

**CREDIT CARD BUSINESS IN NEPAL WITH REFERENCE TO
NABIL BANK, HBL AND SCBNL**

By

JEENU PALIKHEL

EVEREST COLLEGE

T.U. Regd. No. : 7-2-423-10-2002

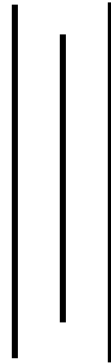
Campus Roll No. : 19

A Thesis Submitted to:

Office of the Dean

Faculty of Management

Tribhuvan University



*In partial fulfillment of the requirement for the Degree of Master of
Business Studies (M.B.S)*

Kathmandu, Nepal

April, 2009

RECOMMENDATION

This is to certify that the thesis

Submitted by

Jeenu Palikhel

Entitled

**CREDIT CARD BUSINESS IN NEPAL WITH REFERENCE
TO NABIL BANK, HBL AND SCBNL**

*has been prepared as approved by this department in the prescribed format of the
Faculty of Management. This thesis is forwarded for examination.*

Jeetendra Upadhaya
Lecturer
Thesis Supervisor

Dr. Sushil Bhakta Mathema
Associate Professor
Head of Research Department

Biraj Pyakurel
Associate Professor
Co-ordinator, MBS Programme
Everest College

VIVA-VOCE SHEET

We have conducted the VIVA-VOCE examination of Thesis presented

By
Jeenu Palikhel

Entitled

CREDIT CARD BUSINESS IN NEPAL WITH REFERENCE TO NABIL
BANK, HBL AND SCBNL

and found the thesis to be the original work of the student written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for Degree of Master in Business Studies (M.B.S.)

Viva-Voce Committee

Head of Research Department

Member, (Thesis Supervisor)

Member, (External Expert)

Date:

ACKNOWLEDGEMENT

I would like to express my sincere gratitude to Jeetendra Upadhaya, Thesis Supervisor, and Dr. Sushil Bhakta Mathema, Head of Research Department, Everest their continuous support and guidance they given during the preparation of this research.. Without their proper guidance and excellent supervision, this research report would not have been presented in this form. I take this opportunity to specially thank to all the administrative staffs of the studied bank for their kind co-operation in providing valuable data and information and all those valuable ideas that escorted the research to this level. I most appreciate the kind cooperation of my respected teachers and all staffs of Everest College.

Jeenu Palikhel

Everest College

April 2009.

TABLE OF CONTENTS

| | Page No. |
|--|-----------------|
| Viva-voce Sheet | |
| Recommendation | |
| Acknowledgement | |
| List of Tables | |
| List of Figures | |
| | |
| CHAPTER I: INTRODUCTION | 1-17 |
| 1.1 General Background | 1 |
| 1.1.1 History and Development of Credit Cards in the World | 3 |
| 1.1.2 Types of Credit Card | 7 |
| 1.1.3 Transaction Process | 8 |
| 1.2 Historical Background of Credit Cards in Nepal | 8 |
| 1.2.1 A Brief Introduction to Banks Involved in Credit Card Business | 10 |
| 1.3 Focus of the Study | 13 |
| 1.4 Statement of the Problem | 14 |
| 1.5 Objectives of the Study | 14 |
| 1.6 Importance of the Study | 15 |
| 1.7 Limitation of the Study | 16 |
| 1.8 Organization of the study | 17 |
| | |
| CHAPTER II: REVIEW OF THE LITERATURE | 18-49 |
| 2.1 Conceptual Reviews | 18 |
| 2.1.1 Payment Card | 18 |
| 2.1.2 Credit Card | 19 |
| 2.1.3 Debit Card | 20 |
| 2.1.4 Charge Cards | 21 |
| 2.1.5 Chip/Smart Cards | 21 |

| | |
|---|--------------|
| 2.1.6 Premium Cards | 21 |
| 2.1.7 What is VISA? | 21 |
| 2.1.8 What is Master Card? | 23 |
| 2.1.9 Advantages and Disadvantages of Credit Cards | 25 |
| 2.1.10 Parties Involved in Credit Card Business | 26 |
| 2.1.11 Components of Credit Card | 28 |
| 2.1.12 Basic Eligibility Criteria for Being a Card Holder | 29 |
| 2.1.13 Documents Required | 30 |
| 2.1.14 Application Processing | 30 |
| 2.1.15 Transaction Process of Credit Cards | 31 |
| 2.1.16 Risk and Fraud in Card Business | 33 |
| 2.1.17 Risk Minimize Mechanism | 36 |
| 2.1.18 Procedures following Disputes | 38 |
| 2.2 Review of Related Studies | 42 |
| 2.3 Research Gap | 49 |
| | |
| CHAPTER III: RESEARCH METHODOLOGY | 50-56 |
| 3.1 Introduction | 50 |
| 3.2 Research Design | 51 |
| 3.3 Population Size and Sample Unit | 51 |
| 3.4 Sampling Procedure | 51 |
| 3.5 Source of Data | 51 |
| 3.5.1 Primary Data | 52 |
| 3.5.2 Secondary Data | 52 |
| 3.6 Data Collection Procedure | 52 |
| 3.6.1 Structured Questionnaire | 53 |
| 3.7 Methods of Data Presentation and Analysis | 54 |
| 3.8 Statistical Tools Used | 54 |

| | |
|---|--------------|
| CHAPTER IV: DATA PRESENTATION AND ANALYSIS | 57-89 |
| 4.1 Introduction | 57 |
| 4.2 User Trend of Credit Card Business | 57 |
| 4.3 Merchant Trend of Credit Card Business | 59 |
| 4.4 Present Market Share Hold by Different Banks | 62 |
| 4.5Trend Analysis | 65 |
| 4.6 Result Section of Questionnaire | 65 |

| | |
|---|---------------|
| CHAPTER V: SUMMARY, CONCLUSION AND RECOMMENDATIONS | 90-102 |
| 5.1 Summary | 90 |
| 5.2 Conclusion | 94 |
| 5.3 Recommendations | 95 |

Bibliography

Appendices

LIST OF TABLES

| Table No. | Title | Page No. |
|------------------|--|-----------------|
| 1.1 | Players of Credit Card in Nepal | 10 |
| 4.1 | User Trend of Credit Card Business | 57 |
| 4.2 | Merchant Trend of Credit Card Business | 60 |
| 4.3 | Correlation Analysis of NABIL Bank | 63 |
| 4.4 | Correlation Analysis of HBL Bank | 64 |
| 4.5 | Correlation Analysis of SCBNL | 64 |
| 4.6 | Projected Values of Different Banks for the Year 2007/08 | 65 |

LIST OF FIGURES

| Figure No. | Title | Page No. |
|-------------------|--|-----------------|
| 4.1 | User Trend of Credit Card Business of Nepal | 58 |
| 4.2 | User Trend of Industry | 58 |
| 4.3 | Merchant Trend of Credit Card Business | 60 |
| 4.4 | Merchant Trend of Industry | 61 |
| 4.5 | Market share of banks in terms of number of cardholders for the Year 2006/07 | 62 |
| 4.6 | Market share of banks in terms of merchant hold for the Year 2006/07 | 63 |
| 4.7 | Gender Distribution of Customers | 66 |
| 4.8 | Age Distribution of Customers | 66 |
| 4.9 | Education Level of Customers | 67 |
| 4.10 | Income Level of Cardholders | 67 |
| 4.11 | Profession of Cardholders | 68 |
| 4.12 | Types of Cards | 68 |
| 4.13 | Cards Acquired of Different Banks | 69 |
| 4.14 | Reasons for Acquiring Credit Card | 69 |
| 4.15 | Purchase through Credit Card | 70 |
| 4.16 | Places of Usage of Credit Card | 70 |
| 4.17 | Buying Nature of Customers | 71 |
| 4.18 | Appropriate Media | 71 |
| 4.19 | Level of Satisfaction | 72 |
| 4.20 | Relevancy of Credit Card Facility by Bank | 72 |
| 4.21 | Satisfaction in Limit made by Bank | 73 |
| 4.22 | Time Elapsed Since Card Acquired | 73 |
| 4.23 | Expenses through Credit Card | 74 |
| 4.24 | Problems Encountered | 74 |
| 4.25 | Types of Problems Encountered | 75 |
| 4.26 | Knowledge on Card Frauds | 75 |
| 4.27 | Knowledge on Credit Card Disputes | 76 |
| 4.28 | Incentive to Change Cards | 76 |
| 4.29 | Supplementary Cards Possessed | 77 |
| 4.30 | Supplementary Card Users | 77 |
| 4.31 | Types of Cards Used by Customers | 78 |
| 4.32 | POS Machines | 79 |
| 4.33 | Reasons for Selecting Banks | 79 |
| 4.34 | Bank of Cardholders | 80 |
| 4.35 | Benefits Received | 81 |
| 4.36 | Percentage of Credit Card Sales | 81 |

| | | |
|------|---|----|
| 4.37 | Change in Buying Habit | 82 |
| 4.38 | Level of Satisfaction | 82 |
| 4.39 | Sample Size Composition | 83 |
| 4.40 | Merchants Using Credit Cards | 84 |
| 4.41 | Types of Cards Accepted | 84 |
| 4.42 | Acquiring Bank | 85 |
| 4.43 | Reasons for Acquiring | 85 |
| 4.44 | Reasons for Selection | 86 |
| 4.45 | Influence to Use Card | 86 |
| 4.46 | Frequency of Credit Card Users | 87 |
| 4.47 | Growth of business after Using card | 87 |
| 4.48 | Reasons for Not Providing Card facility | 88 |
| 4.49 | Credit Facilities | 88 |
| 4.50 | Response of Customer | 89 |
| 4.51 | Plan to Acquire credit card Facility | 89 |