Fargo, and John Butterfield as an express business. In 1882 A.D., American Express launched its money order business to compete with the US Post Office's money orders. This product quickly spread to Europe where no such financial product existed. Sometime between 1888 and 1890 A.D., J. C. Fargo took a trip to Europe and returned frustrated and infuriated. Despite the fact that he was president of American Express and that he carried with him traditional letters of credit, he found it difficult to obtain cash anywhere except in major cities. Mr. Fargo went to Marcellus Flemming Berry and asked him to create a better solution than the traditional letter of credit. Mr. Berry created the American Express Travelers Cheque which was launched in 1891 A.D. in denominations of \$10, \$20, \$50, and \$100. ([www.americanexpress.com](http://www.americanexpress.com))

The Travelers Cheque established American Express as a truly international company and in 1915 A.D. they announced the establishment of a Travel Department and soon established its first travel agencies. During the winter of 1917 A.D. the US suffered a severe coal shortage and on December 26th President Woodrow Wilson commandeered the railroads on behalf of the US government to move US troops, their supplies, and coal. Treasury Secretary William Gibbs McAdoo was assigned the task of consolidating the railway lines for the war effort. All contracts between express companies and railroads were nullified and McAdoo proposed that all existing express companies be consolidated into a single company to serve the country's needs. This ended American Express's express business. The result was a new company called the American Railway Express company formed in July 1918 A.D. The new entity took custody of all the pooled equipment and property of existing express companies (the largest share of which, 40%, came from American Express who had owned 71,280 miles of railroad lines, 10,000 offices, with over 30,000 employees). ([www.encarta.com](http://www.encarta.com))

American Express executives discussed the possibility of launching a travel charge card as early as 1946 A.D., but it wasn't until Diners Club launched their own card in March 1950 A.D. that American Express began to seriously consider the possibility. At the end of 1957 A.D. American Express CEO (Chief Executive Officer) Ralph Reed decided to get into the card business, and by the launch date of October 1, 1958 A.D. public interest had become so significant that they actually issued 250,000 cards prior to the official launch date. The card was launched with an annual fee of \$6, \$1 higher than Diners Club, to be seen as a premium product. The first cards were paper, with the account number and card member's name typed.

It wasn't until 1959 A.D. that American Express began issuing embossed ISO 7810 plastic cards, an industry first.

In 1966 A.D. American Express introduced the Gold Card and in 1984 A.D. the Platinum Card, clearly defining different market segments within its own business, a practice that has proliferated across a broad array of industries. The Platinum Card was billed as super-exclusive and had a \$250 annual fee. It was offered by invitation only to American Express customers with at least two years of tenure, significant spending, and excellent payment history.

In 1999 A.D. American Express introduced the Centurion Card or "black card" catering to an even more affluent and elite customer segment. It charged a \$1,000 annual fee, with a variety of exclusive benefits. Also, in 1999 A.D. the company introduced a marketing triumph, Blue from American Express, a popular card among the young and techno-savvy with its multi-functional onboard chip.

There have always been rumors of a super-exclusive card that gives American Express's richest and most powerful customers special perks. It was this rumor that sparked the launch of Centurion. Still, rumors persist of an even more exclusive card. As of 2005 A.D., the Centurion card has a \$2500 annual fee. Also, in 2005 A.D., American Express introduced "ExpressPay", a wireless RFID payment method that requires a card to simply be tapped to a special reader and not swiped.

#### **2.1.4.4. Diners Club Card**

Diners Club International, originally founded as Diners Club, was formed in 1950 A.D. by Frank X. McNamara, Ralph Schneider and Alfred Bloomingdale. When it first emerged, it became the first independent credit card company in the world.

While many stores and businesses were in the practice of extending credit to their customers, or allowing them to set up charge accounts, the revolutionary idea behind Diners Club was that the same card could be used to pay a variety of merchants. In 1950 A.D., the first Diners Club cards were given out to 200 associates of McNamara, mostly salesmen who often needed to dine with clients. At that time, Diners Club had signed up 14 restaurants in New York City. Membership grew quickly as both new customers applied for the card and more

restaurants signed on. By the end of 1950 A.D., Diners Club had 40,000 customers and was accepted at over 3000 restaurants.



Fig-5

In 1952 A.D., McNamara sold his share of the company, which continued to grow unabated for several years, eventually signing merchants all over the United States. Their monopoly was short-lived; however, as the more generalized American Express and Bank Americard (later renamed VISA) arrived towards the end of that decade. Amoco gasoline also issued its own co-branded Diners Club cards for a time.

Diners Club expanded its customer base in Canada by acquiring the en route Card from Air Canada in 1992 A.D., and marketed the card under the combined name for a period of time as the Diners Club/en route Card. Diners Club remains a minor player in Canada. Today, Diners Club International is a part of Citibank, a unit of Citigroup, and has expanded its coverage to include all types of merchants instead of being limited to restaurants. The Diners Club US cards are now a part of the MasterCard network, meaning cardholders can use their cards at over 24 million locations worldwide.

Carte Blanche was a minor credit card that was acquired by Citibank and phased out of service. In 2000 A.D., the Carte Blanche name was revived when Diners Club, which was also acquired by Citibank, introduced an upscale version of its card: the Diners Club Carte Blanche Card. It is an upper-level charge card on par with the American Express Platinum card. The card carries a US\$300 annual fee and offers an extensive menu of perks geared toward spend thrifty travelers. It is accepted wherever regular Diners Club cards are accepted. ([www.dinersclub.com](http://www.dinersclub.com))

#### **2.1.4.5. JCB Card**

Japan Credit Bureau, usually abbreviated as JCB, is a credit card company based in Tokyo, Japan. Its English name is JCB Co., Ltd. The abbreviation is sometimes thought to stand for Japan Commerce Bank, but this is incorrect.



Fig-6

Founded in 1961 A.D., JCB established dominance over the Japanese credit card market when it purchased Osaka Credit Bureau in 1968 A.D. JCB cards are now accepted by 11 million merchants in 189 countries, and are commonly accepted at hotels and upscale shopping outlets in major cities around the world. JCB also operates a network of membership lounges targeting Japanese, Chinese, and Korean travelers in Europe, Asia, and North America. ([www.jcb.com](http://www.jcb.com))

## **2.2. Concept of Credit Card market in Nepal**

### **2.2.1. History of Credit Card market in Nepal**

The “credit card” term is a very new concept in Nepal. Though the credit facility has started in late sixties, the large section of the Nepalese market is unacquainted with the credit card.

The “credit card” is the card issued by the bank to its depositor. The depositor has to fulfill certain terms and conditions to be eligible to issue the card from these banks. The issuer of the card has the facility to pay off his debt by using the card without going through the process of using cheque. The user just has to submit his card to its creditor and to sign paper (document). The card facilitates is the depositor of payoff his debt without carrying money in pocket.

In Nepal, Credit cards acquiring system was started over a decade ago by Union Bank of Singapore (UBS), through its agent – Alpine travels. Alpine travels did not issue any credit cards, but it acquired credit card transactions on behalf of its principal – UBS, and is known very much in tourism related sector. It enjoyed a literal monopoly, and was charging very high merchant commission. Also, not being a bank, it had devised a system of handling cash over the counter to merchants bringing the claims. Recently, it has been terminated as an

agent of UBS and has become an agent of Standard Chartered Bank Nepal Limited (SCBNL). (NCMF Bulletin; 2002:1-10)

Then Nepal Arab Bank Ltd. (NABIL) and Standard Chartered Bank Nepal Limited (SCBNL) entered into the picture almost a decade ago. They have started the credit card business from acquiring, and then slowly it entered the issuance market. Though, NABIL have initiated credit card business in affiliation with MasterCard International and SCBNL with VISA International. At present all of these deals on cards system.

The entry of these two banks changed the market scenario, as the Merchant commission came down sharply due to competition between these two new players. Further, as the banks were involved directly, as compared to an agent of a bank as before, the merchant base was increased to encompass other segment apart from tourism related industry only.

Later, Himalayan Bank Limited (HBL) and Nepal Investment Bank Limited (NIBL) entered the market with VISA. Himalayan bank credit card is the single local credit card that is available in the Nepalese market. Recently, Laxmi Bank Limited, Global Bank Ltd also started issuing Credit Cards.

### **2.2.2. Credit Card in Nepal**

Credit card business has started in Nepal in 1985 A.D. when Alpine Travel Service (ATS) first obtained the license from VISA/MasterCard International as the representative of Chase Manhattan Bank, NA Singapore and thereafter of the Overseas Union Bank, Singapore. Later on, NABIL had acquired the business of Diners and Visa in 1992 and 1993 A.D. respectively while SCBNL has acquired VISA in 1989 A.D. In the year 1990 MasterCard was also acquired by SCBNL. Similarly, in 1992 NABIL acquired the business of Diners and Visa in 1992 and 1993 A.D. respectively while SCBNL acquired JCB in 1992 A.D. The issuing business was started in Nepal first by Himalayan Bank Limited (HBL) and NABIL since November 1993 A.D. NABIL issued MasterCard and HBL issued HBL Regular Card, Nepal's very first domestic credit card. The latter bank started issuing VISA credit cards since December 1997 A.D. HBL Gold card was first issued in November 1995 and SCBNL started issuing VISA and MasterCard's in April 1997 A.D. and July 1998 A.D. respectively. Nepal Investment Bank (NIBL) entered in card business in November 2003 A.D. NIBL is member of VISA for issuing and acquiring of Visa Debit Electron Card and Visa Credit Card.

At present, below mentioned banks are involved both in acquiring and issuing business. They are:

- i) Himalayan Bank Limited (HBL)
- ii) Nepal Arab Bank Limited (NABIL)
- iii) Standard Chartered Bank Nepal Limited (SCBNL)
- iv) Nepal Investment Bank Ltd. (NIBL)
- v) Global Bank Limited (GBL)
- vi) State Bank of India (SBI)
- vii) Bank of Kathmandu (BOK)

**Table 1: Credit Card Issuing and Acquiring Banks in Nepal**

Credit Cards	Acquiring Banks	Issuing Bank
VISA	HBL, NABIL, SCBNL, NIBL	HBL,SCBNL,NIBL,GBL,SBI,BOK
MasterCard	NABIL, SCBNL	NABIL, SCBNL
JCB	SCBNL	
Diners	NABIL	

*Sources: Website of above banks*

### **2.2.3. Information related to Credit Card issuer banks of Nepal**

Credit Card business in Nepal has been increased due to some of the commercial banks adopting this service. The wide service are provided to customers by these banks have made the use of Credit Card as a means of plastic money. As per our study we will define about two banks who are pioneer in Credit Card business are listed below and the service of Credit Card provided by them.

#### **2.2.3.1 Himalayan Bank Limited (HBL)**

HBL is the first bank to issue Nepali credit cards as well as the first issuer to include the applicant's photo for its VISA cards. The additional of the photo uniquely provides a means of verification for vendors unlike cards issued by other banks.

#### **Eligibility for Credit Card Holders**

- ✓ Age minimum 18
- ✓ Have a regular income source with annual income more than Rs 1,20,000
- ✓ Maintains account with any branch of HBL
- ✓ As prescribed under Nepal Rastra Bank Regulations (for International dollar Card)

### **Documents Required**

***Applicants for a personal card need to submit the following documents:***

- ✓ Salary certificate/ documentation to prove income sources
- ✓ Identification paper (copy of citizenship certificate / passport)
- ✓ Two Passport size colour photographs

***Applicants for a personal card from company need to submit the following documents:***

- ✓ Company / firm registration certificate
- ✓ Income tax registration and tax clearance certificate
- ✓ 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.
- ✓ Identification paper (copy of citizenship certificate/ passport).

### **2.2.3.2 Nepal Investment Bank Ltd. (NIBL)**

Nepal Investment Bank Ltd. (NIBL), previously Nepal Indosuez Bank Ltd., was established in 1986 as a joint venture between Nepalese and French partners. The French partner (holding 50% of the capital of NIBL) was Credit Agricole Indosuez, a subsidiary of one the largest banking group in the world.

With the decision of Credit Agricole Indosuez to divest, a group of companies comprising of bankers, professionals, industrialists and businessmen, has acquired on April 2002 the 50% shareholding of Credit Agricole Indosuez in Nepal Indosuez Bank Ltd.

The name of the bank has been changed to Nepal Investment Bank Ltd. upon approval of bank's Annual General Meeting, Nepal Rastra Bank and Company Registrar's office with the following shareholding structure.

- § A group of companies holding 50% of the capital
- § Rashtriya Baniya Bank holding 15% of the Capital.
- § Rashtriya Beema Sansthan holding the same percentage.
- § The remaining 20% being held by the General Public (which means that NIBL is a Company listed on the Nepal Stock Exchange).

### **Eligibility for Credit Card Holders**

- ✓ At least be 18 years old
- ✓ Either Foreign Currency Account or Central Bank Permit or Valid passport for International Card

### **Documents Required**

- ✓ At least be 18 years old
- ✓ Salary Certificate if salaried
- ✓ Financial Statements if self employed
- ✓ Copy of citizenship/passport
- ✓ Recent photo
- ✓ Duly signed Debit Authority
- ✓ Corporate Guarantee (if required)

### **Charges**

<b>VISA CLASSIC CREDIT CARD</b>	<b>Local</b>	<b>Int'l(USD)</b>
<b>Issuance</b>		
Joining Fee	Rs.750	USD 25
Annual Fee	Rs.750	USD 25
<b>VISA GOLD CREDIT CARD</b>	<b>Local</b>	<b>Int'l(USD)</b>
<b>Issuance</b>		
Joining Fee	Rs. 1,000	USD 25
Annual Fee	Rs.1,000	USD 25

**Sources: ([www.nibl.com.np](http://www.nibl.com.np))**

## **2.2.4. Present scenario of Credit Card business in Nepal**

### **2.2.4.1. Issuing of Card**

At present there are many Banks that deal with credit card services namely GBL,SBI,BOK,HBL, NABIL, SCBNL and NIBL. SCBNL and NABIL deal with Visa card and MasterCard. Currently HBL is dealing with only Visa card and has authority to issue MasterCard. NIBL deals only with Visa card. As per the latest information, NIBL has 2000 credit cardholders and HBL has 12000 credit cardholders. So the total number of cards issued by Nepalese Banks is 14000. The market is occupied by SCBNL followed by NABIL, HBL and NIBL.

#### **2.2.4.2. Merchant Service Fee**

There is a credit card forum called Nepal Card Member Forum (NCMF). The members of the forum are HBL, NABIL, SCBNL, NIBL and other banks who issue credit card of local brands. This forum was established to deal with the new emerging technologies that arise in Credit Card market. Standardization in Credit Card market regarding price, service and sustainable environment is created by this forum. The following minimum pricing levels for the merchant categories would be applicable to all current and future members of Visa and MasterCard in the Kingdom of Nepal and all agents/ representatives appointed by the members involved in the card acquiring business:

**Table 2: Pricing levels for merchants**

<b>S.No.</b>	<b>Merchant Category</b>	<b>Minimum Pricing</b>
1.	Hotels: 3,4 and 5 stars	2.5%
2.	Other Hotels, Resorts and Lodges	3.0%
3.	Restaurants	3.5%
4.	Travel Agencies/Air lines	3.0%
5.	Prime Department Store*	2.5% to 3.5%
6.	Other Retail Outlets	3.5%
7.	Jeweler stores	3.5%
8.	All Other Merchants	3.5%

(Source: NCMF Bulletin; 2003:20)

The above pricing structure will be applicable to all merchants without exception with respect to processing Visa and Master Card transaction except for US dollar transaction. As per forum's regulation, if any member feels that other member has violated the above minimum pricing table and offered a lower pricing level to merchant in any of the categories they will have right to request the alleged off ending member to clarify in writing with supporting documents (i.e. copy of merchant agreement etc) that the allegation is untrue. Any member desiring to exit from the above agreement must submit in writing their intentions to do so, at least six months on advance to the date of exiting.

#### **2.2.4.3. Transaction Process**

First of all, the issuer issues the card to its customer under the permission of brand owner association. Cardholder uses the card to buy merchandise goods and services from the

merchant. Then the merchant prepares a sales draft specifying the card number, cardholder's name, and expiration date of the card, the amount and the full signature of the holder. The merchant is reimbursed by the acquiring bank for the amount of the sales draft less and agreed upon discount rate, the Merchant Service Fee. After receiving the charge slip acquirer sends the extracts of charge slips to the association for the payment. Association makes the payment to acquirer based on the charge slip details after adjusting the transaction fees by crediting the settlement bank of the acquirer and at the same time debited the settlement bank of the issuer and send the charge slip details to the issuer.

After receiving the charge slip details and posting the charge slip details to the cardholder's card account, periodic statement containing detailed list of transaction of the specified period is provided. Cardholders then pay off the amount mentioned in the card account to the issuer. In this way transaction cycle is completed.

#### **2.2.4.4. Assessment of Card Application**

Upon the receipt of the application, processing of credit evaluation starts as every new cardholder being new level of risk to the organization along with benefit. After evaluation, it is possible to decide whether to take cardholder in view of projected risk or benefits.

The application provides the issuer with the financial profile of the potential cardholder including income level, length of time at present job or business, guarantee letter from the employer, home ownership, financial institution's account information and credit history.

In order to minimize the risk, it is essential for the issuer to ascertain that the cardholder will be able to repay the loan or not. It is also important to obtain report of individual cardholder from the principle bank. And similar report should be obtained from the institution where the card applicant works.

The card is issued to the applicant only on the basis of creditworthiness of the individual. For this purpose, the issuer should obtain the credit information from the bank where the applicant's company has transaction. Moreover the analyst should visit the place where the applicant is carried out his business or employed and enquire about the business or work with neighboring businessman or other related persons. The place of residence of the applicant should be visited to verify the information mentioned in the card application. The analyst

interviews the applicant based on the information mentioned in the card application. The analyst interviews the applicant based on the information collected in order to find out and confirm ability and willingness to repay so that reasonable risk level can be ascertained. Besides this, a person or an institution willing to have credit card need to open an account in the bank. After all these necessary analysis if the issuer finds that the applicant is in the position of willing and repeating the loan, the card is issued to him. Whether the card is to be issued or not can be decided only by the issuer and creditworthiness of applicant.

#### **2.2.4.5. Market Share of Different Cards**

At present, there are two types of card namely as Dollars valid worldwide and for Rupees valid in India and Nepal. VISA International and MasterCard International are principal international branded card widely used in Nepal. Other international cards like American Express, Diner, and JCB etc are also used in Nepal. Visa is the most preferred credit card in Nepalese market. The credit card market of Nepal can be segmented into issuing of the card and acquiring of it. Issuing of card involves issuance of card by the bank to the Nepalese customers. Whereas acquiring of card involves the acceptance of card by the merchants from the customer and forwarding it to the bank for necessary remittances. The different banks keeping in mind the issuing and acquiring business of credit card have followed different marketing strategies for increasing their market shares.

#### **Issuance**

It may be noted that larger cardholder base is required for more gain and usage of credit card is pretty new concept in Nepalese society. Even when there are four banks issuing the credit card, there are not even 27,000 cardholders in Nepal. Therefore, the potential of increasing the issuance of card is very high. Therefore it is necessary to increase the number of cardholder in local market. The member banks can tie up with different institutions for providing better service, discounts and privileges for credit card holders.

On one hand, NABIL has been using stickers, leaflets, glow sign, display boards, client visit, and offer letters for increasing the issuance base. On the other hand, HBL has been following the strategy of massive ad-campaign, highlighting the advantages of holding the credit card, whereas SCBNL also has been using display boards, brochure, and advertisements to have an impact over credit card business. NIBL also follows the same strategies like using stickers, brochure. Apart from distributing these promotional items, different activities can be held for

the merchants, such as rewarding the merchant, who gives the highest transaction, or inclusion of some chosen merchants for gathering can be done. This will indeed help the interaction with the merchants.

### **Activation**

Another distinct feature of the credit card market of Nepal is that the cardholders usually hold card from at least two issuers. Banks have been waiving the annual fee for A1 rated card of the bank and high net worth customers. The basic point of increasing market share is to retain the customer.

Banks have given especial priority to retain the customers by increasing the limit of credit for high volume users and good payers. Besides this identifying need and problems of cardholders and giving personal attention to the problems of customers has been the strategy of retention of all the three banks.

### **Retention**

If the member bank intends to retain their old customers then the bank should be very careful in monitoring their spending activities. Increasing credit limits for high volume users and good payers, adding features, where by the dues can be repaid in installments and introducing the concept of account officer to identify and solve the needs / problems of the cardholders can be good strategy for retaining them.

The high volume users can be given special attention by sending them birthday card, or appreciation letter, various offerings during special occasions anything to let them know that they are special. Such relation helps in retaining the loyalty of such customers.

### **Acquirer**

Credit card business in Nepal is basically an acquiring market. Therefore special consideration has to be given while formulating any strategies regarding them.

### **Advertisement Campaign**

The HBL has followed the advertisement campaign aimed at merchants to acquire the credit card business from them. The advertisement highlights various services like immediate credit facility, longer authorization hours, authorization on holidays etc. The Advertisement

campaign through print media, hoarding or signboards are the various means used by HBL to acquire the credit card business. The “cash points” sign has also been good campaign for HBL. Just cutting down on the commission payable to bank by the merchant may not be beneficial on the long run, though it can boost the number in the short run.

### **Personal Marketing for Quality Merchant**

The merchants, who are big players in credit card business needs professional marketing approach and special treatment. Personal marketing would be basically looking at A-graded customers are transacting with the bank or not and try to solicit them. By mere visiting them or just by contacting them on phone is not enough the assistance and involvement of high executives of the bank may also be required for signing up such big establishments and initiating transactions with merchants.

#### **2.2.4.6. Risk Associated with the operation of Credit Card**

- i) ***Lost/ Stolen of Cards:*** The main risk of credit card is lost or stole of cards. In such case if the cardholder fails to inform the bank immediately the transaction made before the information can be passed to the bank be liable to the cardholder. The bank does not fight in favor of their client and if the case is not won, the total liability has to be burdened by their cardholder.
- ii) ***Splitting or charge by the merchant:*** some times the merchant split one single transaction ad presents them without taking the authorization code from the acquirer. In such case there is immense risk associated in case the merchant’s transaction gets declined.
- iii) ***Magnetic Stripe fraud (skimming):*** This is the recent sophisticated fraud technology, where the information on the magnetic stripe is re-encoded on to counterfeit or altered cards. The card looks genuine when used in magnetic stripe reading terminal.
- iv) ***Unidentified counterfeit transaction:*** This is similar to the identified counterfeit transaction except that the syndicates do to use any BIN (bank identification Number) to manufacture the counterfeit. The BIN used is not valid and can’t be traced in the interchange directory.
- v) ***Identified counterfeit transaction:*** There are several criminal syndicates all around the globe, who are engages in the fraudulent transactions of credit cards. In the counterfeit transaction, syndicates use the bank identification

number (BIN) and manufactures fabricated counterfeit cards. And circulates them in the market, which resembles the original card in every aspect.

- vi) ***Signature forgery:*** This type of fraud transaction usually happens in case of lost or stolen card, where the culprit forgoes the signature at the back on the signature panel and present to the acquirer or merchant depending upon the availability of supporting from both ends.
- vii) ***Alteration of amount:*** In many cases, the merchants with fraudulent intention alter the actual amount on the sales draft and present payments his copy of the true amount, the merchant who makes fault are penalized.

## **2.3. Review of related studies**

### **2.3.1. Review of Empirical Journal Articles**

Press and Goodman(2000) conducted a study of “*The state of the Internet and telecommunication in Nepal*”. The study recommends electronic commerce projects that would generate hard currency and increase social and geographic equity and rural employment. Credit cards are the most common payment mechanism for consumer goods on the Internet today, and a means of accepting credit card payment would be necessary. Similarly, systems for international travel, visa and immigration matters, local transportation, and housing would all have to be integrated. (Press and Goodman; 2000:22)

Tiwari (2002) argued on“*Banks in Credit Card Business*” throw light on information exchange between the credit card issuer banks. Himalayan Bank, Nabil Bank and Standard Chartered Bank (the credit-card service providers of the country) have decided to exchange information on loans acquired by customers through the cards issued to them.

The decision has been made to curb the increasing trend of acquiring credit card from various banks without clearing dues of one bank. The banks have also agreed to blacklist customers failing to pay their bills and not to issue cards to them. The provision of Nepal Rastra Bank whereby its Credit Information Bureau (CIB) blacklists defaulters of above Rs. 1 million only, as bankers put it, has been the reason behind increased problems and the bankers undersigned the latest agreement to fight the menace. Earlier, Himalayan Bank had made public the identity of three defaulters after it failed to obtain their response despite the bank’s repeated notice to clear their dues. According to Himalayan Bank about 5 to 10 per cent of

the customers are cheats; however, the rate was not higher to what persists in the international market. (Tiwari; 2002:34)

“Beyond Cash & Cheques” (2002) an article published in the website shows the uses of card through Internet. The introduction of web card in Nepal, which will be helpful in online transaction through the Internet. Web card is basically like a debit card but with a little difference.

Since merchant banking does not exist in Nepal and online payment is not in force, there has to be other avenues to increase the volume of e-commerce here. Web card fills this gap. Also known as Net cards; this card looks like a credit card but operates like cash or ATM card.

Any individual, corporate houses, NGO’s etc., can become a card holder by paying any amount of money. Once a card holder, an individual or organization will be given an unique web card number, a user name and a login password. They may have to deposit a certain amount of money, which will be credited in their name. (Beyond Cash & Cheques; [www.nepalnews.com](http://www.nepalnews.com); 2002:3-7)

“Nepali businessmen are yet to wake up to the huge potentials offered by trading over the Internet”, (2001), an article published in Spotlight magazine focuses on the maximum use of Credit Cards through Internet can boost the economy condition of the country.

Figures speak for themselves. According to The Economist magazine, in 1999 A.D. global e-commerce was worth a little over US\$ 50 billion. Around 80 percent of those transactions were between one business and another. Yet growth of all forms of e-commerce is hectic. On its most basic level, e-commerce simply means promoting products or services through an online medium. You can have a single Web page with one product picture on it. Accompanying this picture is relevant information about the product in the picture, like the product price, an address, fax or phone number, e-mail address.

Say, one out of the 20 million online shoppers likes what he/she sees, and thinks he/she can use your product. Next, you get a check; you cash it and send out the product. You’ve just successfully completed an e-commerce transaction. There are some really inexpensive and easy ways to accept orders and credit cards, without having to have a credit card merchant

account. This is how they work: You are given the shopping card service, with the ability to accept credit cards (Visa, Master Card, American Express, Discover etc.).

The company sends you, the merchant, a check, twice a month. All this costs a percentage of the sale. There is no paperwork, no setup fee, and no monthly fee. In above transaction processing solution, the transaction processing costs can be a significant percentage of the selling price. If that does not suit you and if you think you are going to be selling a lot of products then you will want a merchant account with a bank to process credit cards.

“In case of Nepal, there are practical problems too; Nepal doesn’t have Information Technology policy till now. Without the proper policy and laws it will be difficult to see that Nepal could take advantage of the e-boom,” says Rajiv Subba, First Secretary of the Computer Association of Nepal (CAN). In terms of infrastructure, Nepal has a 100% digital telecom network. There are more than 10 Internet Service Providers (ISPs) and more than five VSAT (Very small aperture terminal) service providers.

From the business point of view, the best part is that VSAT can be operated by the private sector at their premises as well. We now have plenty of foreign collaborated banks operating in Nepal According to Subba, in order to materialize e-commerce, provisions such as i) Recognition of digital signature, ii) E-commerce policy, iii) considering Software as an export commodity, and iv) recognizing Internet as a medium of export, are necessary.

From leading export products like carpets and garments, e-commerce could prove a very useful medium to sell products like tea, medicinal herbs, jewelry and what not. The essence lies in quality production, timely delivery and developing reliable business contacts. Moreover, Nepali businesses do not have any alternative rather than to re-orient themselves to emerging new scenario. Writes ‘The Economist’ magazine”, “Markets are sending traditional companies two useful signals. One is that they ignore the Internet at their peril. The second is that merely adding a website on to an existing business is not enough: the whole business needs to be redesigned around the cost-saving communications-easing properties of the net. Most companies must become Internet companies if they are to survive. Nepali businesses would do well by heeding to latest trends worldwide. (Spotlight; Volume Number.17, 2001:22-33)

### 2.3.2. Review of Thesis

Few research works have been done by students regarding the Credit Card performance and market opportunities. In this research some of the theses were reviewed. Reference of the study has become very useful to me and the thesis has contributed significantly towards identifying the strength, weakness, opportunities and threats of Credit Card business.

Suraj Amatya (2003) in his thesis paper “*A study of Financial Performance of Standard Chartered Bank Nepal Limited (SCBNL)*” concluded that the due to day to day toughness in the financial sector the bank is able to maintain its position in the country. The banks principal activities like consumer and corporate banking, trade finance, credit card services and foreign exchange dealing are continuing. The number of cards issued by the bank is increasing and the bank has critical mass in its account base. The researcher has come out with some of the recommendations for the bank:

- SCBNL should try to gain major share of public deposits.
- The bank should more focus on credit cards, debit cards, wealth management, global markets and cash management as these are all high return businessman.
- The bank also should broaden the range of products and services offered to the customers, at the same identifying those which can make real contribution to profits.

Suman Prakash Sharma (2004) in his thesis paper “*A study on Financial Performance of Commercial Banks*” concluded that due to political instability, deteriorating laws and order situation, frequent strikes etc have unfavorable impact on the financial performance of commercial banks. The thesis provides the detail overview about the banking system and functions of commercial banks. The thesis has analyzed the financial performance of three joint venture banks. The researcher has come out with some of the recommendations for the joint venture banks in Nepal which are as follows:

- The joint venture banks are recommended to give significant effort on investment promotion activities and explore the new bankable projects for investment.
- The joint venture banks should install state of the art technologies in order to give quick services to their customers on one hand and to gain competitive advantage on the other hand.

R.R. Vaidya (2004) conducted a thesis entitled “*Comparative Analysis of financial performance of selected JVB’s*”. This study includes the financial analysis of NABIL, SCBNL and HBL. Capital Structure is extremely levered. Capital adequacy ratio of the bank is above the standard set by NRB. The study also includes the strength, weakness, opportunity and threat of the banks.

Bhogendra Dangi (2005) conducted a thesis entitled “*A comparative study of Financial Performance of Standard Chartered Bank Nepal Limited, NABIL Bank Limited and Himalayan Bank Limited*”. His objective was to evaluate the financial position and to analyze SWOT. The financial position of Standard Chartered Bank Nepal Limited was better than the other two banks. The services offered by Himalayan Bank Limited throughout the country in different geographical regions are better than other banks. The thesis also evaluated the Strength, Weakness, Opportunities and Threats that the sampled three banks have over each other. (Dangi, 2005 A.D.page:22-56)

Niva Joshi (2005) in her thesis entitled “*Credit Card market in Nepal*” evaluated the market share of HBL, SCBNL and NABIL bank. The data collected from surveys and interviews of cardholders, non cardholders and professionals were highlighted. The data were represented in graphical form and showed the market share of Credit Card issuing banks. The thesis also gives us the information about the development of the Card Industry in Nepal and the world.

After the data analysis, she has suggested following measures for newcomer in Credit Card business:

- Credit Card business has tremendous potential of growth in Nepal. People need to be made aware of plastic money so that Credit Card transaction will grow.
- Banks have to be more aggressive in issuing and acquiring Credit Cards. They also should install Point of Sale (POS) terminal in number of merchant outlets.
- Banks need to be aware of Credit Cards business strength, weakness, opportunities and threat.

## **CHAPTER -3**

### **RESEARCH METHODOLOGY**

The research methodology is systematic way of solving research problem. Research methodology refers to the overall research process, which a researcher conducts during their study. Research can be conducted on the basis of primary and secondary data. Here in the study all the data and observed data are analyzed with using appropriate financial tools. To evaluate, analyze and interpret on every subject and discipline a detailed research plan is required. Without gathering detailed data and without applying different analytical tool it is impossible to confess anything about the related subject.

Research Methodology describes the methods and process, which are applied in the entire aspect of the study. “Research methodology refers to the various sequential steps to adopt by a researcher in studying the problem with certain objectives in view. So the purpose of this chapter is to outline the methods and sequential steps adopted in analyzing the problem with the stated objectives in mind (Kothari; 1989: 22-33),The major objective of this research is to evaluate the current situation regarding the market shares of banks (HBL and NIBL) in the credit card segment and its performance.

#### **3.1 Research Design**

Research Design refers to as series of stages or tasks in planning or conducting a study. It mainly considers in making decisions regarding what, where, when, how much, by what means constitute a plan study design. The research design of this study will be more descriptive as well as analytical for finding the current situation regarding the market shares of banks in the credit card segment and its performance, to find out extent of general awareness of credit cards among people, to review the transaction volume of credit card at the market, to assess the number of person interested in possessing a credit card and to determine in which sector of society and which income group they fall into. Analysis is basically on the basis of primary data and secondary data.

### **3.2. Population and Sample**

During the research, credit cardholders, non-cardholders, merchants as well as experts in the credit card operation are taken as sample from the total population. The card holders may be or may not be the customers of the credit card issuing bank. The cardholders who are surveyed are from different professions, some are from public sector, whereas most of them are from private sector and few are from politics, students and bankers etc. The sample size of 70,16 for the credit card holders & non-cardholders and merchants respectively are taken from large number of population randomly. A small sample size is chosen due to various limitations in carrying out the survey. The study mainly focuses on giving overview about current credit card performance and behavior pattern of credit card users in the context of Nepal.

### **3.3. Sources of data**

This study is based on both primary and secondary data. Interviews and questionnaires were conducted to collect primary data from credit cardholders, non-cardholders. The credit card holders can be the customer of the bank or not, but they have been availing the facility of Credit Card. Questionnaires for the cardholders and the potential customers of the credit card were prepared and interviews were held with merchants and with experts in the credit card operation of concerned banks. The publications of Nepal Rastra Bank (NRB), VISA International, MasterCard International, Nepal Card Member Forum and different library are the sources of the data. The literature review of the proposed study was based on the text book, journals, published articles, website, thesis etc. The necessary data and information have been collected through the experts working in credit card departments of HBL and NIBL.

### **3.4. Data Collection and Processing Techniques**

Although, the study mainly uses primary data collected from questionnaires and interviews of cardholders (those who hold credit card), non-cardholders (not holding credit card) and merchants, high level of efforts and more time was paid to get this data. Official publications of NRB, Nepal Credit Card Forum, annual reports of banks, Economic Bulletin etc. were obtained. Most of the secondary data are obtained through the publication of VISA International, Master Card International and also through the staffs of card center of HBL and NIBL.

Due to unawareness among the people about Credit Card, the data collected through questionnaires need to be properly verified and processed. The secondary data obtained are also need to be simplified and processed.

### **3.5. Data analysis Tools**

The data and information collected through primary and secondary data are used for fulfilling the objective of this study. The following analysis tools are used to fulfill the objective of study.

Hence in this study the available data, information, figures and facts are tabulated for computation. Similarly according to the need and objectives, the secondary data are compiled, processed tabulated and graphed if necessary for better presentation.

#### **3.5.1. SWOT Analysis**

SWOT analysis is a general technique which can be applied across diverse functions and activities, but it is particularly appropriate to the early stages of planning. Performing a SWOT analysis involves the generation and recording of the strengths, weaknesses, opportunities, and threats in relation to a particular task or objective. It is customary for the analysis to take account of internal resources and capabilities (strengths and weakness) and factors external to the organization (opportunities and threats).

SWOT analysis provides a structure for analyzing the strengths and weaknesses, and the opportunities and threats in a work context for analyzing the strengths, weaknesses, opportunities and threats a business or event faces. Ideally it is one step in a process which helps do

1. appreciate the strengths of a situation, and may decides to build on these;
2. define the weaknesses, which you might choose to minimize;
3. make the most of the opportunities that present themselves, and
4. Recognize the possible threats and treat them in a planned and organized way.
5. a framework for identifying and analyzing strengths, weaknesses, opportunities and threats
6. an impetus to analyze a situation and develop suitable strategies and tactics
7. a basis for assessing core capabilities and competences
8. the evidence for, and cultural key to, change
9. a stimulus to participation in a group experience.

### **3.5.2. Situation Analysis**

It is important to conduct a comprehensive situation analysis while introducing the use and awareness of Credit Card in country like Nepal. In conducting such an analysis, the current situation of Credit Card awareness among the people can be analyzed. Among the conditions that should be taken into consideration are the market structure; the state and structure of the financial system; the legal framework; the rules and regulation regarding the use of Credit Card, the promotion of this product to the general public by Credit Card issuance bank, and state for the regulatory and supervisory of Credit card systems.

Through a situational analysis, the gaps between credit card holders and non-credit holders can be clearly seen, the awareness about using a credit card among people can be analyzed and the current market size can be analyzed.

This study emphasizes the importance of conducting a comprehensive situation analysis while introducing the Credit Card business by any new comer. In conducting such an analysis, the economic condition of the present cardholders and non-cardholders are presented and their occupation belongs to, awareness about the current use of Credit Card in country like Nepal. An important consideration in a situational analysis of Credit Card business in country like Nepal is to review the current market.

### **3.5.3. Competitive Analysis**

Competitive analysis shows how on-line algorithms perform and demonstrates the power of randomization in algorithms. For many algorithms, the performance is not dependent on the values of the data, only the amount. An example of one that is data dependent is the quick sort algorithm, which sorts an array of elements. Such data dependent algorithms are analyzed for average case and worst case data. Competitive analysis is a way of doing worst case analysis for on-line and randomized algorithms, which are typically data dependent.

The first step in a competitor analysis is to identify the current and potential competition. As mentioned, there are essentially two ways and you can identify competitors. The first is to look at the market from the customer's viewpoint and group all the competitors by the degree to which they contend for the buyer's dollar. The second method is to group competitors according to their various competitive strategies to understand what motivates them.

To determine just what constitutes a key asset or skill within a business, suggests concentrating the efforts in four areas:

- § The reasons behind successful as well as unsuccessful firms
- § Prime customer motivators
- § Major component costs
- § Industry mobility barriers

According to theory, the performance of a company within a market is directly related to the possession of key assets and skills. Therefore, an analysis of strong performers should reveal the causes behind such a successful track record. This analysis, in conjunction with an examination of unsuccessful companies and the reasons behind their failure, should provide a good idea of just what key assets and skills are needed to be successful within a given business industry and market segment.

For instance, in the credit card business HBL, NIBL, SCBNL and NABIL reigns supreme with their Credit Cards. The banks have been able to establish its dominance in this business because of superior marketing and research as well strategic partnerships with VISA, MasterCard, and JCB etc. Central Bank has allowed having a strong credit cards market capture in country like Nepal.

The primary competitors in this business for new comers in country like Nepal are HBL, NIBL, SCBNL and NABIL who possess with a great deal of marketing. These banks have invested and built a good infrastructure for credit card in the market though the market is very small. This is the type of detail analysis need to be done.

For new comers in the business of credit cards the key assets and skills necessary to succeed in this business and have defined distinct competitive advantage, needs to communicate them in a strategic form that will attract market share as well as defend it. Thus the competitive analysis helps new comers to credit card business find about the competitive advantage which possess against their competitors. The skill and assets of competitors will be known which will help the newcomers during entering this business.

## **CHAPTER-4**

### **DATA PRESENTATION AND ANALYSIS**

#### **4.1. SWOT Analysis**

SWOT analysis is conducted to benefit new comers in the Credit Card business for knowing the Strength, Weakness, Opportunities and Threats of the business. In this business the key players are HBL and NIBL bank whose business through SWOT analysis is done through the data collected from secondary source. The results of SWOT analysis need to be viewed by new comers who are entering the Credit Card business.

##### **Strength**

- Customers as well as merchants are provided with excellent services by the banks.
- New banks that are going to enter the credit card business for late as compared to other banks, which will give them a ready-made base.
- There are branches outside Kathmandu valley. Within a short period of time the banks have started many branches and are planning to open branches outside the valley in strategic places and enjoy a bigger geographical coverage for their market, thereby doing more business.
- Staff expertise and experience
- Have full fledged ATM installation
- Bank like HBL, NIBL has a serious manpower constraint.

##### **Weakness**

- Competitors like SCBNL, NABIL, NIBL and HBL has occupied the market of credit card. So, it will be difficult to penetrate the market. As per the latest information, HBL has 25% and NIBL has 5%. These two players have adopted different marketing strategies not only to gain the new customers but also to retain the old one. So, it will be difficult for new comers to capture the customer base
- However, HBL has been in the credit card business for last fourteen years. These banks have started with their regular card followed by Gold card and have introduced credit cards not only to the customers but also to general public. This is one of the

reasons why the HBL-card became popular. There are more than 800 merchant establishments for their HBL-card in Kathmandu valley and some in Pokhara and Chitwan. This has provided them with a ready-made base for launching VISA cards when it started. This merchant base is one of their strengths for increasing credit card business.

- Most of the cardholders have card from at least more than one banks .So most of them are not willing to go for the new such cards.
- The “credit card” term it is a very new concept in Nepal. Though the credit facility started in late sixties, the large section of the Nepalese market is unacquainted with the credit card.
- Rigid credit policy.
- Existing Merchant Establishments of more than 1500 of NABIL and more than 3000 of SCBNL has made the job tougher for new banks.
- These players offer wide range of cards to its customers like Visa Classic, Visa Gold (Nepal/India/International) of HBL, Visa Classic (Nepal/India), Visa Gold (Nepal/India/International) of NIBL etc.

## **Opportunities**

The Rs. 1.4 billion worth Nepalese market of credit card is no doubt going to increase, with additional banks and institutions in Nepal and India issuing more credit cards. Further the aggressiveness of the acquiring banks is going to expand the merchant category base, with increasingly different categories of merchants entering the credit card business. With issuance of more and more local cards by the local banks, the myth of credit card being carried by foreigners only is slowly disappearing.

- Credit Card Market has bright future. Cash transactions are decreasing. People are getting more aware of credit card and its benefits.
- Co-branding of cards with other banks.
- Beside domestic cards start issuing international cards as well
- Sign up with merchants, which will tremendously affect the business. Focus should be on merchants from Lalitpur and Bhaktapur.
- Promote usage of cards in the local market
- Introduce more ATMs.

- It will have greater opportunities as the condition in Nepal will improve and tourism will rise.
- Growing market, with increase in foreign tourist as well as Indians.
- Introduction of Debit card and other varieties of cards in this product line.
- HBL and NIBL drawback is their limited experience on VISA software and operational procedures.
- New Banks can avail POS system to lure the merchants as this system provides ease of use and security to the merchants and is preferred by merchants.
- Wide acceptance of carrying credit card in general public.
- Merchants being educated for acceptance of credit cards.

### **Threats**

- The market has ample opportunities for potential business for any of the three parties and any newcomers, but threats also need to be taken into account.
- No specific rules are formulated by NRB regarding foreign currency cards or even credit card
- Inability to make quick decision may leave the bank behind other competitors
- Better authorization service and on-line environment is provided by other banks
- There has been drastic decrease in tourism since the political situation in Nepal is not good.
- Liberal card issuing policy adopted by other banks. So customers will be attracted to such banks, which terms and conditions they are comfortable with.
- NIBL and HBL are increasing their marketing effort in a big way, with more manpower and more technology, mainly addition of more POS terminals.
- Advanced Technologies (POS network) of competitors
- Focus on marketing by competitor banks
- Better authorization service (24hrs service) and online environment

## **4.2. Situational Analysis of Credit Card business**

During the course of the study, it is found that the general publics are not much aware about the credit card and it's utility. Most of the cardholders suggested that making the general public aware of the advantage of using a credit card can increase the market size. More over

the card market has not been able to expand rapidly because of non-acceptability of the card in the local market. This is the chief reason for most of the potential customers for not taking the card as 50% of the respondents who don't plan to issue card cited this reason as the main problem with the credit card.

### **4.3. Competitive Analysis in Credit Card business**

The credit card market is very limited in Nepal. Though the concept of credit card started as early as 1984, it uses is still a very new concept in the local context. Even though there are banks namely NABIL, HBL, NIBL, BOK, GBL, SBI and SCBNL issuing credit card and are able to issue not even 27,000 cards. As the cardholder's base is very limited, there is a very tough competition among these institutions to get the maximum share in the market.

The credit card business in Nepal is basically an acquiring business and these banks are going to compete for the acquiring business. HBL entered the acquiring business for VISA International late as compared to other banks, which has provided the ready-made base.

NABIL, NIBL and SCBNL have branches outside Kathmandu valley, especially in Pokhara, where tourism related credit card transactions are heavy.

NABIL, NIBL and SCBNL initiated Point-of-Sales (POS) network, with over 600 terminals between them in Kathmandu and Pokhara

NABIL and SCBNL have 'on-line' authorization environment to provide and monitor the risks involved.

POS system requires heavy investment but it has become so popular with the merchants that they do not prefer medium of transactions, due its ease of use, and minimization of risks involved. Both NABIL and SCBNL have been showing aggressiveness in the credit card business. Banks are concentrating on both, card issuance and charge ship acquiring, and have mobilized a big marketing team for the same. Though credit card business is considered an ancillary service of the bank, has already been given recognition as an independent profit-making center in these two banks, with heavy investment with new technologies and manpower.

As per the data shown in the below table the market is occupied by followed by HBL and NIBL.

**Table 3 : Credit Card issued by different banks of Nepal**

<b>Banks</b>	<b>Total no. of Credit Cards issued</b>
<b>HBL</b>	12000
<b>NIBL</b>	2000
<b>Total number of Credit Cards Issued</b>	<b>14000</b>

#### **4.4. Analysis of the data collected from the study**

Questionnaires for the cardholders and the potential customers of the credit card are prepared. These questionnaires are designed on the basis of informal interviews. Questionnaires were distributed to the sample of 70 cardholders & non-cardholders. Also questionnaires were distributed to 16 merchants. (For detail visit Appendix A, B)

Customers of Credit card of a bank can broadly be classified into two categories one are the individuals whom the bank issue a credit card and other comprise of merchants from whom bank acquire the credit card business. Customers can be further divided into ones that already hold a credit card and others that have the possibility of acquiring a credit card. The basic criterion for an individual to acquire a credit card from a bank is that he/she should be able to prove to the bank that they have a regular source of income. Another criterion for being a credit card holder of NABIL and HBL is that they should have an account in the respective bank whereas that criterion is not essential in case of NIBL and SCBNL.

After analyzing the data collected from the questionnaires, it can be interpreted that the present cardholders are from private sector, followed by from business sector and public sector. The potential customer of the credit card comprises mostly from service in private sector, which is closely followed by people from business sector.

The maximum number credit card holders fall into the income range of Rs. 10000-20,000, which is followed by the customers with the income range of Rs. 20,000-50,000 and 50,000 & above. The potential customers of the credit card are those falling in income range of below Rs. 10,000-20,000.

The main reason given by the credit card holders for acquiring a credit card is because of burden of carrying money. Another important factor that influenced credit card holders to hold the card is easy credit facility, easy shopping facility and for travelling. The potential customers have also stated the same reason for issuing card in the future.

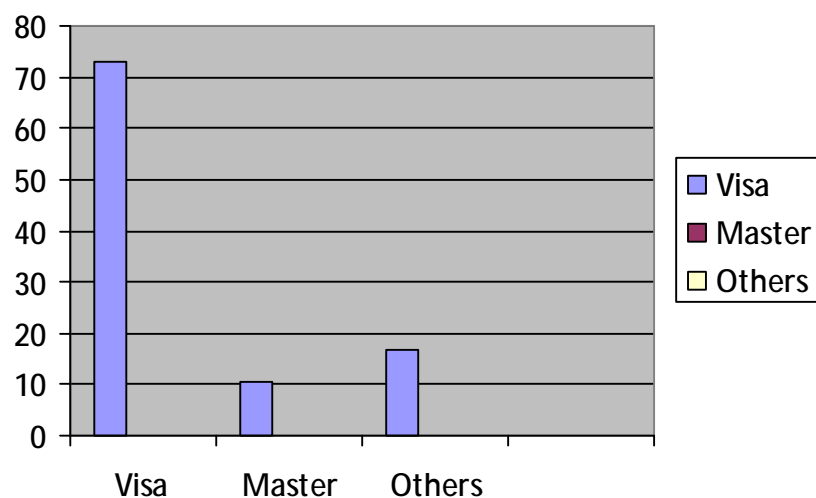
From the data analyzed from the questionnaire, majorities of the cardholders use their card only sometimes, whereas very few numbers among the cardholders use their card on a daily basis. Insignificant numbers among the cardholders never use their card or use it for emergency purpose only.

Main criterion of customers for choosing a particular bank is the quality of service provided by the bank. Factors like acceptability of the card in the market, fees charged by the bank, etc also influence the decision of selecting a bank.

#### 4.4.1 Analysis of the data collected of Credit Card Holders

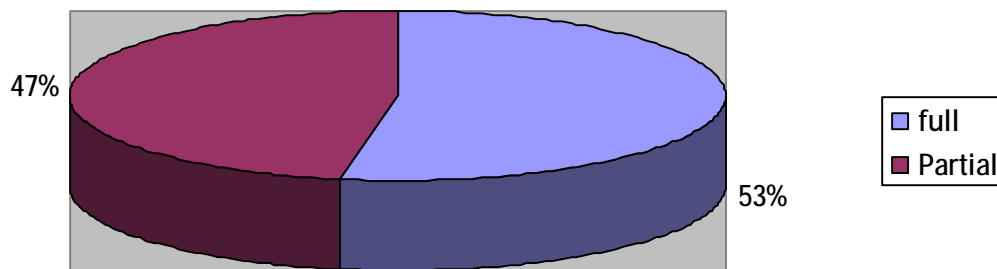
Ø After analysis of the data obtained from questionnaires of the total credit cardholders, it shows that majority of cardholders i.e. 72.92% use VISA brand credit cards, 10.42% of the cardholders are using MasterCard brand credit cards whereas the remaining 16.6% using other brand cards. The chart below shows the graphical representation (For detail visit Appendix A)

**Figure 1: Type of Credit Card Acquired**



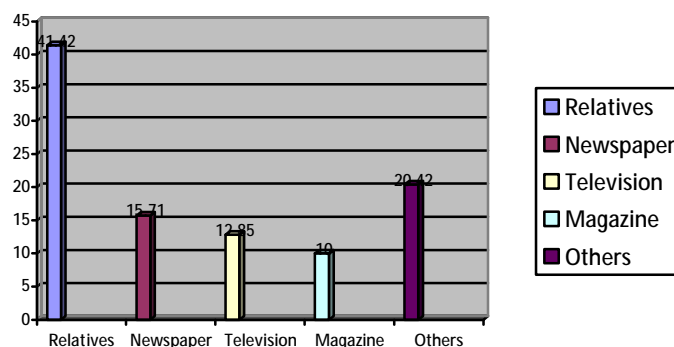
Ø Out of 70 credit cardholders who were distributed the questionnaire about preferred mode of payment, 53 % of the respondents preferred full payment of the credit card due whereas 47% prefer partial payment. The chart shows the mode of payment preferred by the respondents. (For detail visit Appendix A).

**Figure 2: Preferred Payment Mode**



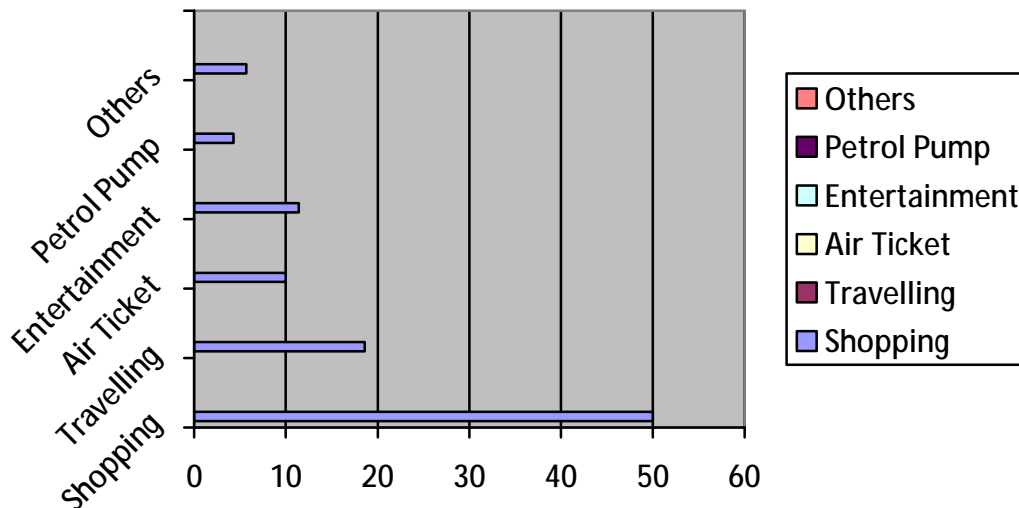
Ø Out of 70 credit cardholders who were distributed the questionnaire regarding knowing information about credit card, 10% gathered the information from the magazine, 12.8% from Television , 15.71% from newspapers, 41.42% from Relatives, 20% from the other sources such as internet etc. Newspapers like Kantipur, The Rising Nepal and magazine like Business Age seems to be an effective mode of advertisement to draw public attention towards credit cards. The chart shows the graphical representation of information about Credit Card known by the respondents.

**Figure 3: Sources of Information about Credit Card**



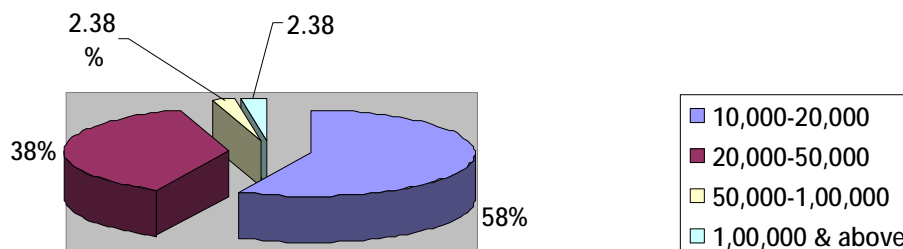
Ø Out of the total replies by the respondents, the majority of 50% used their credit card for shopping, 18.57% while traveling, 10% each to purchase air tickets 11.43% for entertainment, 4.28% in petrol pump, 5.7% in others, which includes paying school fees, electricity and telephone bills etc. The chart below shows the percentage usage of credit card.

**Figure 4: Usage of Credit Card**



Ø Out of the total respondents of cardholders who were questioned about their monthly income, 58% have income between Rs.10, 000 and 20,000, Similarly, 38% each have income between Rs.20,000 & 50,000 and 2.38% have income between Rs.50,000 & 1,00,000 and the remaining 2.38% in Rs.1,00,000 & above. The chart below shows the graphical representation of percentage monthly income of cardholders. (For detail visit Appendix A)

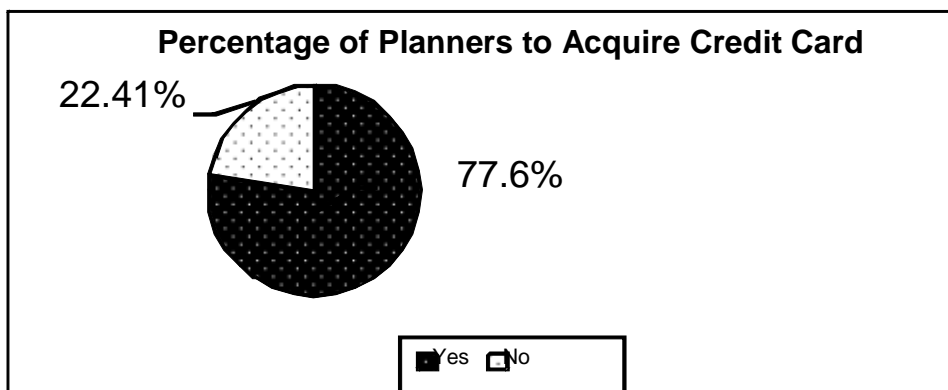
**Figure 5: Monthly Income of the Cardholders**



#### 4.4.2. Analysis of the data collected from non-cardholders

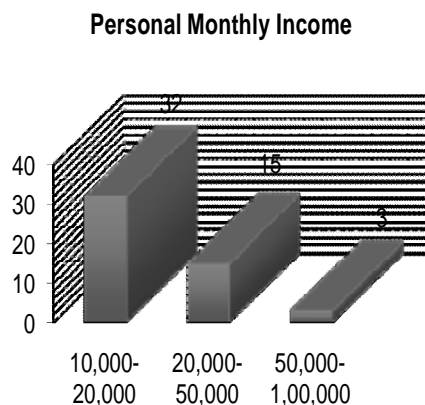
Ø Out of total non-cardholders respondents who were questioned about their plans to acquire or use credit card, 77.6 % have planned to acquire a credit card in the future, while 22.4% do not have such plans to acquire credit card in the future. The chart below represents the graphical representation of percentage of non-cardholders interested in acquiring credit card.

**Figure 6: Percentage of Planners to acquire credit card**



Ø Out of total respondents of non-cardholders the percentage of monthly income are 64% monthly income lies in between Rs.10,000 & 20,000, 30% income falls in Rs.20,000-30,000 and 6% monthly income in between Rs.50,000-1,00,000. The chart below shows the graphical representation of percentage monthly income of non-cardholders.

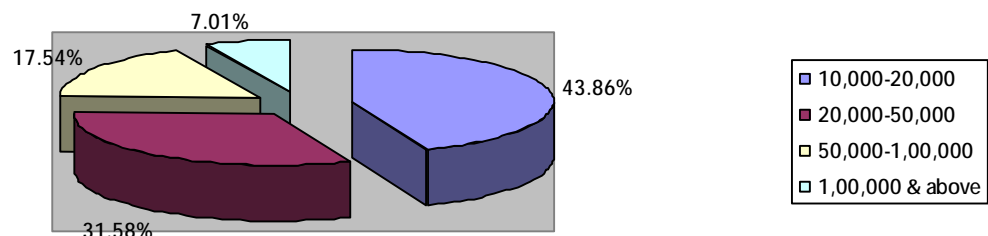
**Figure 7: Personal monthly income of non-cardholders**



#### 4.4.3. Analysis of the data collected through merchants

- Ø Out of the total respondents who were questioned about the credit limit they prefer if they possess credit card 43.86% prefer credit limit of Rs.10,000 to 20,000, 31.58% are planning to take credit card of limit Rs.20,000-50,000, 17.54% like limit of Rs.50, 000-1,00,000 and 7.01% preferred Rs.1,00,000 & above limit.

**Figure 8: Preferred Credit Limit of non-cardholders**

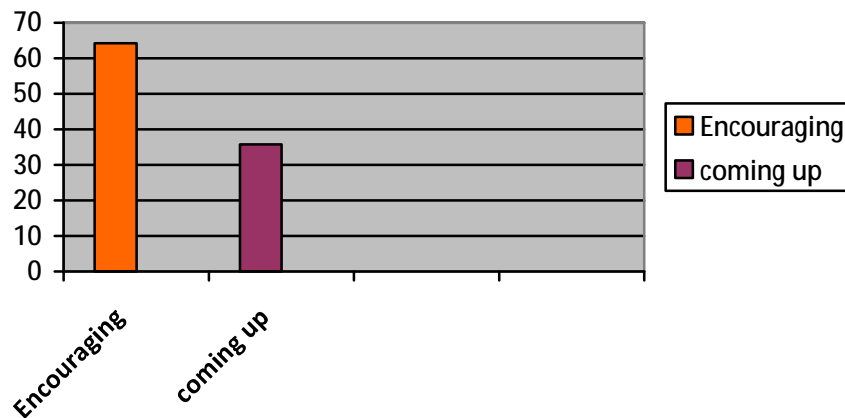


The study was conducted by distributing questionnaire (For detail visit Appendix B) amongst 16 most of the merchants belongs to shoes shops, spa center, boutique readymade garments, khadya store, etc. Among these 50 % of customers use credit card for payment. Some of the outcomes of study of merchants data collected through interviews are analyzed below:

- Ø The number of customers using cards is relatively less in numbers
- Ø Except some Jewellery Shop, the merchants do not charge any commission to customers on credit card payment. However, they have to pay 3.5% on an average to the bank for accepting credit card for payment.
- Ø Most of the merchants prefer Card payment. However, Departmental stores give importance to both cash and card payment.
- Ø Accepting card has certainly increased the business of the merchants to the maximum extend.

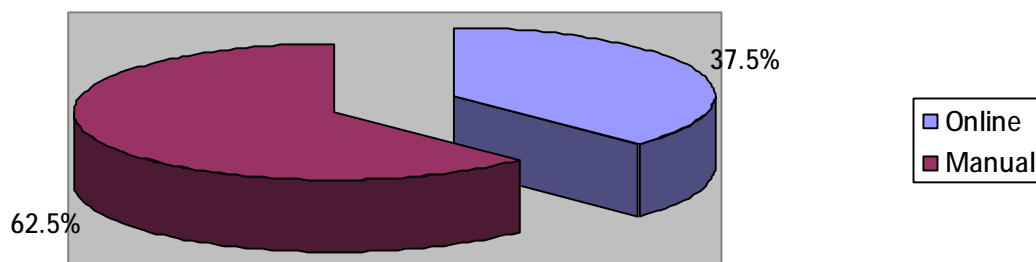
- Ø Most of the merchants are of the opinion that accepting credit card payment reduces overnight cash maintenance and cash in transit risk.
- Ø The credit card culture in Nepal is coming up. Since it reduces the cash risk the customers are encouraged in using it instead of cash.
- Ø The questionnaire distributed to merchants about the credit card culture developing in the context of Nepal, 35.7% merchants believe that the credit card culture is coming up in Nepal while 64.28% merchants is of the opinion that the credit card culture is encouraging. The chart below shows the percentage of credit card culture in Nepal.

**Figure 9: Culture of credit card in Nepal**



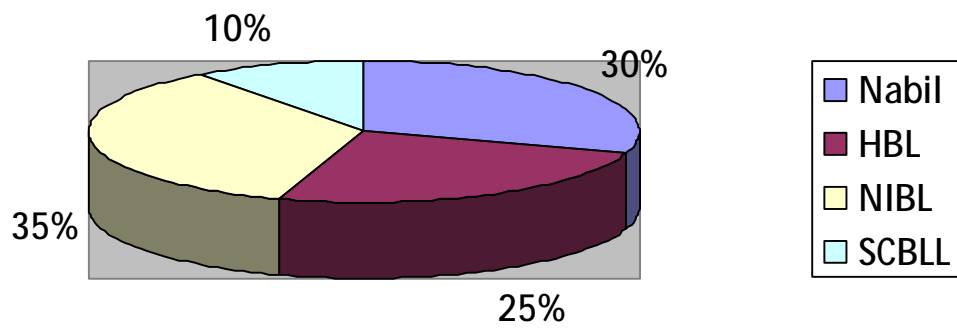
- Ø The questionnaire with merchants about the payment mode (Online, manual) the mode of payment varies from merchants to merchants. Out of the total 16 merchants interviewed 37.5% of the merchants use online as a mode of repayment whereas 62.5% of the merchants use manual payment mode. The chart below shows the percentage graphical representation of payment mode adopted by merchants. (For detail visit Appendix B)

**Figure 10: Payment Mode**



Ø The questionnaire distributed to merchants shows that NABIL has been able to cover 30% of the total market by installing large number of point of sale terminal, whereas SCBNL has market share of 10%, NIBL has 35% & HBL has share of 25%. The chart below shows the percentage graphical representation of acquirer of credit card.

**Figure 11: Acquirer of credit card**



## **CHAPTER-5**

### **5.0. SUMMARY, RECOMMENDATION & CONCLUSION**

#### **5.1. Summary**

Bank is financial establishment for monetary transaction. A bank simply carries out the work of exchanging money, providing loan, accepting deposit and transferring the money. Generally, an institution established by law and involved in monetary transaction is called bank. Bank deals with money and credits. Banking is not static but a dynamic concept. The functions of bank are the trust function, the credit function, the insurance function, the investment and planning function, the brokerage function, the investment banking or underwriting function, the payment function, the thrift or saving function, the cash management function etc. Banks are financial service firm performing many other roles in the economy. Their success or failure hinges on their ability to identify the financial services the public demand, produce those services efficiently and sell them at a competitive price.

Today, the banking is not hale and hearty. The banking of Nepal is still ailing with various problems like strong unorganized sector, weak position and unhealthy competition, government interference, lack of credit rating system, lack of research, training and development etc. Banks play a significant role to change and develop the economy. Their operations stabilize the economic pulse of the economy. Market of bank is centralizing, unbalance competition is creating problems and the rapid development of information technology is continuously changing the way in thought and work. These have affected in the growth of banks services.

Credit Card is plastic money, which is used instead of cash to avail goods and services. Credit Card has many advantages along with immense risk associated with risk. So, credit card business should be handled carefully. It's business for the past few years is not as satisfactory as thought due to the unfavorable situation for tourism created by the ongoing instability in

the country. The purchasing power of people will increase and tourism industry will grow only when peace prevails in the country which will help to boost credit card business.

During this study, credit cardholders, non-cardholders, merchants as well as experts in the credit card operation were interviewed. In this regard several structured as well as unstructured interviews were conducted. To the various merchants structured interviews were conducted, while unstructured interviews were mostly conducted with the personal of HBL, NABIL, NIBL and SCBNL, which are already in the credit card business.

Different data analysis tools are used to analysis the data obtained from interviews, questionnaires and secondary data. These tools highlights the strength, weakness, opportunities and threats in credit card business, situation analysis are conducted to know the growth of credit card business in country like Nepal, competitive analysis are conducted between HBL, NABIL, NIBL and SCBNL who are in credit card.

## **5.2. Recommendations**

- ✓ During the course of the market study on credit card market in Nepal, we found out that the credit card business has tremendous potential to grow in Nepal. A proper marketing plan and a better strategy with smooth implementation are required by the bank to gather the maximum share of the credit card market.
  
- ✓ Considering the credit card center of NABIL and SCBNL if bank is to operate credit card center as an independent profit-making unit, then the manpower allocation has to be done prudently with proper job analysis. All jobs have to be analyzed and staffs should be designated with responsibility and accountability, considering their qualification and experience. For promoting and marketing of its card, the bank should also involve its branches as these branches are in a far better position in explaining the market potential of the particular area and identifying potential customers. Thus the credit card center can use the concept of integrated marketing along with the bank's branches.

- ▼ The bank stands to gain more if it has a larger cardholder base. Therefore, every effort has to be made to increase the issuance of the card. Certain strategies like introducing new international branded card like MasterCard, American express card can help it. Moreover the bank can also add new facilities and features in the future coming card. The bank can tie up with different financial and other institutions to provide better service to the customers.
- ▼ In the future banks should not only deal with VISA cards but also should deal with MasterCard. This is because merchants prefer to go to the banks, which deals with maximum cards in order to minimize the transaction cost. For example: if two customers present two different cards, merchant would prefer to deal with that bank that would deliver him cash from the single counter rather than going to two separate banks.
- ▼ Since so many risks are attached with the credit card business, bank should develop innovative and effective risk management programs and services for its members, which will help to maintain credit card operation at a high standard and prevent the fraudulent act.
- ▼ The promotional effort targeted at merchants should go hand in hand with the promotional effort done to increase the usage and issuance of credit card. The banks should focus on the core issue of informing the merchants about the opportunity lost by them by ignoring its usages.
- ▼ From the survey it was observed that various merchant establishments are dissatisfied regarding the flat margin charged by the banks. With this reference, banks can initiate a compensation package or decrease the margin through Nepal Card Member Forum in order to motivate the owners of various establishments as well as encouraging them to continue with the credit card facility.
- ▼ The bank can have strategic alliances with various business houses, wherein the latter's employees are provided with credit cards. Even if the accounts are maintained in other banks the employees can be provided credit cards.

- ✓ The bank can also take the initiative by targeting parents with children of an eligible age for supplementary cards with lower limit than the regular ones and this scheme should be promoted vigorously through various media.
- ✓ To capture the wider market share, the information about the type of credit cards and their respective benefits should be communicated effectively through various forms of medias like
  - Newspaper like Kantipur, Rising Nepal
  - Magazines like Business Age
  - Television channels like Nepal T.V.
  - Radio

Less expensive methods of informing the mass include mailing letters, telemarketing, email etc.

- ✓ The bank can provide card to the national delegates on official tour, say for instance on regional or international sports events, conferences etc for the length of stay abroad. This scheme has to be communicated to the public. This will in turn help to gain goodwill and publicity to the bank.
- ✓ For the banks to increase its customers' frequency level, various promotional schemes rewarding the credit cardholder, who frequently use it. If he/ she will spend more tat or above a certain amount, he/she would be entitled to some bonus points. When enough points are accumulated, various benefits can be awarded to the cardholder. For instance,
  - § Gift items/coupons can be awarded
  - § Discount can be given to selected vendors
  - § The subscription fees for another card or annual fees for the current card itself can be waived for a year.

- ✓ Banks should have fully automated system. Fully automation helps in reducing cost and time.

- ✓ From the study it can be analyzed that about 63.6 % are the potential customers, whose personal monthly income are of Rs. 10,000-20,000, 29.6 % from Rs. 20,000-

50,000 income group. So, various promotional schemes should be done in order to attract these people.

- ✓ The bank should give prompt service on reimbursement of claims presented to them by the merchants which were mentioned by merchants in questionnaires. Many merchants like small handicraft shops deal heavily with credit card but are reluctant to open account in the bank. The bank should devise a way on how to tap this segment of the market by simplifying the procedures of reimbursement of the claims. Similarly, they have to simplify the authorization procedures. The authorization service should be of 24 hours and 7 days a week rather the bank should keep its service fresh with advance technologies that are used in credit card market.
  
- ✓ The credit card market in Nepal is basically acquiring market. Therefore, special consideration must be given while formulating any strategies regarding them. The acquiring market basically consists of merchants. The banks should try to attract these merchants who could give business to the bank. One way of attracting the merchants to the bank is to cut down on the commission payable to the bank by the merchants. This strategy can boost up the number of merchants in the short run. The advertisement highlighting various points like immediate credit, longer authorization hours, and authorization in holidays should be aimed at merchants. Apart from those activities such as rewarding the merchant who has the highest transaction, will help the bank in attracting the merchants.

### **5.3. Conclusion**

The credit card market in Nepal has lots of potential to grow. There is ample of opportunities for any of these two banks and potential entrants in credit card business. The banks should try to increase the awareness among general public about the advantage of using a credit card. Moreover they should try to clarify certain misconception that is associated with the issuance and uses of the card. The issuer of a card normally faces tax hassles while issuing the card so the banks should try to help the issuer to resolve such problems.

Primarily, the socio-cultural factor prevalent in Nepal perhaps might have negatively impacted the usage of credit cards. The older generation in its rigid set ways and habits are

not easily persuaded to change their consumer behavior patterns and indeed credit cards are still a luxury item and not a product of necessity as they would be in a fully developed economy. A supporting infrastructure and sound banking institutions are very necessary for credit card industry to flourish.

The bank should increase the acceptance of the credit card issued by Nepalese banks in local market as well international market. The credit card can be used, as very good substitute of money and it is evident that the facility like Automatic teller Machine (ATM) does not diminish the importance of credit card.

New comers in this field should aggressively segment the market and approach each segment with tailored programs rather than adopting an umbrella policy for all portions of society. Certain policies of the bank need to be revised.

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# APPENDIX

## APPENDIX A - Questionnaire for Cardholder

Dear Sir/Madam,

I am conducting a consumer survey on *Credit Card Performance and Behavior pattern of Credit Card Users* as part of my curriculum for the degree of Master in Business Studies (MBS) from Shanker Dev Campus (TU). The survey results will be strictly used for academic purpose and your responses will be kept highly confidential. Please co-operate me to achieve purpose by supplying your valuable responses. In case of multiple choices, you are requested to put tick ( ) for your best choice and mention your opinions with respect to open-ended questions.

Age: i)20-30  ii)30-40  iii)40-50  iv)50 & above

Gender: Male  Female

Occupation:

Organization (If you are employee):

Designation (For employee)

Income Group: 10000-20000  20001- 50000  50001- 100000   
100001 & above

(1) Please name banks you are familiar with :

Banks
a)
b)
c)
d)

(2) Are you aware of credit card ?

Yes  No

(3) If yes, how you came to be aware?

- Through Newspaper
- Through Television



Cash \_\_\_\_\_%

Card \_\_\_\_\_%

Cheque \_\_\_\_\_%

15) What is your perception about the banks providing credit card services?

- a) Reliable
- b) Easy Access
- c) Convenient
- d) Safe
- e) Specify if any \_\_\_\_\_

16) Would you prefer to give supplementary cards to spouse, kids, & others?

Yes  No

If not, why? .....

17) If yes, what would be your preferred limit?

5,000-10,000  10,000-15,000  15,000-20,000  20,000 and above

18) Do you think number of merchant's establishments is sufficient for card payment? Yes  No

19) Where is your preferred location for new ATM installation? .....

20) Would you prefer partial or full payment against your Credit Card due?

Partial  Full

21) What is your opinion about the culture of "Credit Card" in Nepal?

Coming up  Encouraging  Discouraging

**THANK YOU VERY MUCH FOR YOUR KIND COOPERATION**

## APPENDIX B – Questionnaire for Merchant

Dear Sir/Madam,

I am conducting a consumer survey on *Credit Card Performance and Behavior pattern of credit card users* as part of my curriculum for the degree of Master in Business Studies (MBS) from Shanker Dev Campus (TU). The survey results will be strictly used for academic purpose and your responses will be kept highly confidential. Please co-operate me to achieve purpose by supplying your valuable responses. In case of multiple choices, you are requested to put tick ( ) for your best choice and mention your opinions with respect to open-ended questions.

Name:

Address:

Type of Business:

1) Do you accept card for payment? Yes  No

2) Please mention the average number of customer using cards for payment per day.....

.....

3) Which are the banks, you are currently dealing with for acquiring cards?

Nepal Investment Bank Ltd

Nabil Bank Ltd

Standard Chartered Bank Ltd

Himalayan Bank Ltd

If others specify.....

4) How much do you charge to customer for paying through card? .....

5) How much are you being charged by bank on accepting card? .....

6) What is the mode of re-payment?

Online

Manual

Submission of Charge Slip

7) How soon are you paid by the banks? .....

8) Which is your preference payment?      Cash                       Card

9) Do you think accepting card will increase your business?      Yes       No

10) If yes, approximately by what percentage? .....

11) Of the total monthly transaction, what is the percentage of the mode of payment?

a) Cash \_\_\_\_\_%      b) Card \_\_\_\_\_%      c) Cheque \_\_\_\_\_%

12) Do you face any problem accepting these cards?       Yes       No

13) If yes, please mention the problems: -

a) \_\_\_\_\_                                      b) \_\_\_\_\_

c) \_\_\_\_\_                                      d) \_\_\_\_\_

14) If you do not accept cards, what are the reasons for not accepting it?

a) \_\_\_\_\_                                      b) \_\_\_\_\_

c) \_\_\_\_\_                                      d) \_\_\_\_\_

15) Would you like to accept Credit Card in future? Yes                       No

16) If yes, what would be your preference in terms of its use?

Payment for goods and services

Cash Advance on request with immediate credit

Both

17) What is your opinion about the culture of “Credit Card” in Nepal?

Coming up

Encouraging

Discouraging

**THANK YOU VERY MUCH FOR YOUR KIND COOPERATION**