

**A STUDY OF THE TREND AND STRUCTURE
OF
CREDIT CARD BUSINESS IN NEPAL**

By :

Narayan Prasad Dhakal

Bhairahawa Multiple Campus

T.U. Regd. No. 7-2-52-473-2004

A Thesis Submitted to Office of the Dean

The Faculty of Management

Tribhuvan University

In Partial Fulfillment of the Requirement for Master Degree in

Business Studies (M.B.S.),

Siddharthanagar, Rupandehi,

Bhairahawa, December, 2009

RECOMMENDATION

This is to certify that the thesis

Submitted by:

Narayan Prasad Dhakal

Entitled:

“A Study of the Trend and Structure of Credit Card Business in Nepal”

has been prepared as approved by this department in the prescribed format of faculty of management, this thesis is forwarded for the examination.

.....

Dr. Keshav Raj Joshi

Head of the Research Department

Bhairahawa Multiple Campus

.....

Mr. Kapildev Lamichhane

Campus Chief

Bhairahawa Multiple Campus

.....

Lect. Narendra Raj Pandey

Thesis Supervisor

M.B.S. Program Coordinator

Bhairahawa Multiple Campus

Date:

VIVA-VOICESHEET

We have conducted the viva-voice examination of the thesis presented

by

Narayan Prasad Dhakal

Entitled:

“A Study of the Trend and Structure of Credit Card Business in Nepal”

and found the thesis to be 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

Master’s Degree in Business Studies (M.B.S.)

VIVA-VOICE COMMITTEE

.....

.....

Chairperson, Research Committee

Member (Thesis Supervisor)

.....

.....

Member (External Expert)

Member (M.B.S. Prog. Coordinator)

Date :

DECLARATION

I hereby declare that the work reported in this thesis entitled **“A Study of the Trend and Structure of Credit Card Business in Nepal”** submitted to Bhairahawa Multiple Campus, Faculty of Management, Tribhuvan University, is my original work done for the partial fulfillment of the requirement for the Master of Business Studies (M.B.S.) under the supervision of Mr. Narendra Raj Pandey and guidance of Dr. Keshav Raj Joshi, Head of the Research Department, Bhairahawa Multiple Campus, Bhairahawa.

-Narayan Prasad Dhakal

Bhairahawa Multiple Campus

ACKNOWLEDGEMENT

The study of credit card business is imperative from the business market perspective, as it is becoming a major source for purchasing commodities in departmental store and so on. Therefore, it is my great pleasure to submit this thesis titled “**A Study of the Trend and Structure of Credit Card Business in Nepal**”.

From the initiation to completion of this thesis, I have to acknowledge my sincere appreciation and respect to my supervisor Mr. **Narendra Raj Pandey**, of Bhairahawa Multiple Campus for his invaluable encouragement and guidance to carry out this thesis. Without his encouragement, guidance and valuable suggestion, this work would never have been completed in time and come up in this form. I would like to express my gratitude to my well-wishers Mr. Keshav Raj Panthee, Deepak Kumar Adhikari and Khagendra Bdr. Chhetry. The aspiration of the respected Campus Chief Mr. Kapildev Lamichhane is also praiseworthy. And I would like to give credit to my family members who headed me towards the light of education and the path of truth, due to their regular effort for guidance, today I am in this position. So, I would like to share the credit of my success with my mother, father and teachers. I am really indebted by them.

-Narayan Prasad Dhakal

Researcher

CONTENTS

	Page
<i>Recommendation Letter</i>	<i>i</i>
<i>Viva-Voice Sheet</i>	<i>ii</i>
<i>Declaration</i>	<i>iii</i>
<i>Acknowledgement</i>	<i>iv</i>
<i>Contents</i>	<i>v-ix</i>
<i>List of Figure</i>	<i>vii</i>
<i>List of Table</i>	<i>viii</i>
<i>Abbreviations</i>	<i>ix</i>
CHAPTER 1 : INTRODUCTION	1-5
1.1 Background	1
1.2 Statement of the Problem	3
1.3 Objectives of the Study	4
1.4 Importance of the Study	4
1.5 Limitation of the Study	5
1.6 Organization of the Study	5
CHAPTER 2 : REVIEW of LITERATURE	6-26
2.1 Conceptual Framework	6
2.2 Review of Related Studies	23

CHAPTER 3 : RESEARCH METHODOLOGY	27-28
CHAPTER 4 : GENERAL INTRODUCTION OF THE BANKS UNDER STUDY	29-32
CHAPTER 5 : PRESENTATION AND ANALYSIS OF DATA	33-53
4.1 User Trend of Credit Card Business	33
4.2 Merchant Trend of Credit Card Business	35
4.3 Acquiring Trend of Credit Card Business	38
4.4 Present Market Share Hold by Different Banks	40
4.5 Presentation and Analysis of Primary Data	40
4.5.1 Response from Cardholders	41
4.5.2 Response from Merchants	46
4.5.3 Response from Students	51
CHAPTER 6 : SUMMARY, CONCLUSION AND RECOMMENDATION	54-58
5.1 Summary and Conclusion	54
5.2 Recommendation	57

LIST OF FIGURE

	Page
Figure 4.1: User Trend of Credit Card Business	34
Figure 4.2: User Trend of Industry	35
Figure 4.3: Merchant Trend of Credit Card Business	36
Figure 4.4: Merchant Trend of Industry	37
Figure 4.5: Acquired Volume of Different Banks	38
Figure 4.6: Acquired Volume of Different Banks and Industry	39
Figure 4.7: Market Share of no. of Card Holder Hold by Different Banks	40

LIST OF TABLES

	Page
Table 4.1: User Trend of Credit Card Business	33
Table 4.2: Merchant Trend of Credit Card Business	36
Table 4.3: Acquired Volume of Different Banks	38
Table 4.4: Product's Likeness by Cardholders	41
Table 4.5: Customer Service to Cardholder	42
Table 4.6: Card Acceptance View by the Cardholders	42
Table 4.7: Benefits of Using Credit Card	43
Table 4.8: Disadvantage of Holding a Card	44
Table 4.9: Social Value of Holding a Credit Card	45
Table 4.1.1: Owners of Credit Card	45
Table 4.2.1: Card Acceptance Status by the Merchants	46
Table 4.2.2: Level of Customer Satisfaction	47
Table 4.2.3: Proportion of Card Payment to Cash	48
Table 4.2.4: Benefits of Accepting Cards	49
Table 4.2.5: Disadvantage of Accepting a Card	49
Table 4.2.6: Merchants Card Preference	50
Table 4.2.7: Use of Credit Card	53

ABBREVIATIONS

Nabil	:	Nabil Bank Limited
NIBL	:	Nepal Investment Bank Limited
SCBNL	:	Standard Chartered Bank Nepal Limited
HBL	:	Himalayan Bank Limited
Ltd.	:	Limited
C.V.	:	Coefficient of Variation
S.D.	:	Standard Deviation

CHAPTER I
INTRODUCTION

1.1 Background

A **credit card** is part of a system of payments named after the small plastic card issued to users of the system. It is a card entitling its holder to buy goods and services based on the holder's promise to pay for these goods and services. The issuer of the card grants a line of credit to the consumer (or the user) from which the user can borrow money for payment to a merchant or as a cash advance to the user. (Wikipedia)

Credit cards are issued after an account has been approved by the credit provider, after which cardholders can use it to make purchases at merchants accepting that card.

When a purchase is made, the credit card user agrees to pay the card issuer. The cardholder indicates consent to pay by signing a receipt with a record of the card details and indicating the amount to be paid or by entering a personal identification number (PIN). Also, many merchants now accept verbal authorizations via telephone and electronic authorization using the Internet, known as a 'Card/Cardholder Not Present' (CNP) transaction.

No doubt, credit card is a convenient way of payment. The use of it depends upon the owner according to the type of card, his needs and profession, available market conditions and environment. One of the specific features of credit card is that the cardholder can get cash advances using it at bank outlets and Automatic Teller Machine (ATM). Withdrawn amount via credit card is treated as loan, and interest is to be paid on it. The largest issuer of credit card worldwide is Visa and MasterCard.

The modern credit card was the successor of a variety of merchant credit schemes. It was first used in the 1920s, in the United States, specifically to sell fuel to a growing number of automobile owners. In 1938 several companies started to accept each other's cards. Western Union had begun issuing charge cards to its frequent customers in 1921. Some charge cards were printed on paper card stock, but were easily counterfeited. (Wikipedia)

History of Credit Card business in Nepal is associated with the tourism sector. A travel agency named Alpine Travel Service Private Limited in association with an agreement with Chase Manhattan Bank of Singapore introduced credit card in Nepal in 1985. Although it was just a Credit acquiring System, it created a milestone towards the history of Credit Card transaction in Nepal. At that time, Alpine Travel Service became very famous in Nepalese tourism sector through its involvement in credit card business. It enjoyed a monopoly for some years. As a result, it was charging veru high commission. At that time, there were no merchants in the Nepalese market. So, in spite of not being a commercial bank, Alpine Travle Services developed a very good system of handling cash to the cardholders. In the late 80's, the monopoly was distributed. By seeing the monopoly profit of the travel agency, Nepal Arab Bank issued Master Card in 1991 and became the first Nepalese commercial bank to issue Credit Card. After that, Himalayan Bank Limited entered the Credit Card issuing business in 1993, with its typical local proprietary card branding "HBL Regular" and "HBL Gold". These cards were very popular in Nepalese general public, especially in Kathmandu Valley. In 1997, Nepal Grindlays Bank Limited started to issue Visa Card. The appearance of these three commercial banks in the Credit Card market, created a throat-cut competition. As a result, the commission charge came down slowly. Now a days credit card transaction is broadening as the commercial banks are directly involving in the business activities. The first and most popular banks involved in providing credit card service at the beginning are: Nabil Bank Ltd., Himalayan Bank Ltd, and Standard Chartered Bank Nepal Ltd.

The banks involved in the credit card business in Nepal and types of card issued by them are presented below.

Name of the Bank	Name of the card issued by the bank
NABIL	Visa, Master Card, Dinners
SCBNL	Visa, Master Card, JCB
HBL	Visa, Master Card
NIBL	Visa

1.2 Statement of the Problem

Today credit card has become a synonym of currency notes in other foreign countries. In other countries there are cash free zones with all the financial needs being handled by bankcards. But in the context of Nepal it is quite difficult to do so. Card business is fluctuating till now from beginning. Acquiring volume is mostly depended upon the arrival of tourist but the conflict period of the country was not sound for tourism. But after the revival of democracy through the People's movement 2062/2063 B.S. the business condition is going to be improved as compared to the conflict period. (Hada, 2004)

Nepalese economy has only around 25 years experience of using credit cards. However, the financial market is not being well developed as it should be and hence the use and development of credit card services do not seem satisfactory. Still only, few banks are providing such facilities. The actual impact of such credit cards to the Nepalese economy can not be forecasted due to the lack of sufficient research studies.

So the study will try to answer the following questions or problems:

1. What are the positions of different bank involved in card business?
2. What is the role of credit card to promote Nepalese financial sector?
3. What are the trends of credit card users in Nepalese market?
4. What are the problems of credit card service in Nepal?

1.3 Objective of the study

The main objective of this study is to explore the trend and structure of credit card business in Nepal. The specific objectives of the study are mentioned below:

- To study about the trend and structure of credit card business in Nepal
- To study the scope of credit card business in Nepalese Economy.
- To provide the suitable recommendations and suggestions.

1.4 Importance of the Study

Credit Cards have become an important part of people's financial lives in foreign countries. If one is filling up at the gas station or shopping at the local mall or eating at a fast food restaurant he will be more than likely going to be using his credit card. It has made purchases extremely convenient in developed countries as well as developing countries. However, in Nepal, credit card concept has recently entered in banking sector and general public. Such Card business is still in the growing stage. Hence, in the present context, a in-depth research study on the potentiality of credit card business seems very important. Therefore, credit card is chosen as the subject matter for this research.

This research study aims to fulfill the requirements for the degree of Master of Management. The attempt in this study is made to update the trend and structure of credit card business in Nepal, the users' response to the card and so on. However, it will help different parties related to financial sectors; students and intellectuals who want to know about credit card and have intention for research studies related to credit card; banks who are involved in card business and want to modify their card service and formulate new strategies for smooth operation of card and the government to revise and regulate the credit card business. Indeed, the review of trend and structure of credit card business in Nepal under the study period, the users' response to it, role of credit card and so on will give a current glimpse of Nepalese credit card market.

1.5 Limitation of the Study

The study is based on the following limitations:

- a. The Study is based on the data provided by the banks under study
- b. **Four banks** providing credit card facility: Standard Chartered Bank Ltd, Nabil Bank Ltd., Nepal Investment Bank Ltd.,and Himalayan Bank Ltd. are only focused for studying the trend and pattern of the study.
- c. Users' trend on credit card business is based on the **questionnaire** made and filled up by the researcher on the spot of the study.
- d. The study includes the data up to the FY 2007/08.

1.6 Organization of the Study

The entire study is designed into five main chapters.

The first chapter, introduction chapter includes; statement of problem, objectives of the study, need and significance of the study, limitations of the study and organization of study.

The second chapter review of literature is divided into two main aspects: (i) Conceptual framework and (ii) Review of related materials i.e. review of books, review of thesis, review of newspapers, magazines, journals etc.

Research methodology is mentioned in the third chapter. It will include research design, population and sampling, sources of data, procedure of data collection and tools used for analysis. Fourth chapter is the presentation and analysis of data. The fifth chapter consists of brief summary, conclusions and recommendation of the study. Lastly, essential appendices and bibliography is presented at the end of the study.

REVIEW OF LITERATURE

This chapter presents an overview of concerned subject matter under study. It is mainly focused on the literature review of credit card which is divided into two sections:

-) Conceptual framework
-) Review of related studies

2.1 Conceptual Framework

This section focuses on the conceptual review which is mainly based on Wikipedia.

A **credit card** is part of a system of payments named after the small plastic card issued to users of the system. It is a card entitling its holder to buy goods and services based on the holder's promise to pay for these goods and services. The issuer of the card grants a line of credit to the consumer (or the user) from which the user can borrow money for payment to a merchant or as a cash advance to the user.

A credit card is different from a charge card, where a charge card requires the balance to be paid in full each month. In contrast, credit cards allow the consumers to 'revolve' their balance, at the cost of having interest charged. Most credit cards are issued by local banks or credit unions, and are the shape and size specified by the ISO/IEC 7810 standard as ID-1.

2.1.1 How Credit Cards Work?

Credit cards are issued after an account has been approved by the credit provider, after which cardholders can use it to make purchases at merchants accepting that card.

When a purchase is made, the credit card user agrees to pay the card issuer. The cardholder indicates consent to pay by signing a receipt with a record of the card details and indicating the amount to be paid or by entering a personal identification number (PIN). Also, many merchants now accept verbal authorizations via telephone and electronic authorization using the Internet, known as a 'Card/Cardholder Not Present' (CNP) transaction.

Electronic verification systems allow merchants to verify that the card is valid and the credit card customer has sufficient credit to cover the purchase in a few seconds, allowing the verification to happen at time of purchase. The verification is performed using a credit card payment terminal or *Point of Sale* (POS) system with a communications link to the merchant's acquiring bank. Data from the card is obtained from a magnetic stripe or chip on the card; the latter system is in the United Kingdom and Ireland commonly known as Chip and PIN, but is more technically an EMV card.

Other variations of verification systems are used by eCommerce merchants to determine if the user's account is valid and able to accept the charge. These will typically involve the cardholder providing additional information, such as the security code printed on the back of the card, or the address of the cardholder.

Each month, the credit card user is sent a statement indicating the purchases undertaken with the card, any outstanding fees, and the total amount owed. After receiving the statement, the cardholder may dispute any charges that he or she thinks are incorrect. Otherwise, the cardholder must pay a defined minimum proportion of the bill by a due date, or may choose to pay a higher amount up to the entire amount owed. The credit provider charges interest on the amount owed if the balance is not paid in full (typically at a much higher rate than most other forms of debt). Some financial institutions can arrange for automatic payments to be deducted from the user's bank accounts, thus avoiding late payment altogether as long as the cardholder has sufficient funds.

2.1.2 Interest charges

Credit card issuers usually waive interest charges if the balance is paid in full each month, but typically will charge full interest on the entire outstanding balance from the date of each purchase if the total balance is not paid.

For example, if a user had a \$1,000 transaction and repaid it in full within this grace period, there would be no interest charged. If, however, even \$1.00 of the total amount remained unpaid, interest would be charged on the \$1,000 from the date of purchase until the payment is received. The precise manner in which interest is charged is usually detailed in a cardholder agreement which may be summarized on the back of the monthly statement. The general calculation formula most financial institutions use to determine the amount of interest to be charged is $APR/100 \times ADB/365 \times \text{number of days revolved}$. Take the Annual percentage rate (APR) and divide by 100 then multiply to the amount of the average daily balance (ADB) divided by 365 and then take this total and multiply by the total number of days the amount revolved before payment was made on the account. Financial institutions refer to interest charged back to the original time of the transaction and up to the time a payment was made, if not in full, as RRFC or residual retail finance charge. Thus after an amount has revolved and a payment has been made, the user of the card will still receive interest charges on their statement after paying the next statement in full (in fact the statement may only have a charge for interest that collected up until the date the full balance was paid...i.e. when the balance stopped revolving).

The credit card may simply serve as a form of revolving credit, or it may become a complicated financial instrument with multiple balance segments each at a different interest rate, possibly with a single umbrella credit limit, or with separate credit limits applicable to the various balance segments. Usually this compartmentalization is the result of special incentive offers from the issuing bank, to encourage balance transfers from cards of other issuers. In the event that several interest rates apply to various balance segments, payment allocation is generally at the discretion of the issuing bank, and payments will therefore usually be allocated towards the lowest rate balances until paid in full before any money is

paid towards higher rate balances. Interest rates can vary considerably from card to card, and the interest rate on a particular card may jump dramatically if the card user is late with a payment on that card *or any other credit instrument*, or even if the issuing bank decides to raise its revenue.

2.1.3 Benefits to customers

The main benefit to each customer is convenience. Compared to debit cards and checks, a credit card allows small short-term loans to be quickly made to a customer who need not calculate a balance remaining before every transaction, provided the total charges do not exceed the maximum credit line for the card.

Because of intense competition in the credit card industry, credit card providers often offer incentives such as frequent flyer points, gift certificates, or cash back (typically up to 1 percent based on total purchases) to try to attract customers to their programs. However it should be noted that the incentive is insignificant to the interest charged for carrying a balance.

Low interest credit cards or even 0% interest credit cards are available. However, services are available which alert credit card holders when their low interest period is due to expire. Most such services charge a monthly or annual fee.

2.1.4 Detriments to customers

Credit cards with low introductory rates are limited to a fixed term, usually between 6 and 12 months after which a higher rate is charged. As all credit cards assess fees and interest, some customers become so encumbered with their credit debt service that they are driven to bankruptcy. Credit cards will often stipulate a default rate of 20 to 30 percent in the event a payment is missed. That is, if a consumer misses a payment, the rate will automatically increase to a very burdensome level. This can lead to a snowball effect in which the consumer is drowned by unexpectedly high interest rates. Further most card holder agreements enable the issuer to arbitrarily raise the interest rate for any reason they see fit.

2.1.5 Grace period

A credit card's grace period is the time the customer has to pay the balance before interest is charged to the balance. Grace periods vary, but usually range from 20 to 40 days depending on the type of credit card and the issuing bank. Some policies allow for reinstatement after certain conditions are met.

Usually, if a customer is late paying the balance, finance charges will be calculated and the grace period does not apply. Finance charges incurred depend on the grace period and balance; with most credit cards there is no grace period if there is any outstanding balance from the previous billing cycle or statement (i.e. interest is applied on both the previous balance and new transactions). However, there are some credit cards that will only apply finance charge on the previous or old balance, excluding new transactions.

2.1.6 Benefits to merchants

For merchants, a credit card transaction is often more secure than other forms of payment, such as checks, because the issuing bank commits to pay the merchant the moment the transaction is authorized, regardless of whether the consumer defaults on the credit card payment (except for legitimate disputes, which are discussed below, and can result in charges back to the merchant). In most cases, cards are even more secure than cash, because they discourage theft by the merchant's employees and reduce the amount of cash on the premises. Prior to credit cards, each merchant had to evaluate each customer's credit history before extending credit. That task is now performed by the banks which assume the credit risk. Credit cards can also aid in securing a sale, especially if the customer does not have enough cash on his or her person or checking account.

For each purchase, the bank charges the merchant a commission (discount fee) for this service and there may be a certain delay before the agreed payment is received by the merchant. The commission is often a percentage of the transaction amount, plus a fixed fee. In addition, a merchant may be penalized or have their ability to

receive payment using that credit card restricted if there are too many cancellations or reversals of charges as a result of disputes. Some small merchants require credit purchases to have a minimum amount (usually between \$5 and \$10) to compensate for the transaction costs, though this is strictly prohibited by credit card companies and credit card companies attempt to get consumers to report such merchants.

In some countries, for example the Nordic countries, banks guarantee payment on stolen cards only if an ID card is checked and the ID card number/civic registration number is written down on the receipt together with the signature. In these countries merchants therefore usually ask for ID. Non-Nordic citizens, who are unlikely to possess a Nordic ID card or driving license, will instead have to show their passport, and the passport number will be written down on the receipt, sometimes together with other information. Some shops use the card's PIN for identification, and in that case showing an ID card is not necessary.

2.1.7 Costs to merchants

Merchants are charged many fees for the privilege of accepting credit cards. The merchant may be charged a discount rate of 1%-3%+ of each transaction obtained through a credit card. Usually, the merchant will also pay a flat per-item charge of \$0.05 - \$0.50 for each transaction. Thus in some instances of very low value transactions, use of credit cards may actually cause the merchant to lose money on the transaction. Merchants choose to pay these costs in exchange for the increased profitable sales they can create. Thus, they are considering part of the overall cost of marketing. Merchants with very low average transaction prices or very high average transaction prices are more averse to accepting credit cards. But rates are often reduced in an attempt to include more of these types of merchants.

2.1.8 Parties involved

-) **Cardholder:** The holder of the card used to make a purchase; the consumer.

- J **Card-issuing bank:** The financial institution or other organization that issued the credit card to the cardholder. This bank bills the consumer for repayment and bears the risk that the card is used fraudulently. American Express and Discover were previously the only card-issuing banks for their respective brands, but as of 2007, this is no longer the case. Cards issued by banks to cardholders in a different country are known as offshore credit cards.
- J **Merchant:** The individual or business accepting credit card payments for products or services sold to the cardholder
- J **Acquiring bank:** The financial institution accepting payment for the products or services on behalf of the merchant.
- J **Independent sales organization:** Resellers (to merchants) of the services of the acquiring bank.
- J **Merchant account:** This could refer to the acquiring bank or the independent sales organization, but in general is the organization that the merchant deals with.
- J **Credit Card association:** An association of card-issuing banks such as Visa, MasterCard, Discover, American Express, etc. that set transaction terms for merchants, card-issuing banks, and acquiring banks.
- J **Transaction network:** The system that implements the mechanics of the electronic transactions. May be operated by an independent company, and one company may operate multiple networks. Transaction processing networks include: Cardnet, Nabanco, Omaha, Paymentech, NDC Atlanta, Nova, TSYS, Concord EFSnet, and VisaNet.
- J **Affinity partner:** Some institutions lend their names to an issuer to attract customers that have a strong relationship with that institution, and get paid a fee or a percentage of the balance for each card issued using their name. Examples of typical affinity partners are sports teams, universities, charities, professional organizations, and major retailers.

The flow of information and money between these parties — always through the card associations — is known as the interchange, and it consists of a few steps.

2.1.9 Transaction steps

- J **Authorization:** The cardholder pays for the purchase and the merchant submits the transaction to the acquirer (acquiring bank). The acquirer verifies the credit card number, the transaction type and the amount with the issuer (Card-issuing bank) and reserves that amount of the cardholder's credit limit for the merchant. An authorization will generate an approval code, which the merchant stores with the transaction.

- J **Batching:** Authorized transactions are stored in "batches", which are sent to the acquirer. Batches are typically submitted once per day at the end of the business day. If a transaction is not submitted in the batch, the authorization will stay valid for a period determined by the issuer, after which the held amount will be returned back to the cardholder's available credit (see authorization hold). Some transactions may be submitted in the batch without prior authorizations; these are either transactions falling under the merchant's floor limit or ones where the authorization was unsuccessful but the merchant still attempts to force the transaction through. (Such may be the case when the cardholder is not present but owes the merchant additional money, such as extending a hotel stay or car rental.)

- J **Clearing and Settlement:** The acquirer sends the batch transactions through the credit card association, which debits the issuers for payment and credits the acquirer. Essentially, the issuer pays the acquirer for the transaction.

- J **Funding:** Once the acquirer has been paid, the acquirer pays the merchant. The merchant receives the amount totaling the funds in the batch minus the "discount rate," which is the fee the merchant pays the acquirer for processing the transactions.

- J) **Chargebacks:** A chargeback is an event in which money in a merchant account is held due to a dispute relating to the transaction. Chargebacks are typically initiated by the cardholder. In the event of a chargeback, the issuer returns the transaction to the acquirer for resolution. The acquirer then forwards the chargeback to the merchant, who must either accept the chargeback or contest it.

2.1.2 Types of Credit Card

Secured credit cards

A secured credit card is a type of credit card secured by a deposit account owned by the cardholder. Typically, the cardholder must deposit between 100% and 200% of the total amount of credit desired. Thus if the cardholder puts down \$1000, they will be given credit in the range of \$500–\$1000. In some cases, credit card issuers will offer incentives even on their secured card portfolios. In these cases, the deposit required may be significantly less than the required credit limit, and can be as low as 10% of the desired credit limit. This deposit is held in a special savings account. Credit card issuers offer this because they have noticed that delinquencies were notably reduced when the customer perceives something to lose if the balance is not repaid.

The cardholder of a secured credit card is still expected to make regular payments, as with a regular credit card, but should they default on a payment, the card issuer has the option of recovering the cost of the purchases paid to the merchants out of the deposit. The advantage of the secured card for an individual with negative or no credit history is that most companies report regularly to the major credit bureaus. This allows for building of positive credit history.

Although the deposit is in the hands of the credit card issuer as security in the event of default by the consumer, the deposit will not be debited simply for missing one or two payments. Usually the deposit is only used as an offset when

the account is closed, either at the request of the customer or due to severe delinquency (150 to 180 days). This means that an account which is less than 150 days delinquent will continue to accrue interest and fees, and could result in a balance which is much higher than the actual credit limit on the card. In these cases the total debt may far exceed the original deposit and the cardholder not only forfeits their deposit but is left with an additional debt.

Most of these conditions are usually described in a cardholder agreement which the cardholder signs when their account is opened.

Secured credit cards are an option to allow a person with a poor credit history or no credit history to have a credit card which might not otherwise be available. They are often offered as a means of rebuilding one's credit. Secured credit cards are available with both Visa and MasterCard logos on them. Fees and service charges for secured credit cards often exceed those charged for ordinary non-secured credit cards, however, for people in certain situations, (for example, after charging off on other credit cards, or people with a long history of delinquency on various forms of debt), secured cards can often be less expensive in total cost than unsecured credit cards, even including the security deposit.

Prepaid "credit" cards

A **prepaid credit card** is not a credit card, since no credit is offered by the card issuer: the card-holder spends money which has been "stored" via a prior deposit by the card-holder or someone else, such as a parent or employer. However, it carries a credit-card brand (Visa, MasterCard, American Express or Discover) and can be used in similar ways just as though it were a regular credit card.

After purchasing the card, the cardholder loads the account with any amount of money, up to the predetermined card limit and then uses the card to make purchases the same way as a typical credit card. Prepaid cards can be issued to minors (above 13) since there is no credit line involved. The main advantage over secured credit cards (see above section) is that you are not required to come up

with \$500 or more to open an account. With prepaid credit cards you are not charged any interest but you are often charged a purchasing fee plus monthly fees after an arbitrary time period. Many other fees also usually apply to a prepaid card.

Prepaid credit cards are sometimes marketed to teenagers for shopping online without having their parents complete the transaction.

Because of the many fees that apply to obtaining and using credit-card-branded prepaid cards, the Financial Consumer Agency of Canada describes them as "an expensive way to spend your own money". The agency publishes a booklet, "Prepaid cards", which explains the advantages and disadvantages of this type of prepaid card.

2.1.2.1 Components of Credit Card

The components of credit card are as follows (Singh , 2004):

1. Unique card number

It is the credit card number embossed on the credit card by embossing machine. Card number will be different for different credit card account. The beginning card number differs depending upon the settlement banks. For example Master Card begins with the number 5 and Visa with the number-4.

2. Name of cardholder

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

3. Validity Date

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

4. Issuing Bank

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

5. Brand Name

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

6. Magnetic Strips

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

7. Photo of the Holder

A photo of credit card holder is attested on the backside of credit card to make the credit card transaction simple and convenient. Photo of the credit card holder is not attested in credit card. It depends upon the credit card issuing bank. For example, in Nepal , a photo is attested in the Visa Card issued by Himalayan Bank Limited but it is not in the Master Card issued by Nabil Bank Ltd.

2.1.2.2 History of Credit Card

The concept of using a card for purchases was described in 1887 by Edward Bellamy in his utopian novel *Looking Backward*. Bellamy used the term *credit card* eleven times in this novel.

The modern credit card was the successor of a variety of merchant credit schemes. It was first used in the 1920s, in the United States, specifically to sell fuel to a growing number of automobile owners. In 1938 several companies started to

accept each other's cards. Western Union had begun issuing charge cards to its frequent customers in 1921. Some charge cards were printed on paper card stock, but were easily counterfeited.

The Charga-Plate was an early predecessor to the credit card and used during the 1930s and late 1940s. It was a 2 1/2" x 1 1/4" rectangle of sheet metal, similar to a military dog tag that was embossed with the customer's name, city and state (no address). It held a small paper card for a signature. It was laid in the imprinter first, then a charge slip on top of it, onto which an inked ribbon was pressed. Charga-Plate was a trademark of Farrington Manufacturing Co. Charga-Plates were issued by large-scale merchants to their regular customers, much like department store credit cards of today. In some cases, the plates were kept in the issuing store rather than held by customers. When an authorized user made a purchase, a clerk retrieved the plate from the store's files and then processed the purchase. Charga-Plates speeded back-office bookkeeping that was done manually in paper ledgers in each store, before computers.

The concept of customers paying different merchants using the same card was invented in 1950 by Ralph Schneider and Frank X. McNamara, founders of Diners Club, to consolidate multiple cards. The Diners Club, which was created partially through a merger with Dine and Sign, produced the first "general purpose" charge card, and required the entire bill to be paid with each statement. That was followed by Carte Blanche and in 1958 by American Express which created a worldwide credit card network.

Bank of America created the *BankAmericard* in 1958, a product which, with its overseas affiliates, eventually evolved into the Visa system. MasterCard came to being in 1966 when a group of credit-issuing banks established MasterCharge; it received a significant boost when Citibank merged its proprietary Everything Card, launched in 1967, into Master Charge in 1969. The fractured nature of the U.S. banking system meant that credit cards became an effective way for those who were traveling around the country to move their credit to places where they

could not directly use their banking facilities. In 1966 Barclaycard in the UK launched the first credit card outside of the U.S.

There are now countless variations on the basic concept of revolving credit for individuals (as issued by banks and honored by a network of financial institutions), including organization-branded credit cards, corporate-user credit cards, store cards and so on.

In contrast, although having reached very high adoption levels in the US, Canada and the UK, it is important to note that many cultures were much more cash-oriented in the latter half of the twentieth century, or had developed alternative forms of cash-less payments, such as Carte bleue or the Eurocard (Germany, France, Switzerland, and others). In these places, the take-up of credit cards was initially much slower. It took until the 1990s to reach anything like the percentage market-penetration levels achieved in the US, Canada, or the UK. In many countries acceptance still remains poor as the use of a credit card system depends on the banking system being perceived as reliable.

In contrast, because of the legislative framework surrounding banking system overdrafts, some countries, France in particular, were much faster to develop and adopt chip-based credit cards which are now seen as major anti-fraud credit devices.

The design of the credit card itself has become a major selling point in recent years. The value of the card to the issuer is often related to the customer's usage of the card, or to the customer's financial worth. This has led to the rise of Co-Brand and Affinity cards - where the card design is related to the "affinity" (a university, for example) leading to higher card usage. In most cases a percentage of the value of the card is returned to the affinity group.

2.1.2.3 Security Problems and Solutions

Credit card security relies on the physical security of the plastic card as well as the privacy of the credit card number. Therefore, whenever a person other than the

card owner has access to the card or its number, security is potentially compromised. Once, merchants would often accept credit card numbers without additional verification for mail order purchases. It's now common practice to only ship to confirmed addresses as a security measure to minimise fraudulent purchases. Some merchants will accept a credit card number for in-store purchases, whereupon access to the number allows easy fraud, but many require the card itself to be present, and require a signature. A lost or stolen card can be cancelled, and if this is done quickly, will greatly limit the fraud that can take place in this way. For internet purchases, there is sometimes the same level of security as for mail order (number only) hence requiring only that the fraudster take care about collecting the goods, but often there are additional measures. European banks can require a cardholder's security PIN be entered for in-person purchases with the card.

The PCI DSS is the security standard issued by The PCI SSC (Payment Card Industry Security Standards Council). This data security standard is used by acquiring banks to impose cardholder data security measures upon their merchants.

The low security of the credit card system presents countless opportunities for fraud. This opportunity has created a huge black market in stolen credit card numbers, which are generally used quickly before the cards are reported stolen.

The goal of the credit card companies is not to eliminate fraud, but to "reduce it to manageable levels". This implies that high-cost low-return fraud prevention measures will not be used if their cost exceeds the potential gains from fraud reduction - as would be expected from organisations whose goal is profit maximisation.

Most internet fraud is done through the use of stolen credit card information which is obtained in many ways, the simplest being copying information from retailers, either online or offline. Despite efforts to improve security for remote purchases using credit cards, systems with security holes are usually the result of poor

implementations of card acquisition by merchants. For example, a website that uses SSL to encrypt card numbers from a client may simply email the number from the webserver to someone who manually processes the card details at a card terminal. Naturally, anywhere card details become human-readable before being processed at the acquiring bank, a security risk is created. However, many banks offer systems where encrypted card details captured on a merchant's web server can be sent directly to the payment processor.

Controlled Payment Numbers which are used by various banks such as Citibank (Virtual Account Numbers), Discover (Secure Online Account Numbers, Bank of America (Shop Safe), 5 banks using eCarte Bleue and CMB's Virtualis in France, and Swedbank of Sweden's eKort product are another option for protecting one's credit card number. These are generally one-time use numbers that front one's actual account (debit/credit) number, and are generated as one shops on-line. They can be valid for a relatively short time, for the actual amount of the purchase, or for a price limit set by the user. Their use can be limited to one merchant if one chooses. The effect of this is the users real account details are not exposed to the merchant and its employees. If the number the merchant has on their database is compromised, it would be useless to a thief after the first transaction and will be rejected if an attempt is made to use it again.

The same system of controls can be used on standard real plastic as well. For example if a consumer has a chip and pin (EMV) enabled card they can limit that card so that it be used only at point of sale locations (i.e restricted from being used on-line) and only in a given territory (i.e only for use in Canada). This technology provides the option for banks to support many other controls too that can be turned on and off and varied by the credit card owner in real time as circumstances change (i.e, they can change temporal, numerical, geographical and many other parameters on their primary and subsidiary cards). Apart from the obvious benefits of such controls: from a security perspective this means that a customer can have a chip and pin card secured for the real world, and limited for use in the home country assuming it is totally chip and pin. In this eventuality a thief stealing the

details will be prevented from using these overseas in non chip and pin (EMV) countries. Similarly the real card can be restricted from use on-line so that stolen details will be declined if this tried. Then when card users shop online they can use virtual account numbers. In both circumstances an alert system can be built in notifying a user that a fraudulent attempt has been made which breaches their parameters, and can provide data on this in real time. This is the optimal method of security for credit cards, as it provides very high levels of security, control and awareness in the real and virtual world. Furthermore it requires no changes for merchants at all and is attractive to users, merchants and banks, as it not only detects fraud but prevents it.

2.1.2.4 Risk Involved in Credit Card Business

The major risks involved in credit card business are as follows:

- a. Loss of card
- b. Copy of signature
- c. Change of amount
- d. Transaction of Expired card
- e. Duplication of card
- f. Identified counterfeit transaction
- g. Unidentified counterfeit transaction
- h. Magnetic stripe fraud (Skimming)

2.1.2.5 Credit cards in ATMs

Many credit cards can also be used in an ATM to withdraw money against the credit limit extended to the card, but many card issuers charge interest on cash advances before they do so on purchases. The interest on cash advances is commonly charged from the date the withdrawal is made, rather than the monthly billing date. Many card issuers levy a commission for cash withdrawals, even if the ATM belongs to the same bank as the card issuer. Merchants do not offer cashback on credit card transactions because they would pay a percentage

commission of the additional cash amount to their bank or merchant services provider, thereby making it uneconomical.

Many credit card companies will also, when applying payments to a card, do so at the end of a billing cycle, and apply those payments to everything before cash advances. For this reason, many consumers have large cash balances, which have no grace period and incur interest at a rate that is (usually) higher than the purchase rate, and will carry those balance for years, even if they pay off their statement balance each month.

2.2 Review of Related Studies

Durrel (2009), in a web article, “The Importance of Credit Card Debt” has discussed about the ways to overcome credit card debt. He says that in today’s distressing economy, many individuals are finding it relatively difficult to meet even the minimum required payments on their credit cards. He has mentioned the following two ways of managing credit card debt:

One of the most effective strategies for winning the battle against all that credit that is marked against you is to tackle the items that seem to carry the highest level of interest. Once this is done, managing your credit card debt will be much easier.

The next move to managing credit card debt is to guarantee that you knock out many of the bills that you have that ultimately have the minimum balance. This possibly assist lower your interest rates on the credit card, along with the total amount of debt you have collected.

Credit Card Satisfaction Study of J.D. Power and Associates 2007, an ISO 9001-registered global marketing information services firm, revealed that American Express ranks highest among credit card issuers in overall customer satisfaction. The inaugural study measures customer satisfaction with credit cards by examining five key factors. In order of importance, they are: benefits and features (34%); rewards (25%); billing and payment process (21%); fees and rates (16%); and problem resolution (4%).

American Express ranks highest among the 10 credit card issuers examined in the study with a score of 735 on a 1,000-point scale, performing particularly well in benefits and features, and problem resolution. Discover closely follows American Express with a score of 728, performing well in rewards, and billing and payment.

Credit card holders typically fall into one of two categories—those that always or usually pay the full balance on their card each month and those that don't—and the study finds that each group selects their card for different reasons. Nearly 65 percent of credit card holders who say they always or usually pay the full balance on their card each month (referred to as transactors) indicate that rewards programs are most important, while only 29 percent of card holders who pay less than the full balance each month (referred to as revolvers) say the same. Conversely, nearly 40 percent of revolvers indicate that lower interest rates and fees are most important, compared with only 8 percent of transactors who say the same.

The study also finds that rewards are key in credit card selection across the industry, and 80 percent of card holders receive some type of reward with their credit card usage. The most popular rewards program is airline miles, with 40 percent of credit card holders receiving this incentive. However, customers who receive cash points (22%) applied to their card's balance or hotel rewards points (9%) express higher levels of overall satisfaction.

While rewards programs are important to many credit card customers, some are also attracted to credit cards that offer lower interest rates and no annual fees. The study finds that customers of Discover, WaMu and Wells Fargo frequently cite “no annual fees” as the reason they selected their card. In addition, 84 percent of Wells Fargo card holders also use Wells Fargo as their primary bank.

While other credit card benefits—such as travel-related insurance, emergency assistance and concierge services—are also important to many card holders, most are not fully aware of the benefits their card offers.

From an industry perspective, credit card customers provide an average satisfaction score of 658 points. This is considerably lower than the average satisfaction scores provided by customers in other financial markets the firm conducts studies in: mortgage servicing (798), online investing (773) and retail banking (763).

Among the credit card networks, customer satisfaction with American Express and Discover is significantly higher than with MasterCard or Visa. However, 89 percent of Visa customers and 87 percent of MasterCard customers indicate that their card is accepted everywhere they want to use it, while only 17 percent of American Express and 19 percent of Discover customers say the same. MasterCard holders have slightly higher satisfaction than those with a Visa, which is primarily driven by higher satisfaction with membership benefits.

The 2007 Credit Card Satisfaction Study is based on responses from 7,812 credit card users. The study was fielded in June and July 2007.

According to a development report by Visa International (2000), in 1998 over 185 million bank card were issued in Asia Pacific region alone, which accounted for transaction worth over USD 330 billion. When compared to other regions such as European Union, North America, etc the volume is quite low but a consistent growth of 30% has been maintained by the payment card sector in the payment industry. Merchant locations outlets that accepts these cards as a means of payment, is over 5.4 million. The growth in electronic terminals (device which execute transactions electronically) is growing at an annual rate of 40% whereas the number of ATMs has grown at the rate of 25%

Thapa (2059), in his research study “ The Prospects and challenges of Credit Card Business in the Banking Sector of Nepal” has taken Nabil Bank Ltd and Standard Chartered Bank Ltd. as a sample bank. According to this study, acceptance infrastructure, dependency on tourist arrival and high fixed cost associated with card operation are the major problems and challenges of credit card business in Nepal.

Hada (2004), in her research study “Credit Card Practices in Nepal” has taken NABIL, HBL, and SCBNL as a sample bank. According to this study, NABIL, HBL and SCBNL are 2nd, 3rd and 1st position respectively on the basis of percentage hold by sampled banks. Growth position of sampled banks is shown both positive and negative. SCBNL has positive growth but Nabil and HBL have negative growth position. All three banks under study have increasing number of cardholder and merchant.

The above mentioned studies related to credit card have not covered all the banks providing credit card facility till now. Even clear scenario of credit card business has not been presented by the previous studies. In this background, this research study aims to search the real scenario of trend and structure of credit card business in Nepal.

RESEARCH METHODOLOGY

Research methodology is the major part of any research work. It classifies the way the researcher is following to the pattern of the study. It includes research design, sources of data collection, processing and tabulating procedure, sample size and so on. To meet the objective of this research work, the methodology consists of following elements.

3.1 Research Design:

This study is based on secondary data. The design follows descriptive type of research and analytical framework. Data collected from different sources have been presented systematically. And other information with adequate interpretations has been presented using descriptive method and tools such as: tabulation, percentage, average, charts etc.

3.2 Sample Size:

In order to show trend and structure of credit card following 4 banks are taken as a sample.

Nabil Bank Ltd.

Himalayan Bank Ltd.

Standard Chartered Bank Ltd.

Nepal Investment Bank Ltd.

For primary data collection, 59 cardholders and 59 merchants are selected. And 60 students studying in BBS/BBA level in three reputed college of Kathmandu are selected as sample.

3.3 Sources of Data:

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

3.4 Statistical tools used

Method of data presentation and analysis is mainly based on tabular form. Charts and diagrams are also used to clarify and verify the data presented. However, various statistical tools are used to evaluate the performance of credit card business of banks under study. Major tools used in this study are as follows:

- Standard deviation
- Coefficient of variation
- Correlation

GENERAL INTRODUCTION OF THE BANKS UNDER STUDY

Standard Chartered Bank Nepal Limited

Standard Chartered Bank Nepal Limited has been in operation in Nepal since 1987. The Bank is an integral part of Standard Chartered Group having an ownership of 75% and the balance owned by the Nepalese public. The Bank is the largest international bank currently operating in Nepal.

Standard Chartered has a history of over 150 years in banking and operates in many of the world's fastest-growing markets in over 70 countries. Standard Chartered employs almost 75,000 people, representing over 115 nationalities, worldwide. This diversity lies at the heart of the Bank's values and supports the Bank's growth as the world increasingly becomes one market.

With 16 points of representation, 17 ATMs and more than 350 local staff, Standard Chartered Bank Nepal Ltd. is in a position to serve its customers through an extensive domestic network. In addition, the global network of Standard Chartered Group gives the Bank a unique opportunity to provide truly international banking services in Nepal.

Standard Chartered Bank Nepal Limited offers a full range of banking products and services in Wholesale and Consumer banking. The Bank has been the pioneer in introducing 'customer focused' products and services and aspires to continue to be a leader in introducing new products in delivering superior services. Corporate Social Responsibility is an integral part of Standard Chartered's ambition to become the world's best international bank and is the mainstay of the Bank's values.

Nabil Bank Limited

The arrival of Nabil Bank in Nepal on the 12th of July 1984 through a joint venture with Dubai Bank Ltd. under a Technical Service Agreement (TSA), marks a new dawn in the Nepalese banking industry. What is more admirable is with the opening of then Nepal Arab Bank Ltd, Customer Service or marketing took a U-turn. That in substance accelerated the evolution in banking products and services thereafter in Nepal. The bank commenced with a team of about 50 staff members and Rs. 28 million as capital.

Today Nabil entering the 25th year of operation has proved that it has through its past progressions and through different phases in the banking industry achieved two things we can take pride in: first it has a large clientele base and supportive stakeholders, secondly, it has succeeded in positioning itself robustly in the market for which the credit goes to Team Nabil. Today the Bank has established itself as the Bank of 1st Choice. We are the largest bank in terms of the network and number of branches amongst the commercial banks with a wide network of ATMs and offerings including a range of diversified service products. We have a number of domains in our precedence of excellence that mirrors where we stand in the market. In this span of 24 years of banking operation Nabil has already distributed rich cash dividends, spectacular returns on asset and equity even during the most trying times. All of which endorses the strength and drive with which Nabil proceeds.

Nabil, in order to make its presence felt in every walk of life and serve people across all social strata and segments, have expanded its network by adding 9 more branches that totals to 28 points of representation in the nation. It has diversified its realms of business in the interests of our customers and is also being inspired by the noble cause of adding value to economic development. It has multiple sectors in focus to serve host of entrepreneurs as its new strategies are to expand dynamically, exploring new avenues and opportunities. It thus has packaged its service products into well a diversified range consisting of corporate banking, trade finance, along with consumer and retail banking services specifically, card

products, microfinance and the like to reach out to the masses. Nabil has been able to reach where it is today having lived its values of being C.R.I.S.P at all times.

Nepal Investment Bank Ltd.

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 Banijya 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).

Himalayan Bank Limited

Himalayan Bank Limited-established- established and promoted in 1993 by a group of prominent businessmen, bankers and financial institutions with Habib Bank Limited of Pakistan, as the joint-venture partner today stands as one of the largest private-sector commercial banks in the country. The Bank's loan profile, comprising of a healthy mix of diversified sectors stands at Rs.20.18 billion, whereas the deposit portfolio of the Bank stands atRs. 31.84 billion, which is one

of the biggest portfolio vis-à-vis other private-sector commercial banks in the country. The bank also possesses a healthy foreign currency deposit portfolio that provides good returns. Inward remittances have consistently been on the upswing for years, enabling the Bank to earn much required forex earnings and providing a cushion for trade financing.

The fast growth of the Bank has been made possible through the strategic approach we have undertaken and the years of hard work and preservice on the part of the Board, top management and qualified human resources. Any business opportunities that have come along has been thoroughly evaluated and tapped whenever found feasible. We have put into use all available forms of resources to grab the opportunities available in the banking sector.

Today the bank has one of the largest ATM networks in the country. The number of branches have grown at a steady pace. To increase its service base and tap new businesses in these emerging markets, it has invested heavily in cutting-edge technology to complement its business capability, with the understanding that technology in today's world has become a necessity as a driving force if it is to excel. In line with this, it has upgraded its software to the T24r8 version of TEMENOS. The card business has expanded rapidly and the Bank today offers all forms of cards services for its customers-credit cards, debit card and pre-paid cards. The card business has turned out to be a lucrative and impressive business for the bank as more and more customers are being attracted towards card banking.

To support both the trade financing and remittance business, it has been continuously expanding its correspondent network. To ensure that customers optimally enjoy modern banking, it is providing technology-driven services such as Internet banking and SMS banking.

Its progress over the last 15 years is a testimony to the quality of our leadership and human resources. It has followed a customer-oriented approach and therefore have been able to win the trust of the customers over the years.

CHAPTER 4

PRESENTATION AND ANALYSIS OF DATA

This part is devoted to the analysis and presentation of data which are of both primary and secondary in nature. The secondary data have been obtained mostly from concerned banks and previous research studies. The available data have been tabulated and presented into graphs, charts and analyzed by using some statistical tools to reach at some findings.

The real scenario of credit card business in Nepal found on the due study of the researcher is explained based on preceding sub titles.

4.1 User Trend of Credit Card Business

The credit card business has not a long history in Nepal. It is still quite new in Nepalese market. Actual scenario of credit card holder of sample banks and industry is mentioned in the table and graph below.

Table 4.1

User Trend of Credit Card Business

Year	Nabil	HBL	SCBNL	NIBL	Industry
1997/98	2415	2654	1859		6928
1198/99	2381	3247	2194		7822
1999/2000	2769	3050	2786		8605
2000/01	3286	3276	3133		9695
2001/02	3984	2324	6161		12469
2002/03	4685	3382	8265		16332
2003/04	5268	3758	10915	350	20291
2004/05	6300	5202	12517	200	24219
2005/06	6900	6648	15763	300	29611
2006/07	8360	9927	18969	350	37606
2007/08	10600	10870	23793	600	45863
Average	5177.09	4939.82	9668.64	360	19949.2
Annual Growth rate (%)	14.72	16.03	27.88	19.05	18.95
Standard Deviation	2527.39	2830.39	7096.87	131.91	12298.28
Coefficient of Variance	48.818652	57.29737	73.40094	36.64141	61.648042

The table above shows the number of credit card user of sample banks and industry for past 11 years. It shows the trend of credit card users of Nabil, HBL, SCBNL, NIBL and Industry as a whole. The average users of Nabil, HBL, SCBNL, NIBL and Industry are 5177, 4940, 9669, 360 and 19949 respectively (The no. of users of NIBL seem low because Nepal Investment Bank had started to provide credit card facility since 2003/04). Similarly, the annual growth rates are 14.72%, 16.03%, 27.88%, 19.05% and 18.95% respectively. The standard deviation and coefficient of variation of Nabil, HBL, SCBNL, NIBL, and Industry are 48.82, 57.30, 73.40, 36.64, and 61.65 respectively. These figures indicate that SCBNL has the highest and NIBL has lowest average number of card users. SCBNL has higher growth rate than industry. SCBNL has the highest volatility among four sample-banks. Though all banks have less volatility than industry yet SCBNL has highest volatility than industry as a whole.

Figure: 4.1

User Trend of Credit Card Business

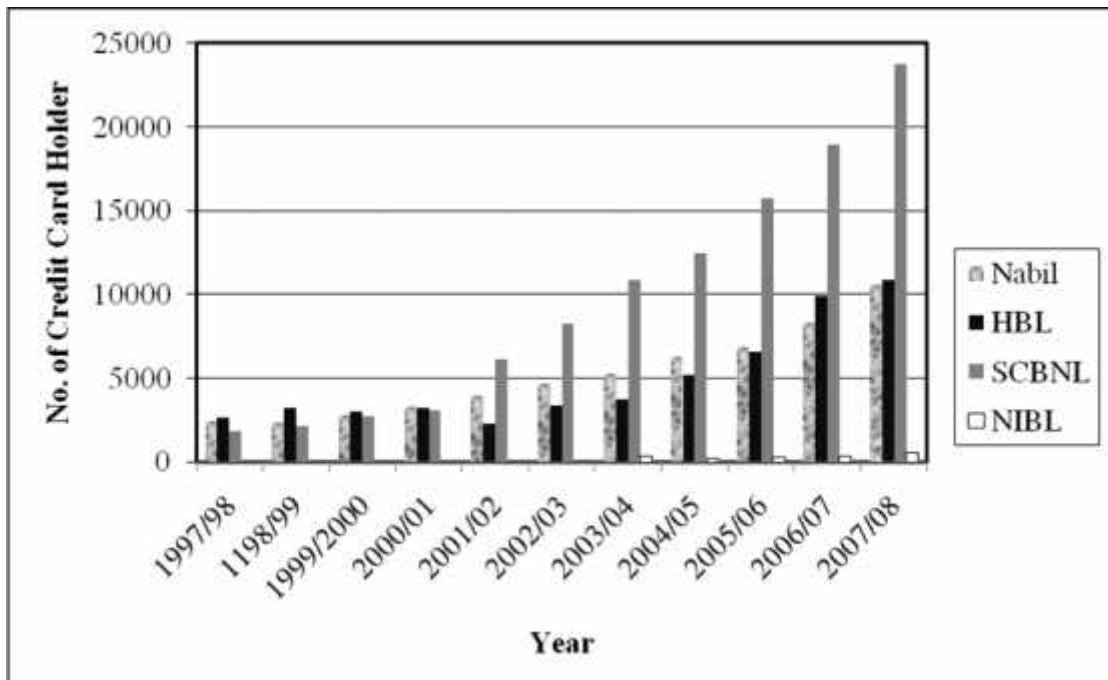
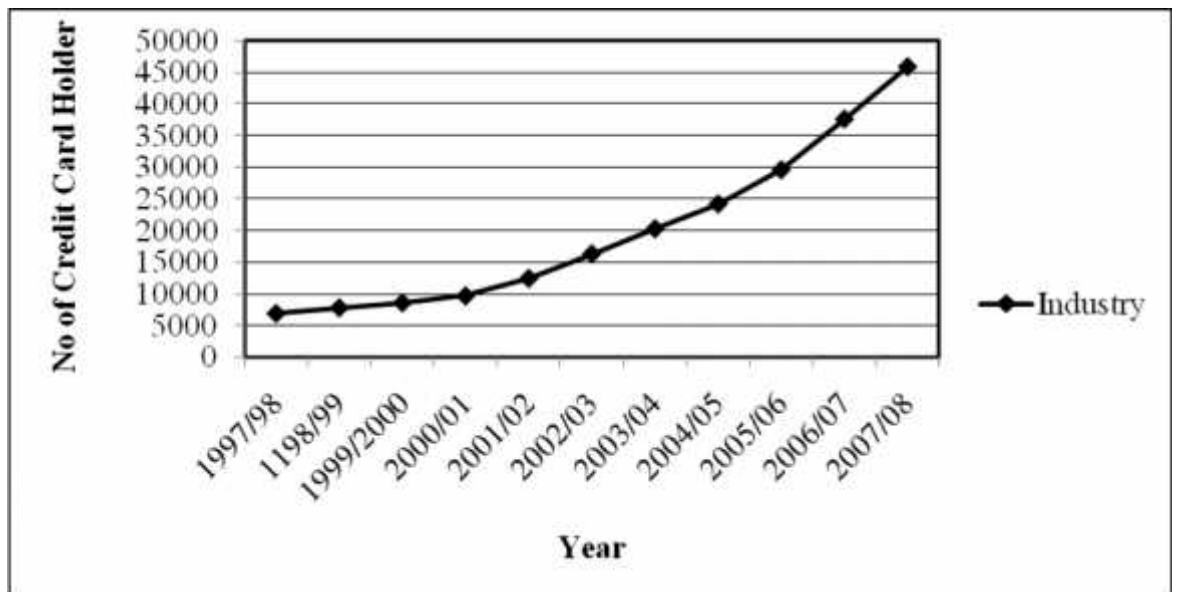


Figure: 4.2
User Trend of Industry



The above figure 4.1 shows that Nabil and HBL are following the slow growth motion whereas SCBNL is moving rapidly in the card business. As NIBL had started its card business later than other banks its growth motion seems very slow. However figure 4.2 shows that credit card industry is in increasing trend.

4.2 Merchant Trend of Credit Card Business

The facilities, schemes and acceptance infrastructure plays vital role in boosting credit card business. Merchant trend of credit card business is shown in following table and figure below.

Table 4.2

Merchant Trend of Credit Card Business

Year	Nabil	HBL	SCBNL	Industry
1997/98	1536	591	2299	4426
1198/99	1300	747	2958	5005
1999/2000	1520	900	3576	5996
2000/01	1654	977	3858	6489
2001/02	1512	546	4494	6552
2002/03	650	599	5232	6481
2003/04	800	631	7205	8636
2004/05	500	685	8312	9497
2005/06	650	792	10355	11797
2007/08	1000	923	11315	13238
2008/09	1300	1035	14357	16692
Average	1129.27	766	6723.73	8619
Annual Growth rate (%)	4.02	7.20	18.56	13.41
Standard Deviation	163.73	80.09	1298.70	1256.41
Coefficient of Variance	14.50	10.46	19.32	14.58

Figure 4.3

Merchant Trend of Credit Card Business

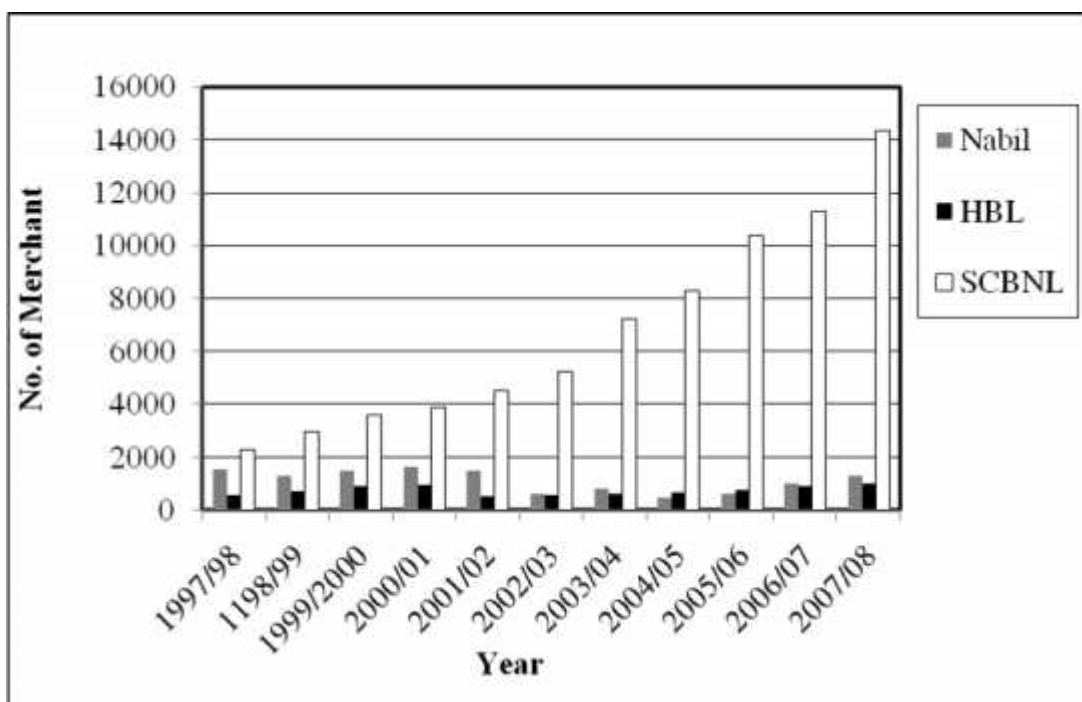
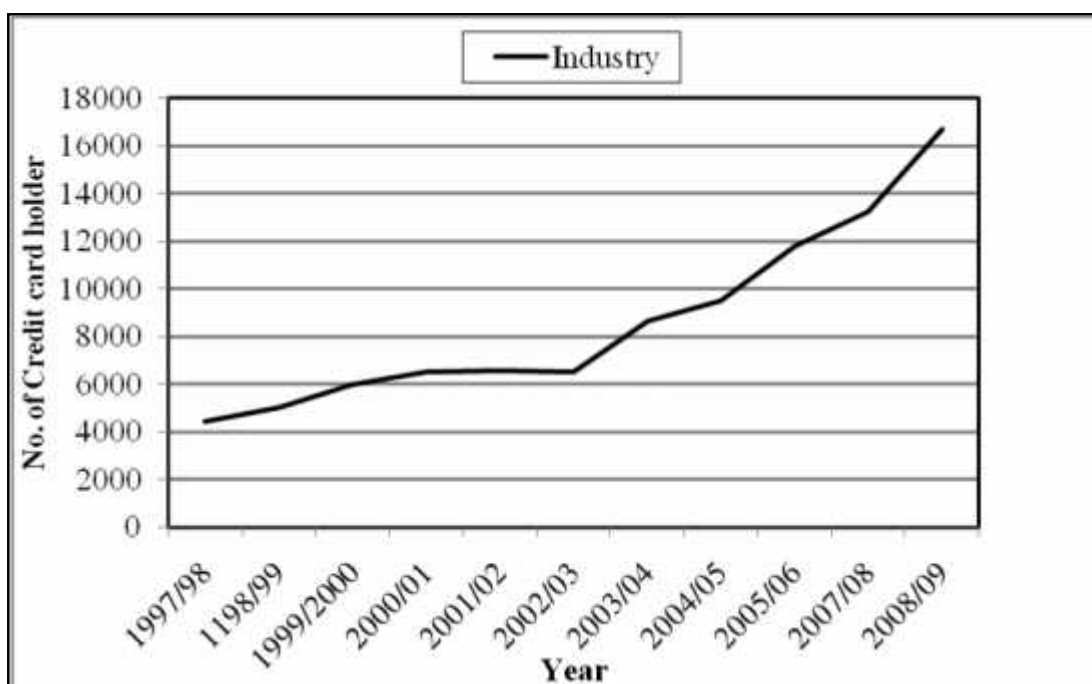


Figure 4.4
Merchant Trend of Industry



In the table above, among the sampled banks, the average number of merchant of Nabil, HBL, SCBNL and industry are 1129, 766, 6724 and 8691 respectively. SCBNL has the highest and HBL has the lowest number of merchant. In comparison to Industry all banks have less number of merchant than industry.

The average annual growth rate of Nabil, HBL, SCBNL and Industry are 4.02%, 7.20%, 18.56% and 13.41% respectively. Among the three banks SCBNL has highest growth rate even greater than Industry.

Standard deviation of Nabil, HBL, SCBNL and Industry are 163.73, 80.09, 1298.70 and 1256.41 respectively. It indicates that the volatility of merchant of SCBNL has highest within the Industry and HBL has lower volatility. All banks have less volatility as compared to Industry except SCBNL.

The coefficient of variation of Nabil, HBL, SCBNL and Industry are 14.50, 10.46, 19.32 and 14.58 respectively. These figures indicate that HBL has the lowest and SCBNL has the highest risk Industry. SCBNL has higher risk as compared to Industry.

Above figure 4.2 shows that SCBNL has the highest number of merchant, thereafter Nabil and HBL respectively. Figure 4.3 shows the increasing trend of number of merchant in the industry.

4.3 Acquiring Trend of Credit Card Business

This section depicts about the trend of usage rate of credit card or acquired volume of credit card. In case of Nepalese market, though the number of merchant seems few yet usage of credit card is increasing. The following table and figures show the acquiring trend of different banks and industry as a whole.

Table 4.3
Acquired Volumes of Different Banks

Rs in Million

Year	Nabil	HBL	SCBNL	NIBL	Industry
1997/98	5823.88	1049.15	6885.8		13758.83
1198/99	9244.53	1920.23	17147.56		28312.32
1999/2000	13746.6	1839.94	18597.56		34184.1
2000/01	8451.52	1100.89	11066.24		20618.65
2001/02	9343.32	1840.32	15496.69		26680.33
2002/03	11200.00	688.18	794.72		12682.9
2003/04	12300.00	748.45	934.45	534.57	13982.9
2004/05	15200.00	7621.7	1975.47	654.39	25451.56
2005/06	18900.00	14494.96	23454.6	879.84	57729.4
2006/07	22300.00	27864.81	43451.9	1274.65	94891.36
2007/08	26200.00	34164.73	74548.37	853.79	135766.89
Average	13882.71	8484.85	19486.67	839.45	42187.20
Growth rate	17.51	106.85	130.48	13.74	35.48

Figure 4.5
Acquired Volume of Different Banks

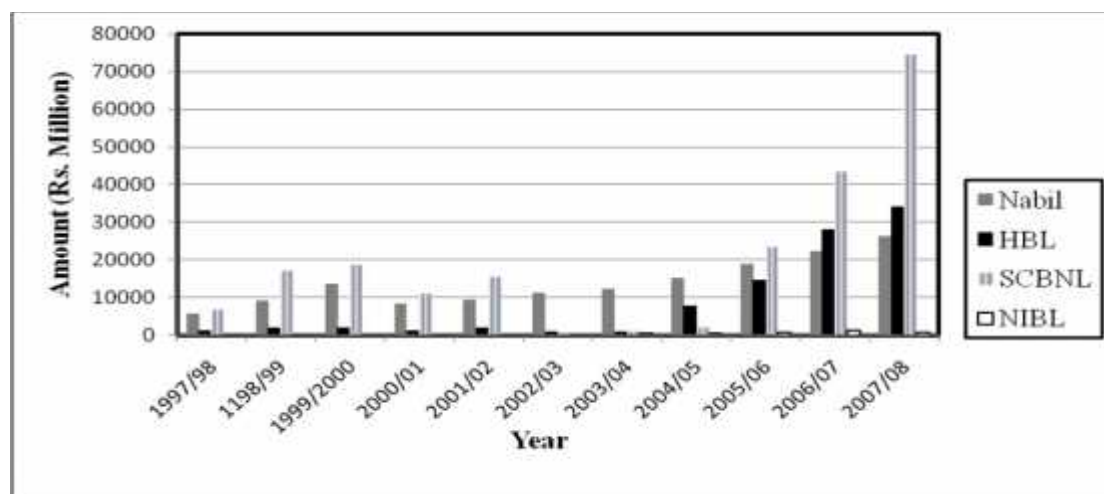
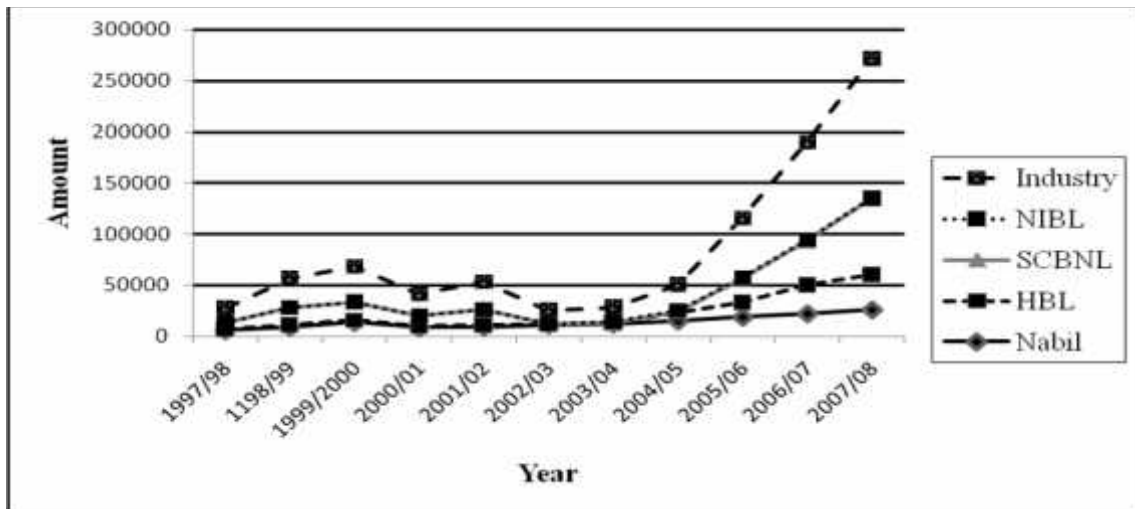


Figure: 4.6

Acquired Volume of Different Banks and Industry



The above table shows that the average acquired volume of Nabil, HBL, SCBNL, NIBL and Industry are Rs. 13882.97, 8484.85, 19486, 839.45 and 42187.20 million respectively. SCBNL has highest and NIBL has lowest acquired volume among four banks. All banks have less acquired volume as compared to Industry. Similarly, growth rate of Nabil, HBL, SCBNL and Industry are 17.51%, 106.85%, 130.48%, 13.74% and 35.48% respectively. NABIL has lowest and SCBNL has highest growth rate among three banks. NABIL has less growth rate than Industry and HBL and SCBNL has higher growth rate in comparison to Industry. It indicates that SCBNL and HBL are performing credit card business smoothly.

Figure 4.4 shows the acquired volume of sampled banks. Acquired volume of SCBNL is highest as compared to other banks. Thereafter Nabil, HBL and NIBL take the second, third and fourth position respectively. Figure 4.5 shows the increasing trend of acquired volume of sample bank and industry. Increasing rate of acquired volume of different banks and industry is slow in later years as compared to beginning years due to division of market share among sampled banks.

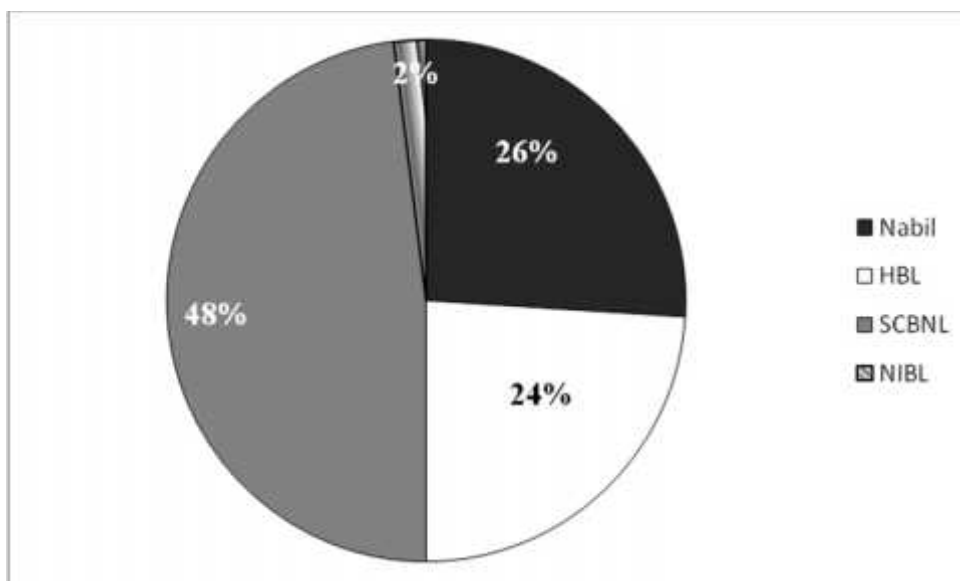
4.4 Present Market Share Hold by Different Banks

In Nepal the major banks involved in credit card business are Nabil, HBL, SCBNL and NIBL. The following chart shows their market share of credit card in case of number of cardholder.

Figure: 4.7

Market Share of no. of Card Holder hold by Different bank

(1997/98 to 2007/08)



The above chart shows the market share of sample banks involved in credit card business in case of number of cardholder. The chart shows that Nabil, HBL, SCBNL and NIBL hold 26%, 24%, 48% and 2% respectively. SCBNL has the highest percentage and NIBL has the lowest percentage share among four banks.

4.5 Presentation and Analysis of Primary Data

This section includes the response of cardholders, merchants and students regarding credit card. In order to have better understanding of the credit card market, it is necessary to get the views of its users as well as of others. For this, a survey was conducted using questionnaire regarding different subject matters of credit card and so on. The response get in the field study is mentioned under the following sub titles.

4.5.1 Response from Cardholders

The response from the cardholders of four banks under study is mentioned below:

Product's Likeness:

Regarding the likeness of credit card, almost 42 percent gave positive response and 32 % said that they somewhat like as shown in table below.

Table: 4.4
Product's Likeness by Cardholders

Product's Likeness	Response	Percent
Like Very Much	25	42
Like Some what	19	32
Neutral	12	20
Dislike somewhat	2	4
Dislike very much	1	2
Total Response	59	100

Almost 20% of the people are found neutral to the product likeness, which means they are not sure of their choice and their preference was based on hunch rather than attributing to any of the cards feature. 4% of the people responded that they dislike product to somewhat and 2% dislike very much. It indicates that concerned departments should try to increase product likeness upto 100%.

Customer Service

Promotion of credit card business depends on the level and quality of customer service to the cardholders. No doubt, every customer expects good and efficient customer service from its bank. Customers try to solve the problems aroused in usage of card by calling at card centre or may reach to the card centre and expect their problem solved at the earliest.

Table: 4.5

Customer Service to Cardholder

Customer Service	Response	Percent
Excellent	14	24
Good	19	49
Average	14	24
Below Average	1	3
Poor	0	0
Total Response	59	100

While inquiring the level of customer service, the majority of answers were good (49%). 24 % said the customer service was excellent and average one while 3% said that customer service was below average. These sampled figures indicate that customer service sector needs improvement. Realizing that “happy customers mean more business”, banks should try to enhance their customer service.

Card Acceptance

It is a matter of great concern that whether the card acceptance infrastructure is adequate or not and whether merchants accept these cards with great ease. In the survey, almost 76% of the surveyed cardholders put their view that cards are mostly accepted without hesitation and 17 % state that cards are not accepted, even if they display the logo for accepting cards. 7% of the cardholders state that cards are accepted with hesitation. By looking the figure as shown in table below it can be said that still merchants are not absolutely ready for card business.

Table:4.6

Card Acceptance View by the Cardholders

Card Acceptance	Response	Percent
Mostly Accepted	45	76
Accepted with Hesitation	4	7
Mostly not Accepted	10	17
Total Response	59	100

Benefits of using a credit card

In the modern times credit card business is being popular day by day due many features or benefits assigned to it. The banks are of the view that the benefit from credit card is enhanced when people use their cards more and more times. In our survey, among the below mentioned features most of the surveyed people (53%) mentioned the convenience part besides using credit card. 29% focused their answer on flexible payment while 11% indicated the benefit as credit availability. 4% responded the benefits as cash advance service.

Table: 4.7
Benefits of Using Credit Card

Benefits	Response	Percent
Convenience	35	59
Flexible Payment	17	29
Credit Availability	4	7
Helpful in emergency	-	-
Cash advance service	3	5
Total Response	59	100

Disadvantage of holding a card

Regarding the disadvantages of holding credit card, almost 63 percent of the respondents gave the answer that it is the surcharge on their cards during purchase which discourages them of holding the card. However, the card divisions of concerned banks opine that customers use their card frequently at a travel agency or in the departmental store where there is a sale or discount being offered or during the purchase of electronic items. Due to the unhealthy practice of sharing the sole commission of the agencies with their customers because as per the International Airlines Ticketing Association, no agency is allowed to distribute their commission. Similarly, there is margin constraint in case of sale offers and in case of electrical appliances. In our survey as shown in table below, 13 % opine

that holding the card is risky. 16 % respondents view that card subscription fees are expensive and 5% view high financial charges and malfunctioning as the disadvantage of holding a card.

Table: 4.8

Disadvantage of Holding a Card

Disadvantage	Response	Percent
Risky	7	13
Expensive	8	14
Surcharge	35	63
Malfunctioning	3	5
High Financial Charges	3	5
Total Response	59	100

Social Value of Holding Credit Card

It is said that in North America if anybody is without credit card he/she cannot hire a car or even make a check-in the desired hotel. This is one of the case that assign the social value of holding credit card. While checking the surveillance of the same in the Nepalese market, 59% of the respondents have been found to be positive in regard to the social value of holding a card. 4% respondents disagree and only 15 % agree to some extent. It indicates that though it is a matter of creditworthiness in developed countries yet as the users of credit cards in Nepal its social value does not seem much. But it can not be said that credit card's social value has not increased. The table below indicates to some extent that credit card is being valued more years after year.

Table: 4.9

Social Value of Holding a Credit Card

Social Value	Response	Percent
Strongly Agree	29	59
Agree	15	31
Undecided	1	2
Disagree	4	8
Strongly Disagree	0	0
Total Response	59	100

Owners of Credit Card

While taking response from correspondents regarding the question that whether it should only be given to certain class people, 65% of the people were found in favour of the providing card to certain people. Among them 49% viewed that card should be provided to businessmen as they can payback the credit. 29% correspondents were in the favour of high class people and 18 % were in favour of middle class people and 8% were found in favour of lower class as shown in table below. It can be imagined that lower class people are still in exclusion from such credit card facility.

Table: 4.1.1

Owners of Credit Card

Class of People	Response	Percent
Lower	3	8
Middle	7	18
Higher	11	29
Businessmen	17	49
Total Response	38	100

Fine Payment

It is well known that certain charge or fine is imposed in case of late submission of lone. Among the total 59 correspondents fine paid correspondents were 29. Among them, 13 correspondents have paid fine only once in a year and remaining have paid twice in a year.

4.5.2 Response from Merchants

Credit card business fosters not only having more card holders or their positive attitude towards credit card but also it depends upon the acceptance of it by business houses or businessmen or merchants. So it is necessary to know the merchant's perspective regarding present status of credit card services provided by different banks in Nepal. With this motive, a survey was conducted regarding their vies and preference in relation to different aspects of the card transactions which is mentioned in following subheadings.

Convenience of accepting credit cards

It is found that credit card to a greater extent is a matter of conveniences over cash for its holder. In case of response from merchants, almost 76% of the merchants (as shown in table below) state that it is convenient for them to accept cards over cash. Only 4 % of the merchants regard accepting of credit card as very difficult and 20% regard in between. It means merchants usually do not hesitate in accepting credit cards.

Table: 4.2.1

Card Acceptance Status by the Merchants

Convenience	Response	Percent
Very Convenient	45	76
In Between	12	20
Very Difficult	2	4
Total Response	59	100

Level of Customer Satisfaction

Regarding the customer satisfaction, the survey result as shown in table below indicates that 50 % are completely satisfied, 33 % are satisfied. The response from merchants as dissatisfaction and completely unsatisfied is 5 and 9 percent respectively which is negligible.

Table: 4.2.1

Level of Customer Satisfaction

Customer Satisfaction	Response	Percent
Completely Satisfied	29	50
Satisfied	19	33
Cannot say	2	3
Dissatisfied	3	5
Completely unsatisfied	5	9
Total Response	59	100

It indicates that customer satisfaction is higher though it is not 100%. However these figures demand some attention of card division to improve its customer satisfaction level as much as possible.

Proportion of Card Payments to Cash

To find the influx of card paying customers a question was developed to find out what proportion of the customers visit the stores/units to make card payments to cash.

Table: 4.2.3
Proportion of Card Payment to Cash

Card Payments	Response	Percent
5% and below	42	82
6% to 19%	1	2
20 % to 39%	8	16
40% to 59%	0	0
80% to 100%	0	0
Total Response	51	100

The table above shows that 82 % of the units voted for the 5% or below figure, which shows the relatively very low use of cards in local market as compared to other nations. 16 % gave their view between 20 to 39 % and this category mostly falls in the tourism related business units where most of the tourists pay through credit cards.

Benefits of Accepting Cards

As far as the matter of benefits of accepting cards is concerned, 36 % sated as 'increase in sales volume'. 34 % responded that one of the most beneficial part of accepting credit cards is 'instant payment'. 22% responded the benefits as convenience and only 5 and 3 % responded the benefits of accepting cards as 'enhance image' and 'competitive stand' respectively.

Table: 4.2.4

Benefits of Accepting Cards

Benefits	Response	Percent
Increase in sales volume	21	36
Convenience	13	22
Instant Payment	20	34
Enhance Image	3	5
Competitive stand	2	3
Total Response	59	100

Disadvantage of accepting credit cards as means of payment rather than cash

In order to find out the disadvantages of accepting credit cards as means of payment rather than cash five types of responses as shown in table below were taken in the survey.

Table: 4.2.5

Disadvantage of accepting a card

Disadvantage	Response	Percent
Risky	12	40
Expensive	9	30
Time Consuming	1	3
Problematic	7	24
Financial Charge	1	3
Total Response	60	100

Among the five given responses, maxim viewed card acceptance as risky. 40 % merchants refer credit cards as risky business. 30 % viewed as expensive one, 24 % referred accepting credit cards as problematic and 3 % viewed the disadvantage as time consuming and financial charges.

The major focusing on risky and problematic side by the merchants was the use of fraudulent or counterfeit cards which is also known as skimming of cards. The syndicates encode all the required data from the genuine card and decode it in fake

card. This card when used in the electronic terminal gets processed exactly as the genuine cards and its up to the merchant to determine its authenticity by scrutinizing its security features such as the card number alignment, the three dimensional hologram, the dimension of the brand name in the signature panel, the verification of the name and signature on the voucher with that of the credit card. But, if a merchant fails to undergo such study and the card is accepted, the merchant might encounter many complications later when the genuine cardholder denies such transactions and a charge back is processed. In some cases, the merchant might face financial loses. Another aspect of risk is the use of lost or stolen cards where the culprit forges the signature. Thus such types of risks are to be minimized by the concerned body to win the heart of credit card players.

Merchants Preference of accepting credit cards

At the last, the survey had tried to find out the merchant’s preference of accepting cards. After knowing the advantages and disadvantages the aim of this finding was whether they prefer towards the growth of card acceptance or not.

Table: 4.2.6

Merchants Card Preference

Preferences	Response	Percent
Highly encouraging	42	76
Neutral	6	11
Highly Discouraging	7	13
Total Response	55	10

Almost 76 percent of the merchants responded as highly encouraging whereas 13 and 11% responded as highly discouraging and neutral respectively. The figures indicate that all the risk factors and the discount rate factors need to be handled carefully by the card division in order to encourage acceptance of cards by the merchants near to 100 percent.

4.5.3 Response from Students

To study about the scope of credit card as well as its awareness among the students an attempt was made to know the views of students (BBS/BBA Level Students) regarding credit cards. It was an small attempt to find out the influence of credit card among students, especially of management stream. Responses from students is presented below under the different headings.

Information of Credit Card Business

An attempt was made to test the information regarding credit card among the students. The response as mentioned below indicates about the poor information regarding the credit card.

	Response	(%)
Students who have heard about credit card:	54	90
Students who have not heard about credit card:	6	10
Students who have seen credit card:	39	65
Students who have not seen credit card:	21	35
Credit card facility in Nepal is being provided by		
4 banks	5	8
6 banks	6	10
Don't know	49	82

	Response	(%)
Students viewing credit card similar to debit card	10	17
Students viewing credit card different to debit card	50	82
Students saying the name of any three banks		
Providing credit card facility in Nepal	0	
Students saying the name of one bank		
Providing credit card facility in Nepal	14	22
Students who have heard about any law regarding credit card	10	17
Students who have not heard about any law regarding credit card	50	82

Students Saying Payment system		
On Installment basis	21	35
Within a grace period	12	20
Both	27	45

The above mentioned information indicates that students have very little knowledge regarding credit card service provided by different banks. Among the 60 students 54 (90%) were found who have heard about credit card and only 39 (65%) students have seen the credit card. 49 (82%) students were totally found unaware about the name of credit card service provider. 50 (82%) students are found able to separate distinction between credit card and debit card. Only 14 (22%) students gave the name of only one bank (Himalayan Bank) that is recently providing credit card service. 50 (82%) students still do not know about any law regarding credit card. Regarding the payment system students are able to guess. 21 students said the payment system as ‘on installment basis’ 12 as ‘within a grace period’, whereas 27 students viewed the both system.

All these figures indicate that the credit card service providers or banks are not able to advertise their credit card service among youth students. There is higher demand of credit card in developed countries but in case of developing countries like Nepal students do not know about the significance of credit card. So it indicates the need of awareness program or other certain policies that are to be taken by concerned banks to influence and attract youths towards credit card business.

Users of Credit Card

Among the sampled students only 4 are found using credit card. Among them 2 students use twice in a week and 2 use twice in a month. However 49 students want to have credit card in future. Among the sampled students only the 35 students’ anyone family member have taken the credit card.

Use of Credit Card

In order to find out the students' knowledge regarding the importance of credit card they were asked about the use of credit card. Four responses were collected as given in table below.

Table: 4.2.7

Use of Credit Card

Credit Card is mainly Used for	Response	Percent
Personal Purpose	9	16
Business Purpose	10	18
Household Purpose	1	2
For All	35	64
Total Response	55	100

Among the 55 responses, 9, 10 and 1 student responded that credit card is mainly used for personal purpose, business purpose and household purpose respectively. But 35 (64%) students viewed that it is used for all purposes. It indicates that the students know to some extent about the significance of credit card.

Support for Business

Whether the students believe or not that credit card supports for strengthening the business is a matter of question in our survey. We got the mixed result on it. 39 students accepted that credit card supports for strengthening the business and 14 students rejected it. 7 were found totally indifferent to this question.

In conclusion, we can say that still students do not have sound and perfect knowledge regarding credit card service. So, to increase the attraction in credit card business it is necessary to provide essential information to the young students. It can help to promote and enhance credit card business in near future in Nepal.

SUMMARY, CONCLUSION and RECOMMENDATIONS

5.1 Summary and Conclusion

“The almost magical convenience of plastic money is critical to our famously compulsive consumer economy,” Bergman says. “With more than 641 million credit cards in circulation and accounting for an estimated \$1.5 trillion of consumer spending, the U.S. economy has clearly gone plastic.” Millions of American families use their personal, general-purpose credit cards such as Visa, Mastercard, American Express and Discover to make ends meet; credit cards have been a discreet lifeline for families in financial straits. (Secret History of the Credit Card, 2004)

The above mentioned paragraph indicates the role played by credit card business in developed countries like Nepal. Indeed, credit card, a plastic card, which allows the holder to purchase the goods and services on credit, issued by bank or financial institution. But in the context of Nepal this concept is quite new and most of the people do not know about this matter even though card business has passed more than one decade.

This research has made an attempt to study the present condition of credit card business in Nepal by taking four banks: NABIL, HBL, SCBNL and NIBL under study. The study has made an attempt to study the trend and pattern of credit card business. It has used certain statistical tools like standard deviation and coefficient of variation for statistical analysis. The summary of the statistical analysis is as follows:

Table 5.1

Summary of Statistical Analysis

Statistical Tool	NABIL	HBL	SCBNL	NIBL	INDUSTRY
Standard Deviation (Cardholder)	2527.39	2830.39	7096.87	131.91	12298.28
Coefficient of Variation (Cardholder)	48.82	57.30	73.40	36.64	61.65
Standard Deviation (Merchant)	163.73	80.09	1298.70	-	1256.41
Coefficient of Variation (Merchant)	14.50	10.46	19.32	-	14.58

Other major findings

1. The annual growth rates of credit card holders of NABIL, HBL, SCBNL and NIBL are 14.72%, 16.03%, 27.88%, 19.05% and 18.95% respectively.
2. The average acquired volume of Nabil, HBL, SCBNL, NIBL and Industry are Rs. 13882.97, 8484.85, 19486, 839.45 and 42187.20 million respectively. SCBNL has highest and NIBL has lowest acquired volume of credit card among four banks.
3. Nabil, HBL, SCBNL and NIBL hold 26%, 24%, 48% and 2% of total market share respectively. SCBNL has the highest percentage and NIBL has the lowest percentage share among four banks.
4. Primary survey of 59 cardholders shows that regarding the likeness of credit card, almost 42 percent gave positive response and 32 % said that they somewhat like. While inquiring the level of customer service, the majority of answers were good (49%). 24 % said the customer service was excellent and average one while 3% said that customer service was below average. Almost 76 % of the correspondent viewed that cards are mostly accepted without hesitation. It means card service is being improved though this does not seem satisfactory. People still view that holding card is riskier one and surcharge is one of the major disadvantages of holding a card. However most of the correspondents (59%) viewed that they hold credit card for convenience. The

cardholders (29%) often said that holding of credit card has increased their social value.

5. Similarly, primary survey of 59 merchants shows that 45 % merchants view accepting of credit card as very convenient and level of customer satisfaction is praiseworthy as 29 % merchants were found completely satisfied. Though it is not sufficient. The proportion of the customers visiting the stores/units for payments through cards is very low (5% and below). It is often found that acceptance of credit card by businessmen have increased their sales volume. But most of the respondents (20%) opined that it has helped for instant payment. In conclusion it can be said that merchants are preferable to growth of card acceptance.
6. Primary survey among the students of BBS and BBA level indicates that most of the students have very little knowledge regarding credit card. They were often unable to name the three banks providing credit card facility. They do not know the laws and policies regarding credit card. Most of the students have not seen the credit card.

Thus it can be concluded that credit card in Nepal has not yet gained its momentum as it has in other nations. Still Nepalese population has not yet developed their banking habit, they are mostly happy with hard cash. Still majority of the literate people do not know the need and significance of credit card. One of the major reason which has hindered the credit card business is the acceptance infrastructure. Most of the merchants in Nepal are departmental stores, travel agencies, big hotels, etc. most of which caters the need of tourist and higher middle class people. Cards are not accepted at those places where most of the fixed income earners go for shopping such as fancy stores, local grocery store etc. As in other nations, cards in Nepal cannot be used for making payments of regular expenses such as utility, school fees, etc. Thus, lack of adequate acceptance is one of the key factors, which has hindered the growth of card business.

Though Nepal had started the card business after 35 years of business begin in the world, the statistical analysis of data reveal the fact that credit card business is in optimistic track. All of the sampled bank's have increasing number of cardholder and merchant. Nepalese card industry is also moving ahead. Thus these facts revel the optimistic business of credit card in near future.

5.2 Recommendation

As credit card is being popular in the global context, Nepal can not remain aloof from it. The world now is moving towards e-business and without payment cards e-commerce is almost handicapped. Although the business is totally depended on the external factors, which are not under the control of the players itself, every step should be taken to boost the immature local market. On the basis of the study following suggestions and recommendations are presented below:

-) All concerned banks should advertise a lot because most people do not know about credit card. For this they can choose TV, magazine and web advertising media.
-) The concerned bank should come up with attractive scheme like low balance, low service charge, student card etc. to increase the number of customers and merchants.
-) All the banks should install the global ATM's and connect their existing ATM's making htem compatible as well to accept the globally branded cards.
-) Banks should try to enhance the acceptance infrastructure. They should be liberal and go to the local market which may give high speed to card business.
-) NIBL, Nabil and HML should try to compete with SCBNL by improving their customer service as well as increasing confidence level among public.
-) Awareness programs and different schemes among Graduate level students should be implemented as soon as possible. There is the need of arising significance of using card among the students.

-) Only private and joint venture banks are involved in this business but most people transact with government banks. So government has also to provide card service.
-) Proper policy should be made for attracting people towards card business by the government as Nepal may have cash free zone in near future.

BIBLIOGRAPHY

Agrawal, Govind Ram (1999), Marketing in Nepal, Educational Enterprise, Kathmandu.

Durrel, Dennis (2009), The Importance of Credit Card Debt, a web article published in <http://sunshinesmilesandflowers.com>.

Hada, Sunita (2004), Credit Card Practices in Nepal, an Unpublished MBS. Thesis, Shankar Dev Campus, Ramshahpath, Kathmandu.

Himalayan Bank Limited (2009)

Kotler Philip, Marketing Management: Analysis Planning and Control, Prentice Hall, India

Kotler Philip, Strategic Marketing for non-profit organization, Prentice Hall, International

Nabil Bank Limited (2009)

Nepal Invest Bank Limited (2009)

Secret History of the Credit Card report (2004), FRONTLINE and The New York Time

Standard Chartered Bank Limited (2009)

Thapa, Chandra Bahadur, (2059), The Prospects and Challenges of Credit Card Business in the Banking Sector of Nepal, an Unpublished MBS. Thesis, Shankar Dev Campus, Ramshahpath Kathmandu.

Visa International, (2000), Changing The Way We Pay: Development Report in Asia, Singapore: VI.

Wikipedia

Web Sites

<http://www.investopedia.com>

<http://www.creditcards.com>

<http://www.visa.com>

<http://www.creditcardwave.com>

<http://www.jdpower.com>