

CHAPTER -- I

INTRODUCTION

1.1 Rationale of the Study

Nepal is one of the developing countries in the world. The economic growth rate of Nepal is very low and the economic development seems much sluggish in comparison to other developing and developed countries. In spite of being rich in natural resources, due to lack of proper management and inadequate capital such resources could not be utilized properly. Hence, the development of Nepalese economy is lagging behind. As a matter of fact, the economic standard of nation determines the lifestyle of the people. Hence, the developing country like Nepal must pay due attention and make great effort to uplift the economic state of affairs. It is most necessary to carry out the various development steps in various sectors by developing countries for their own prosper and advancement.

Nepal is also least developed country of the world where poverty has stood as a serious challenge to the country. The country is unable to fulfill the national requirement of people. In such context, it is realized that without industrial development, it is impossible to have social and economic development. So for industrial and economic development, banks and financial institutions play the vital role. Banking industry has acquired a key position in mobilizing resources for finance and social economic development of a country. Bank assists both the flow of goods and services from the producers to the consumer and the financial activities of the government. Banking provides the country with a monetary system of making payment and also makes loan to maintain production in the economy.

In Nepal, commercial banking started with the establishment of Nepal Bank Limited under the Nepal Bank Act, 1993 BS. The authorized capital was contributed by the government (51%) and the remaining by the public (49%). It was established in 1994 BS.

A commercial bank refers to such a type of bank, which primarily established to perform the functions of accepting deposits and providing loans to customers. Deposits accepted by commercial banks are in the form of saving, current and fixed deposits. The banks advance credit in the form of short-term credit as well as long-term credit. Bank also perform other subsidiary function like safety vault, documentary credit, traveler's cheques, payment of bills, purchase of government bond and security, provide bank guarantees, exchange of foreign currency etc. They also provide innumerable number of subsidiary services like SMS Banking, Tele banking, e- banking, Issuance and Acquiring Credit card and Debit card etc.

1.1.1 Introduction of Debit Card

Plastic cards are being one of the most popular forms of payment. They allow users to pay for goods and services virtually anywhere in the world, easily and conveniently, and provide a secure alternative to cash and cheques. There are different types of plastic cards issued by the banks and financial organizations like credit card, debit card, smart card etc.

A Debit Card is a payment card, which enables you with the option of making purchases at merchant locations as well as cash withdrawal from ATMs with access to your bank account. It is a convenient financial management tool. It offers many benefits, however at the same time it also carries many responsibilities to the holder thereof. It provides you with a freedom from the burden of carrying cash as well as risk associated with that. Debit Cards have very wide applications, wider than the currency notes and safer than them too!

A debit card (also known as a bank card) is a plastic card which provides an alternative payment method to cash when making purchases. Functionally, it can be called an electronic check, as the funds are withdrawn directly from either the bank account (often referred to as a check card), or from the remaining balance on the card. In some cases, the cards are designed exclusively for use on the Internet, and so there is no physical card.

The use of debit cards has become wide-spread in many countries and has overtaken the cheque, and in some instances cash transactions by volume. Like credit cards, debit cards are used widely for telephone and Internet purchases.

Debit cards can also allow for instant withdrawal of cash, acting as the ATM card for withdrawing cash and as a cheque guarantee card. Merchants can also offer "cashback"/"cashout" facilities to customers, where a customer can withdraw cash along with their purchase.

Advantages of Debit Card

Easy payment

Debit Card is the simplest and most convenient way of making payment of goods and/or services purchased.

Convenience

The major advantage is that we need not require carrying bulky cash, as the small plastic is

Replacement

In case our card is lost/stolen, we can immediately block the usage by informing the bank and get a replacement one.

Emergency use

It is useful during emergency situations like shortage of cash, late night etc.

Easy for travelers

You can benefit from our International card if you are frequent traveler as it prevents hassles of foreign exchange.

1.1.2 Nepal Investment Bank Limited (NIBL)

Nepal Investment Bank Ltd (NIBL), previously known as 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 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. Rastriya Banijya Bank holds 15%, Rastriya Beema Sansthan holds 15%, General Public holds 20%, and the Nepalese promoters hold 50%.

Besides commercial banking services, the bank also offers industrial and merchant banking services. The bank has 17 branches in Katmandu Valley and 23 branches outside valley. Bank will be aggressively opening new branches at different parts of the Kingdom to serve its customers better. Investment Bank Limited has always been committed to providing a quality service to its valued customers, being truly a Nepali Bank. All customers are treated with utmost courtesy as valued clients. The bank, wherever possible, offers tailor made facilities to its clients, based on the unique needs and requirements of different clients. To further extend the reliable and efficient services to its valued customers, Investment Bank Limited has adopted the latest banking technology. This has not only helped the bank to constantly improve its service level but has also prepared the bank for future adaptation to new technology. The Bank already offers unique services such as the pre-paid mobile recharging system through its ATM, SMS Banking and Internet Banking to customers and will be introducing more services like these in the near future. To facilitate all the customers it has brought a special scheme that every one can open its own saving Account in Re. 1.00.

1.1.2.1 Bank Services

The bank offers a full range of modern banking services including current, savings, fixed, call and other deposit accounts, loan and trust services according to the Commercial Bank Act 2031, Foreign Exchange Act 2019 and other related Acts. Besides commercial activities NIBL also facilitates industrial merchant banking. However, the main services extended by the bank are as follows:

Accepting deposits

The foremost function of the bank is to accept the deposit from the general public and it accepts deposits such as saving deposit, fixed deposit, call deposit and other deposit. The Bank accepts these deposits in Nepalese currency as well as in popular foreign currencies like, U.S. Dollar, Pound Sterling, Deutsch Mark, Japanese Yen, Swiss Franc and Euro Dollar.

Loan Services

The bank offers loan services to facilitate trade, commerce and industry in the country such as overdraft, time loan, fixed term loan, hire purchase loan, home loan, working capital loan, etc.

E-Banking

The bank provides customer with e-banking facilities which provides access to their bank account 24 hours a day. They can view their bank statement and perform transaction such as funds transfer with bank's account, pay utility bill, etc.

Credit/Debit Card

The Bank provides customers with Visa Electron Debit, Visa Classic and Visa Gold Credit Card, which can be used within Nepal & India and also through the world. These cards can be used in ATMs for withdrawal of cash and in POS terminals for purchasing transactions or services. NIBL is the pioneer in issuance of Visa Debit Card. It started issuing Visa Debit Card since September 2003. NIBL has the largest cardholder base in Nepal. The bank has more than 1.50 lakhs cardholder.

Automatic Teller Machine (ATM)

The bank offers 24 hours Automatic Teller Machine in most of the premises of their city branches. The customer can utilize this service to make withdrawals at any time even in midnight or in early morning. There are more than 41 ATMs install across the country. NIBL has largest numbers of ATM networks spread across the country. It is the only bank to have eight numbers of ATMs in its head office.

Premier Banking

The bank provides its VIP customers with an executive lounge in the main office building to cater all of the banking needs. It also provides with free consultancy services of professional experts on insurance, taxation, travel & tours and legal matters through prior appointments.

NTC mobile bill payment

The bank also provides its customers with NTC mobile bill payment service through its branch counters.

Safe Deposit Locker

The bank provides a safe deposit locker in various sizes according to the needs of the customer to save guard their valuable ornaments, documents, marketable instruments etc.

365 days Service

The bank also provides 365 days banking service for cash withdrawal and deposits.

Any Branch Banking

The bank provides services of any Branch Banking System, which facilitates customers to operate account from any branch of HBL. This system has facilitated to make certain operation like withdrawal and deposit of cash and cheques from any other branches of NIBL. Customer maintaining account with any branch of NIBL can walk in to any of the branches convenient to them for operation of the account which means they are not restricted to a particular branch for operation of that account.

The bank has a policy to extend quality and personalized service to its customers as promptly as possible, through innovative product development and latest banking technology. The bank, as far as possible, offers tailor made facilities to its clients, based on the unique needs and requirements.

1.2 Statement of the Problems

Card business started in the world in 1951. Franklin National Bank in London Island, New York issued a card that was accepted by local merchant. Within the several years nearly 100 other banks across the country started issuing card. But in case of Nepal only from 1986 that is after 35 years of inception of card business, credit card was started and from November 1996 issuing business was started by issuing credit card. Himalayan Bank Ltd was the first bank which launch in card business in Nepal. Gradually then after various banks started to use card business. Now a days debit card are provided by every bank and financial institution.

Debit and 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 bank cards. However, in the context of Nepal it is quite difficult to do so. Card business is fluctuating till now from beginning. Acquiring volume is mostly depends upon the arrival of tourist but the present situation of the country is not sound for the tourism. So the concerned banks are forced in domestic internal user. So, this topic sees the position of different bank using business card to analyze the total areas and it's customer of the different banks and also to analyze market trend of business card.

The entire card department of all the banks is facing the problem of over capitalization. The comparative efficiency of card business is less in relation to the other product of the industry. The authorities also states that the problem of over capitalization is caused due to the intricacies involved in the segregation of fixed, variable and semi variable cost and hence, the cost benefit analysis is also a problem.

The problems, which are proposed to be enquired in this study, are as follows.

-) What is the card practices adopted by sample commercial bank?
-) What is the card efficiency of the sample Nepalese commercial bank?
-) Is card banking influences the profitability?
-) Are the card users satisfied?
-) Do the aggregate market for card banking increasing?

1.3 Objectives of the Study

The main objective of this study is to examine and explore the Debit card market in Nepal.

The specific objectives of the study are as follows:

-) To analyze the growth rate of card business.
-) To explore the customer satisfaction regarding prevailing card business in Nepal.
-) To analyze the trend of card users in Nepal with reference to Nepal Investment Bank
-) To analyze the profitability of card business with reference to NIBL

1.4 Importance of the Study

Economic condition of the nation depends upon the development of financial sector. Banking sector is one of the essential components of nation. Financial and banking sector's growth depends upon reliable services provided by them. So, all financial institutions and banks have to provide special service to make transaction easy and fast. Due to tough competition in the financial market, these days, banks not only need to provide banking services but also need update with new technologies that would ease the customers even in their day to day life. Credit/debit card services are the latest development in the banking industry for Nepal. Even today, most of the customers are unaware about the advantages of carrying plastic cards. Card business in Nepal is still in the growing stage. Hence, the in-depth research on the potentiality of card business is the subject matter of thorough study and research in the present context. Therefore debit card is chosen as the subject matter for this research. Which helps different parties like, other student who want to know about debit card the bank who involved in card business to modify their card service and formulation of strategy for smooth operation of card and the government who has to make different policies for regulating the business.

1.5 Limitation of the Study

Card is the latest banking service for Nepalese financial market, hence the in-depth study and research is yet to be done to get the clear view of card concept and its functions. Probably such studies have not been made previously hence it is difficult to find the references and required information; however this attempt has been made to present the possibly descriptive of reality.

The main limitation of this study is that it is confined to only Nepal Investment Bank Ltd. The other limitations of the study are as follows:

-) The study is particularly based on secondary data. Therefore the calculation and the Conclusion of the study i.e. fully dependent on the accuracy of the data provided by the organization.
-) Non-availability of financial data due to privacy so financial analysis has been done on the basis of the unofficial information gathered through various methods.

- J The study is based on sample card users and banks. The conclusion and the analysis of the subject matter may not reflect the total population.
- J Primary data will be collected by the questionnaire only.
- J The study incorporates the data of fiscal year 2062/63 to 2066/67.

1.6 Organization of the Study

The study is divided into following five chapters:

Chapter I: Introduction

The introduction chapter has been included rational of studies, a brief introduction to banks involved in credit card business, history of credit card in the world, historical background of credit card in Nepal, focus of the study, statement of problem, objective of the study, importance of the study, and limitation of the study and organization of the study.

Chapter II: Review of Literature

This segment has been divided into theoretical review and review of related studies. The researcher has presented the different aspects of card banking including the types of cards, benefits of using cards, evolution of card, parties involved in card business, transaction process of debit card, risk associated with the operation of card, dispute about card, history of debit card in Nepal, sources of income generation and expenses incurred by card division and so on. The researcher has also analyzed different past thesis related to card business in Nepal.

Chapter III: Research Methodology

Research Methodology deals with the research design adopted by the researcher. How the researcher has analyzed the selected subject matter, what are the procedures and what are the methods or tools used for analyzing the data available to give the best possible real picture of debit card in Nepal are discussed.

Chapter IV: Presentation and Analysis of Data

In this segment the primary and secondary data collected are analyzed using different tools. The researcher has highlighted the major findings of the study.

Chapter V: Summary, Conclusions and Recommendations

In this chapter, the summary of the study is presented. The chapter summarizes the work presented in the main body of the thesis. The researcher has pointed out the suggestions for the Nepalese Commercial banks regarding the efficiency of card business.

CHAPTER – II

REVIEW OF LITERATURE

Review of literature refers to the reviewing of the past studies in the concerned field. Many researchers have conducted their research in the field of card operation. Besides this, there are some books, articles, dissertation and other relevant study concerned with debit card operation. Some of relevant studies, their objective findings and conclusions and other literature relating to the topics have been reviewed in this chapter. In other words review of literature helps to find what already has been discovered by previous researchers, their findings, research gaps that this study will try to find and foretells the very worthiness of the study being undertaken. The topic debit card in fact is quite a new topic for researcher due to this reason very few reviews are found. To present the real framework of the study, past study knowledge provides foundation to the present study. So, this part of study incorporates:

- i. Theoretical Review
- ii. Review of Related Studies

2.1 Theoretical Review

This part of study incorporates the past theories and practices being made in country and across.

2.1.1 Evolution of Plastic Payment Cards

The history of the plastic payment cards dates back to 1914 when a US Telegram company, Western Union issued a shoppers plate to its customers who were deemed to be credit worthy. These shoppers plate were made of metal and carried their names and account number. When making a purchase, the plate was used to make an imprint on the sales docket and the customer was then able to consume the products purchased, without having to hand over any actual money at the counter. At the end of every month, the sales dockets, with each individual's plate imprint, were added up by value and the total bill sent to the customer for

settlement. The customer then had to make the full payment; inability to settle meant that the plate and its credit facility were withdrawn. The limitation of this plate was that they could only be used in the outlet owned by that retailer.

In 1950, a New York businessman, Frank McNamara, put forward the idea of a plastic card, which could be used to pay for meals in all major restaurants in the city. The idea of a plastic card came when he was unable to pay for a meal in New York restaurant as he had no cash and his dining companions only had cheque books based on out-of-state banks, which the restaurant refused to accept. The plastic card concept was that in return for guaranteeing the payment. The company organizing the scheme would receive 5 to 10 percent of the cost of every meal charged to the account. The customer had to make full settlement at the end of every month.

This concept was turned down by nine of the first ten restaurants approached; eventually 27 establishments agreed to accept what was then branded as the 'Diners Club' card. The first year of operation saw 200 members, then 42,000 members in the second year. Travel related activities such as hotels and airlines were quickly recruited as acceptance outlets, alongside restaurants and so the concept of T&E (travel and entertainment) card was created.

The first bankcard was introduced by Franklin National Bank of New York in 1951. This was merely the replication of T&E card. The first ever, revolving credit card, the Bank Americard was introduced by Bank of America, California in 1958.

American Express had long association with US traveler and had offices and agents in cities around the world, added its T&E Card in 1958. This card, colored green has become an icon most associated with American Express.

In 1996 the Bank of America expanded its network and started licensing banks outside of California to issue Bank Americard to their customers. In 1970 Bank of America gave up control of the Bank Americard program and transferred control and ownership of the Bank

Americard to the various Bank Americard Issuer Banks, forming National BankAmericard Inc. (NBI). NBI was in charge of managing, promoting and developing the BankAmericard program within United States but Bank of America continued its International licensing and support of the Bank Americard program.

In 1974 International Bankcard Company, IBANCO was founded in order to manage the International Bank Americard program. Since the Bank Americard was closely associated with U.S. and the Bank of America, many countries were reluctant to issue cards associated with Bank of America. Hence, in 1977 Bank Americard was changed to Visa, IBANCO to Visa International and NBI to Visa U.S.A.

With the creation of the Bank Americard program and its expansion, several other banks in USA decided to form their own network to issue their own brand of cards. Thus in 1966, the Interbank Card Association was formed to issue Master Charge, the Interbank Card. In 1979, Master Charge changed its name to MasterCard and Interbank Card Association to MasterCard International. In 1990s MasterCard bought the British Access Card and in 2002 it absorbed Europay International SA. In 2006 MasterCard International changed its name to MasterCard Worldwide (Fundamentals of the Visa Business, Visa Business School Asia-Pacific, February 2000).

Plastic card allow users to pay for goods and services virtually anywhere in the world, easily and conveniently, and provide a secure alternative to cash and cheques.

Plastic cards are issued to users by a variety of organizations or card issuers such as banks, building societies, financial services companies and retailers. The types of cards issued and their levels of functionality vary from card issuer to card issuer and between the different card schemes under which the cards are issued.

The major plastic card schemes include American Express, Diners Club, JCB International, Maestro, MasterCard and Visa. These schemes are the operators of the payment card systems that govern transaction processes and transmission of money through the card network.

2.1.2 Credit or Debit Card

Visa and Master Card are two different leading brands of Visa International and Master Card International respectively. Both of them have registered office in USA and have worldwide presence through the member financial institution. Each of them has more than 20,000 members in 200 plus countries. Visa International and Master Card offer more or less similar products and have some platform in operational matters but compete with each other in marketing and promotional of respective brands.

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

a. Credit Card

The most common type of payment card, which occupies 70% of its line of business is credit card. A credit card is a plastic card, which allows the holder to make purchase or take cash advance on credit basis. Simply speaking it is the concept of "Buy Now Pay Later". Another feature of credit card is that payment can be made on revolving credit basis i.e. the total outstanding amount can be paid on installment basis. For instance, suppose Mr. A makes a purchase using a credit card on 1st January 2009 worth Rs. 100,000.00 and his payment due date is on 15th February. Now if the deferred payment is based on 10% minimum payment system basis, then he is allowed to pay only 10% of this amount and rest can be paid on installment basis (minimum 10% of the outstanding). The bank charges an applicable rate of interest and other financial charges on the outstanding amount. Hence, it is a kind of loan to bother holder where he has interest free credit period of 45 days and upon exceeding this, an applicable interest is charged. Since the holder gets credit facilities. It is called credit card. Maintaining account with the bank is optional, i.e.

the outstanding amount can also be paid in cash without maintaining any account with the bank.

American Express bank, member banks of Master card International, Visa International, etc, issues credit cards.

b. Debit card

A debit card (also known as a bank card) is a plastic card which provides an alternative payment method to cash when making purchases. Functionally, it can be called an electronic check, as the funds are withdrawn directly from either the bank account (often referred to as a *check card*), or from the remaining balance on the card. In some cases, the cards are designed exclusively for use on the Internet, and so there is no physical card. (An Overview of Bankcard Industry, A self guide study, MasterCard University, January 1997).

A debit card is also a plastic card, which allows direct access to the account of holder for making purchases or withdrawing cash, it exactly looks like a credit card but the features are completely different, A debit cardholder must have a account with the bank and the moment he makes any purchase, his account gets immediately debited, i.e. he does not get any credit facilities. Since the account gets immediately debited at the point of purchase, it is called as debit card. Hence, we see a debit cardholder has access to his funds maintained into account with the help of a small plastic card.

The use of debit cards has become wide-spread in many countries and has overtaken the cheque and in some instances cash transactions by volume. Like credit cards, debit cards are used widely for telephone and Internet purchases. Member banks and card companies of Visa and Master Card International issue debit cards.

Debit cards can also allow for instant withdrawal of cash, acting as the ATM card for withdrawing cash and as a cheque guarantee card. Merchants can also offer

"cashback"/"cashout" facilities to customers, where a customer can withdraw cash along with their purchase.

c. Charge Cards

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

d. Chip/Smart /Prepaid Cards

A chip/Smart card is a payment card with a pre-loaded value into the card. The card contains embedded electronic chips. Usage is restricted up to the value loaded in the card. The value decreases as a cardholder use the cards. Values may or may not be loaded as per capability of the issuing bank. These types of cards are also known as Pre-paid cards. In these types of cards other information like details of Driver License, Passport, Medical history etc of the cardholder can be stored. Himalayan Bank Limited is the first bank in Nepal to issue such cards. At present, besides HBL, Nepal Investment Bank Limited and Nabil Bank Limited are also issuing such prepaid cards to its customers.

e. Mobile Credit Cards:

The mobile credit card is the latest innovation in the banking industry. By definition, mobile credit card is a payment solution by which bank customers would be able to make payment and receive payment on account for the purchase or sale of goods via handheld mobile phone, on a credit basis. In our mobile phones, a credit card function can be integrated into a bank customers' mobile phone by including multi-application a smart card for a particular credit card. In fact, a mobile credit card offers two advantages. First, it allows bank customers to shop wirelessly and more flexibly with their mobile phones. Second, it is more secure because mobile credit card is equipped with personal identification number which makes it safer than the traditional modes of payment.

2.1.3 Components of Credit/Debit Card

) **Unique card number**

The card is given a particular Numbers which indicates the particular meaning. For instance, the card no. is usually given as 4101 4900 2030 8493. Here first six digits that is 410149 indicates the bank identification number. This number change as per the types of card. Then the second six digits i.e. 002030 indicate the branch code and cardholder code. The last four digits 8493 is a check digit. It is generated by system.

) **Name of the cardholder**

The name of the cardholder is printed in the card.

) **Validity date**

The validity date of the card is also imprinted in the card. After the expiry of validity, the card must be renewed to get it operate.

) **Name of the issuing bank and its logo**

The name of issuing bank along with its logo is imprinted as a heading of card.

) **Brand name and the logo**

The brand name of the card i.e. either Visa or Mastercard along with its logo is imprinted on the card.

) **Magnetic stripe**

At the back of card, there will be the magnetic stripe. It is very similar to cassette tape. All data is stored in the stripe. This is a very sensitive part of the card. The system read the data store in such magnetic stripe whenever the card is used in ATM and POS terminal.

) **Signature panel**

Just below the magnetic stripe, there is a signature panel in the card. The cardholder must sign in that panel so that it would be easier to the merchant to know whether the cardholder is the actual owner of the card or not.

Although many debit cards are of the Visa or Master Card brand, there are many other types of debit card, each accepted only within a particular country or region, The use of a debit card system allows operators to package their product more effectively while monitoring customer

spending. An example of one of these systems is ECS by Embed International. A prepaid debit card looks a lot like a credit card. It even works a lot like a credit card, when you use it in a store to purchase products. However, a prepaid credit card is not a credit card. The two work very differently.

Whenever you use a credit card, you are borrowing money from someone else to purchase something. A credit card is then, in essence, a loan. It doesn't matter if it is a secure credit card, a small business credit card or anything else: the credit card company is lending you money in order to make your purchase, for which you are going to be charged interest on later (assuming you don't pay the total balance within a predetermined period).

A prepaid debit card, on the other hand, is not a loan. It is simply a method following some of the principles of credit cards for the basic transaction, but instead of borrowing money from a third party you are taking money straight from your debit card account. This is why it is referred to as prepaid: you put the money into the account, then you can take the money out of it using your debit card, as opposed to paying for the purchase after the fact with a credit card. Because of this there are no interest rates applied to prepaid debit cards, although there are sometimes fees associated with them. The cardholder never has to worry about going into debt using a prepaid debit card, since he is only taking out what he takes in. Many people find the prepaid card a welcome alternative to traditional credit cards. Traditional debit cards, however, are not prepaid but simply linked to a bank account. This means it is sometimes possible to go overdrawn (effectively a loan), and incur interest charges and/or fees. However, if the bank account has sufficient funds to cover the transaction amount, no fees or charges will generally be applied.

2.1.4 Parties involved in card business

The parties involved in card business are as follows:

Issuer

Any financial institution, which is authorized to issue cards under, granted license of Visa or MasterCard International are called issuers. Examples of such issuers in Nepal are Nabil Bank Ltd., Standard Chartered Bank Nepal, Himalayan Bank Ltd., and Nepal Investment Bank Ltd.

Cardholder

Prospective persons or organizations to which cards are issued by the issuer are called cardholders.

Merchants

All those outlets, which accept these cards as a mode of payment, are called merchants. Examples of such merchants are: departmental stores, travel agencies, grocery centre, shopping centre, restaurants, hotels etc.

Payment Organization

This is the organization which co-ordinates and integrates the entire issuer and acquirer members. Master Card International, Visa International, Citibank Card Center, American Express are the settlements banks of Master Card, Visa Card, Diners Card and Amex Card respectively.

2.1.5 Transaction Process of Debit Card through Point of Sale Terminals

Cardholder performs the transaction through POS for purchases or for the payment of services. The transaction through POS terminal is processed in the following manner:

-) The cardholder purchases goods or services from the merchant by providing his /her debit card to the merchant.
-) The merchant then swipes the card in a POS terminal. The POS terminal sends the card information to the Acquirer Bank, which in turns sends the information to the Issuer Bank.
-) The Issuer Banks validates the information received and debits the cardholder's account and send the confirmation back to the acquirer.

- J Acquirer then sends the same confirmation to the POS terminal, which then prints the sales charge slip, which is signed by the cardholder. The transaction between the cardholder and the merchants ends here. The cardholder walks away with the goods or services.
- J The merchant then performs the settlement in the POS terminal for the reimbursement of the sales.
- J The acquirer then reimburses the amount of the sales charge slips after deduction of an agreed discount rate. The transaction between the merchant and the acquirer bank ends here.
- J After reimbursement is made to the merchant, the acquirer then submits the charge slip to the issuer for payment, through MasterCard or Visa Interchange and settlement system.
- J Then MasterCard or Visa International reimburses the amount to the acquirer by debiting the issuer's account.

2.1.6 Transaction Process of Debit Card through Automatic Teller Machine

The cardholder uses his/her debit card in an ATM to withdraw money. The transaction process in an ATM is as follows:

- J The cardholder inserts his/her debit card into the ATM and enters the Personal Identification Number.
- J The cardholder then enters the amount to be withdrawn from the ATM. The ATM then submits the information to the Acquirer.
- J The Acquire then sends the information to the Issuer for confirmation of the transaction.
- J The Issuer Banks validates the information received and debits the cardholder's account and send the confirmation back to the acquirer.
- J The acquirer then forwards the confirmation message to the ATM and then the ATM dispenses the cash as entered earlier.
- J Then MasterCard or Visa International reimburses the amount to the acquirer by debiting the issuer's account.

2.1.7 Benefits of Payment Cards

Different parties involved in card business are benefitted in different ways. The benefits of payment card can be discussed as follows:

Benefit to a Cardholder

A cardholder benefits from the followings:

- J The cardholder does not need to carry hard cash. They can easily make purchase by using their card which reduces the risk associated with carrying hard cash.
- J Carrying debit/credit cards also adds reputation in the society.
- J In case of credit card, a cardholder gets credit facility for certain time period i.e. maximum of 45 days. The cardholder can make payment to the bank only after completion of grace period.
- J Debit card is the substitute of ATM card. Cardholder can also withdraw money from debit card using ATM terminals. In case of credit card, the cardholder can get cash advance up to 90% of credit limits.

Benefit to a Merchant

A merchant benefits in the following ways:

- J These days, most of the a/c operators of banks are carrying debit/credit cards. They prefer to make purchase by using their card instead of cash. Thus becoming merchant of card means increase in business volume thus increases profit.
- J Making sale using card minimize the hassles of managing hard cash. It makes the transaction so simple and easy.
- J Merchant's a/c is credited within a day in case of sale made by using card.
- J Merchant can easily get other banking services. For e.g. in HBL, card merchants can get merchant loan limit at free of service charge without any hassles.

Benefit to an Acquirer

The acquirer receives income from the followings:

- J For each transaction made by card merchant, the acquiring bank receives service fee from the merchant.
- J The acquiring bank receives interchange fees from the card issuing bank for providing cash advance to the cardholder.
- J The spread of foreign exchange.
- J In case of international cards, the acquirer not only get currency conversion fees but also can get foreign exchange benefit.
- J The acquirer gets rental fees for use of POS equipment.

Benefit to an Issuer

The issuer receives income from the followings:

- J The issuing bank receives fees for issuing card to the Cardholder. Further, the bank levies certain charges in case of providing new pin mailer or lost of card etc.
- J The issuing bank charge Membership fee once for the new cardholder and annual fees to all the cardholder against the use of card service.
- J In case of credit card, the issuing bank charges certain interest rate on the credit facility given to the cardholder. Such interest rate is usually high compared to the other banking services. Usually issuing bank charges from 25% to 30% interest on the credit limit. In case of late payment additional charge is levied to the cardholder.
- J Interchange reimbursement fees.
- J Currency conversion fees on international cards.

Benefit to a Membership Provider (Visa International/ MasterCard Worldwide)

The membership provider receives income from members through assessments based on:

- J Visa International/Mastercard Worldwide levy Joining fees to the new member bank.
- J Quarterly member service fees are charged to the card issuing and acquiring banks based on sales volume.
- J International outgoing interchange fees on acquired transactions.

-) Fees for use of NET system.
-) Other usage-based fees.

2.1.8 Risk Associated with the Operation of Card Business

Following are risk associated with operation of card business:

Lost/Stolen Cards

The major and the foremost risk associated with card business are with stolen/lost cards. If a card is lost/stolen and the cardholder fails to inform the bank on time, then the transactions made before the information is passed to the bank is liable to the cardholder. The bank does fight for their client but if the case is not won, then the total liability has to be burdened by the cardholder himself.

Splitting of Charges by the Merchants

Sometime the merchants split one single transaction into number of small transaction and present them without taking the authorization code from the acquirer. In such cases also there is immense risk associated in case the cardholder denies the merchants' transactions or the transactions get declined.

Alternation of Amount

In many cases, the merchants with fraudulent intention alter the actual amount on the sales draft and present them to the acquirer. In such cases the cardholder denies the charges and presents his copy of the true amount, which makes the merchant at fault and hence, is penalized.

Signature Forgery

Such type of fraud transaction usually happens in case of lost or stolen cards where the culprit forges the signature at the back on the signature panel and presents to the acquirer. In such situation, cases can be won by cardholder or by the merchants also, depending upon the availability of the supporting from both ends.

Expired Card Transaction

If a merchant is making transaction, which is within his floor limit, and does negligence on his part to verify the expiry date on the card and make the transaction. In such case the acquirer denies to process the transaction and the merchant is at loss. In some case the draft is sent to the issuer for collection on good faith basis, which is fully depended upon the decision of the cardholder.

Identified Counterfeit Transactions

There are several criminal syndicates all around the globe who are engaged in the fraudulent transactions of credit cards. In the Identified Counterfeit transaction these syndicates uses the BIN (Bank Identification Number) and manufactures fabricated counterfeit cards and circulates them in the market, which resemble the original cards in every aspects.

Unidentified Counterfeit Transaction

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

Magnetic Stripe Fraud (Skimming)

It is recent and sophisticated fraud technology where the information in the magnetic stripe is re – encoded on to counterfeit or altered cards. The card looks genuine when used in magnetic stripe reading terminal.

In order to minimize the risk and losses in the fraud card transaction following risk management steps are adopted:

-) Cardholder application must be carefully screened
-) Judicious collection practices
-) Proper monitoring of card use
-) Responsiveness to risk situation in order to contain fraud losses
-) Educating the cardholders

The bank should keep proper monitoring for sudden high charge transaction.

2.1.9 Dispute about Card

Sometimes a cardholder does not accept or refuses a transaction charged on his credit card or the issuer may not accept the transaction submitted by the acquirer due to various reasons then there the dispute arises. The refusal of a transaction or more than a transaction is dispute. The issuer or the cardholder denies making payments for the transactions but then the payments are made to the acquirer before the transactions comes to notice. The cardholder or the issuer seeks the amount to be refunded. The matter is then solved through different stages. The different stages are briefly stated below.

Chargeback

A chargeback is an electronic message that the issuer returns a transaction to the acquirer. Simply, it is the rejection of a transaction by the issuer. The chargeback shifts financial responsibility for a transaction from the issuer back to the acquirer and the acquirer returns the payments previously made. The issuer always initiates the chargeback; it may be due to cardholder's disputes or from the issuer finding an error in the transaction. Some of the reasons for chargeback are as follows:

Cardholder initiated Chargeback reasons:

-) Transaction amount incorrect
-) Merchandise not received or defective
-) Multiple charges for the same transactions
-) Transaction not made or wrongly billed

Issuer initiated chargeback reasons:

-) Transaction amount over the floor limit
-) Account listed in the Warning Bulletin
-) Transaction charged to an expired card
-) Late presentment of the transaction

Representments

When the issuer charges an item back to the acquirer, the acquirer noticing that it is an invalid chargeback, may present the item for the second time. The presentation of the same

transaction for the second time is known as Representments. Some of the reasons for representments are as follows:

-) The chargeback is invalid or incorrect
-) Supporting documents required not received or incomplete
-) Addition information provided to remedy the chargeback

Arbitration

The acquirer is not allowed to represent the transaction for a third time nor the issuer to chargeback a third time. If the dispute is not settled with the chargeback cycle, issuer or acquirer may file the disputer for resolution with the MasterCard International for MasterCard transactions or with the Visa International for Visa Card transactions or the settlement banks for the respective cards. This procedure of filing the dispute case is known as Arbitration. But before going for the arbitration, the filling member must send a pre-arbitration letter to the opposite member stating the deadline date of the response and the reasons for arbitration. Arbitration is an appeal to a special committee to resolve the dispute. In this the losing party will be held liable for the transaction amount along with the filing and reviewing fee.

Compliance

Compliance is similar to arbitration but they are not the same. Like arbitration, compliance is an appeal to a special committee to resolve the dispute. A pre-compliance letter has to be sent to the opposite party before filing the case with MasterCard International or the Visa International. A member may file for compliance when all of the following criteria have been met:

-) Violation of Operation Rules and Regulations
-) The filing member has suffered or will suffer financial loss because of the violation of the rules
-) No chargeback right exists

Retrieval Request

Before going for chargeback, some chargeback needs to retrieve documents from the acquirer. On receiving the request for retrieval request the acquirer must provide the Transaction Information Documents (TID) to the issuer.

T & E Resolution

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

“No show” transaction occurs when a cardholder makes a guaranteed reservation for a hotel and then fails to arrive for the booking. Under Visa’s guaranteed reservation service, cardholder must cancel their bookings within the merchant’s specified time frame, failing which they will be charged for one night’s stay at the hotel.

When a cardholder must cancel within the specified time frame, the merchant must give the cardholder a cancellation code. With instruction to retain this code in case of dispute. Dispute can arise between merchants and cardholders over cancellations and cancellation codes. A cardholder may claim that he cancelled his reservation within the specified time frame but was not give a cancellation code. The merchant on the other hand, may insist that the cardholder did not cancel in time and must therefore repay quoted by a cardholder.

In such cases, the issuer or acquirer may file for T & E Resolution. Visa will then decide who is at fault- the cardholder or the merchant. However, due to the difficulty of determining which member should be liable for such transaction. Visa Asia – Pacific often funds such disputed transaction on the condition that the Issuer educates the cardholder and the acquirer educates the merchant on the correct procedures for canceling guaranteed reservations. There is no filling fee and no review fee for T & E resolution. Member should not that T & E resolution cases would be rejected if a compliance right is or was available (An Overview of the BankCard Industry, Mastercard University, 1997).

2.1.10 Debit Card (Visa Electron)

A plastic card issued by the bank in lieu of a check to pay for goods and services as well as to withdraw money for an ATM is known as a Debit Card. Debit Card, at the time of purchases or withdrawal of money from an ATM, electronically debits the cardholder's bank account. Unlike Credit Card, Debit Card does not have any float.

Debit card acts as both an ATM card for withdrawing cash and as a cheque guarantee card for purchases. Merchants can also offer "cashback"/"cashout" facilities to customers, where a customer can withdraw cash along with their purchase. Although many debit cards are of the Visa or MasterCard brand, there are many other types of debit card, each accepted only within a particular country or region, for example Switch (now: Maestro) and Solo in the United Kingdom, Carte Bleue in France, Laser in Ireland, "EC electronic cash" (formerly Eurocheck) in Germany, EFTPOS cards in Australia and New Zealand and SCT Cards in Nepal.

Visa Electron is one of the brands of Debit Card, which is widely used throughout the globe. In Nepal also, in the form of Debit Card, Visa Electron is issued by all the card issuing banks. In Case of Visa Electron, transactions must be done electronically either through the POS machine or through the ATM. It cannot be transacted in an offline system or manually unlike credit cards. Visa Electron is the most popular brand of Debit Card in Nepal followed by the local brand SCT Debit Cards issued by SCT Member banks in Nepal.

The difference between a "debit card" and a "credit card" is that the debit card immediately deducts the balance from a checking or savings account as soon as the transaction is done, whereas the credit card allows the consumer to spend money they might not actually have and allow them to defer payment.

2.1.11 Advantage and Disadvantage of Debit Cards

Advantages

Debit and check cards, as they have become widespread, have revealed numerous advantages and disadvantages to the consumer and retailer alike. Advantages are as follows (most of them applying only to some countries, but the countries to which they apply are unspecified):

- J A consumer who is not credit worthy and may find it difficult or impossible to obtain a credit card can more easily obtain a debit card, allowing him/her to make plastic transactions.
- J Use of a debit card is limited to the existing funds in the account to which it is linked, thereby preventing the consumer from racking up debt as a result of its use, or being charged interest, late fees, or fees exclusive to credit cards.
- J For most transactions, a check card can be used to avoid check writing altogether. Check cards debit funds from the user's account on the spot, thereby finalizing the transaction at the time of purchase, and bypassing the requirement to pay a credit card bill at a later date, or to write an insecure check containing the account holder's personal information.
- J Like credit cards, debit cards are accepted by merchants with less identification and scrutiny than personal checks, thereby making transactions quicker and less intrusive. Unlike personal checks, merchants generally do not believe that a payment via a debit card may be later dishonored.
- J Unlike a credit card, which charges higher fees and interest rates when a cash advance is obtained, a debit card may be used to obtain cash from an ATM or a PIN-based transaction at no extra charge, other than a foreign ATM fee.

Disadvantages

The debit card has many disadvantages which are as follows:

- J Some banks are now charging over-limit fees or non-sufficient funds fees based upon pre-authorizations, and even attempted but refused transactions by the merchant (some of which may not even be known by the client).

- J Many merchants mistakenly believe that amounts owed can be "taken" from a customer's account after a debit card (or number) has been presented, without agreement as to date, payee name, and dollar and cent amount, thus causing penalty fees for overdrafts, over-the-limit, amounts not available causing further rejections or overdrafts, and rejected transactions by some banks.
- J Debit cards offer lower levels of security protection than credit cards.
- J Theft of the users PIN using skimming devices can be accomplished much easier with a PIN input than with a signature-based credit transaction.
- J In many places, laws protect the consumer from fraud a lot less than with a credit card. While the holder of a credit card is legally responsible for only a minimal amount of a fraudulent transaction made with a credit card, which is often waived by the bank, the consumer may be held liable for hundreds of dollars in fraudulent debit transactions. The consumer also has a much shorter time (usually just two days) to report such fraud to the bank in order to be eligible for such a waiver with a debit card whereas with a credit card, this time may be up to 60 days. A thief who obtains or clones a debit card along with its PIN may be able to clean out the consumer's bank account, and the consumer will have no recourse.
- J When a transaction is made using a credit card, the bank's money is being spent, and therefore, the bank has a vested interest in claiming its money where there is fraud or a dispute. The bank may fight to void the charges of a consumer who is dissatisfied with a purchase, or who has otherwise been treated unfairly by the merchant. But when a debit purchase is made, the consumer has spent his/her own money, and the bank has little if any motivation to collect the funds.
- J For certain types of purchases, such as gasoline, lodging, or car rental, the bank may place a hold on funds much greater than the actual purchase for a fixed period of time.
- J Until the hold is released, any other transactions presented to the account, including checks, may be dishonored, or may be paid at the expense of an overdraft fee if the account lacks any additional funds to pay those items.
- J While debit cards bearing the logo of a major credit card are accepted for virtually all transactions where an equivalent credit card is taken, a major exception is at car rental

facilities. Car rental agencies require an actual credit card to be used, or at the very least, will verify the creditworthiness of the renter using a debit card. These companies will deny a rental to anyone who does not fit the requirements, and such a credit check may actually hurt one's credit score.

2.1.12 History of Debit Cards in Nepalese Market

Debit Card is a new concept in Nepalese card market. Nepal Investment Bank is the pioneer in introducing Visa debit card in Nepal. At present, NIBL, Nabil, HBL, NDBL, KBL, RBB have issued Visa Debit card to its customers. Global Bank, Laxmi Bank and Bank of Kathmandu are under process of issuing Visa debit card. Besides, Visa, Smart Choice Technology is providing network services to different commercial banks, development banks and finance companies to issue SCT debit cards.

SCT is a integrated shared services network for Automatic Teller Machine (ATM) and Point of Sale (POS) terminal, managed by national switch. The network has been made available on a subscription basis to banks and financial institutions. It provides local ATM and POS Network due to which banks and other financial institutions can issue and manage a local debit card (SCT debit card). Currently, Everest Bank Limited, Citizen International Bank and Nepal Industrial and Commercial Bank's SCT card can be used in ATMs of India to withdraw money. The transaction process of SCT debit card can be discussed as follows:

In case of transaction of Smart Choice Technology debit card within Nepal

Whenever the cardholder makes purchase or withdraws cash from ATM using SCT debit card, The merchant swipes the card in POS in case of purchase or the cardholder inserts card in ATM machine in case of cash withdrawal:

-) The POS/ATM sends the information to SCT for validation.
-) SCT then sends the information to card issuing bank.
-) The card issuing bank debits the account and sends back the confirmation to SCT.
-) SCT sends the confirmation to POS terminal/ATM machine.
-) POS generates the sales charge slip and ATM generates the transaction slip.
-) SCT then sends the advice to the acquiring bank.

Point to be noted that in case of SCT debit card, the information from either POS/ATM is not routed through acquiring bank. SCT later provides the advice to acquiring bank.

In case of cash withdrawal from ATM located in India using SCT debit card of selected banks

SCT has tie up with FSS (Financial Switch System) of India through which it has been possible to transact in India. However, the SCT debit cards issued by selected banks can be used in India only to withdraw cash from ATM machines.

Whenever, the cardholders withdraw money from ATM located in India with SCT debit cards, the ATM machine sends the information to FSS to validate the card information. FSS sends the information to SCT, which is then send to a SCT debit card-issuing bank. The card issuing bank debit the account of cardholder and sends back the confirmation to SCT. The confirmation is then sent to FSS by SCT and finally FSS sends the confirmation to ATM of India.

Common ATM terminal at the same place is being popular these days. Different banks deployed their ATM at same place for example, at New Road and Boudha. At New Road, about 7 banks have deployed their ATM so that, the cardholder can attempt more than one ATM at the time of technical error. This lessens the hassle to the cardholder at system failure in one ATM. For banks also, it is beneficial considering the present power shortage in the country. From a single generator, many ATMs can be run. This reduces the cost burden for the banks.

2.1.13 Usage of Debit Card in Nepal

In Nepal Debit Card is used in substitution of ATM card. It is used to withdraw cash from ATM and it also facilitates in purchasing goods without holding cash. Debit Card has made revolutionary change in Nepalese card market. Debit Cards have gradually reduced the issuance of cheque. It has not only reduced the cost for banks but also has increased the transactions. Gradually, the stores, shopping mall, travel agencies, hotels and restaurants,

service centers in Kathmandu and other parts of the country are being the merchant of card acquiring banks. This has led to the increase in their sales volume. The Nepalese people in urban areas have been habituated in using the debit cards.

HBL, NABIL, NIBL and SCBNL are operating the credit card/debit card business in Nepal. All of these banks are both issuer and acquirer. Types of credit Card/Debit Card they are acquiring and issuing are shown in the following table:

Table: 2.1
Types of Cards issued & acquired by commercial banks in Nepal

Bank	Issuance	Acquiring
NABIL	Visa Card/Master Card	Master Card/Visa Card/Diner's Card
SCBNL	Visa Card/Master Card	Visa Card. Master Card/ JCB
HBL	Visa Card/Master Card	Visa Card/Master Card
NIBL	Visa Card	Visa Card
KBL	Visa Card	Visa Card
RBB	Visa Card	Visa Card
SRBL	Visa Card	Visa Card
GBL	Visa Card	Visa Card
LAXMI	Visa Card	Visa Card

Source: Report of card business (2010)

Besides above banks, many other banks like Citizen Bank, Siddhartha Bank are in pipeline to issue Visa Card.

2.1.14 Card Business in Reference to Nepal Investment Bank Ltd

Establishment of Card Department

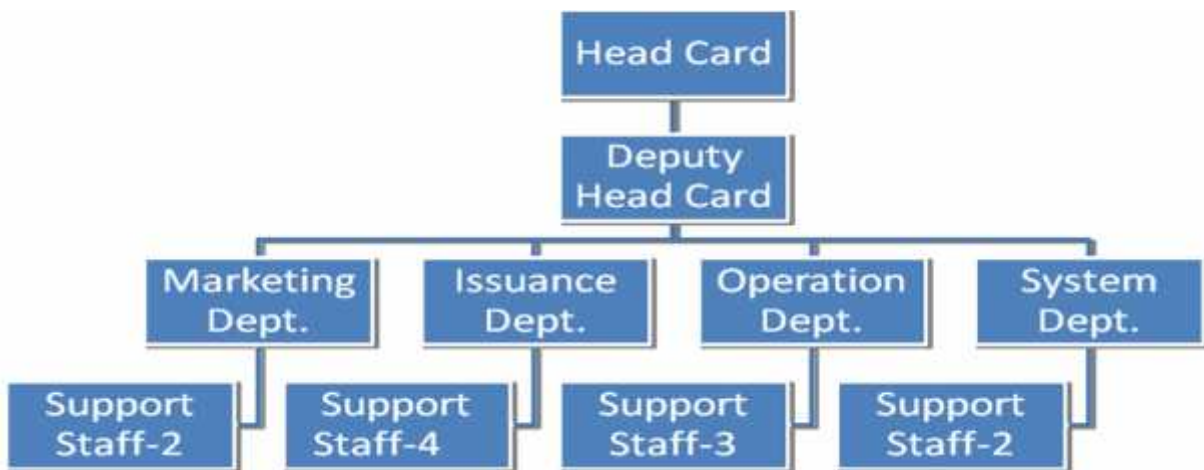
NIBL established card department on 2003 A.D. with a motive to launch Visa Electron Debit card for the first time in Nepal. The card department of NIBL is situated at Lazimpat Branch. NIBL launched Visa Electron Debit card on October 2003. NIBL is the pioneer in introducing Visa Electron Debit Card in Nepal. After NIBL, NABIL, HBL, KBL, RBB, GBL, MBL,

SRBL have issued Visa Debit Card. Several banks are on process of issuing Debit Cards in Nepalese Card Market.

Organization Structure of Card Department

In commercial bank, normally following organization structure been used to manage the card banking.

Figure: 2.1
Organizational Structure of Card Department



Types of Card issued by NIBL

NIBL has issued following types of card in the Nepalese market.

-) Visa Electron Debit Card
-) Visa Prepaid Card
-) Visa Credit Card

Services Provided by NIBL regarding Card Business

NIBL's card department provides following services:

Acquiring

NIBL acquires VISA branded all types of cards.

Issuance

NIBL issue Visa Electron Debit Card, Visa Prepaid Card and Visa Credit Card.

Provides associate membership to other commercial banks

NIBL is the principal member of Visa International for issuance of Visa Cards. It also provides associate membership to other commercial banks. Currently, KBL, RBB, GBL, SRBL, MBL are the associate members of NIBL.

2.1.15 National Payment Network (NPN)

NIBL started the National Payment Network in April 2009 AD, a new service for different development banks and financial institutions to the requirement of card for their customers. NPN service is available only in Nepal. Currently NIBL has 11 associate members in NPN.

They are:

1. Himchuli Development Bank
2. Business Development Bank
3. Tourism Development Bank
4. Nepal Share Market
5. Muktinath Development Bank
6. Manakamana Development Bank
7. United Finance Ltd
8. Birgunj Finance Ltd
9. Narayani National Finance Ltd
10. Garima Bikas Bank Ltd.
11. Nepal Consumer Development Bank Ltd.

2.1.16 Merchant Application

When potential merchant is sought out, it is asked to fill in an application form called the “Merchant Application Form”. Along with the application, the Bank asks for all the incorporation documents as mandatory during account opening. An analysis is executed by the Relationship Officer who has made the actual visit at the merchant’s location and made study of the merchant. On the basis of analysis and history of the merchant a merchant membership number is assigned called merchant number. The merchant is then either given an imprinter machine or electronic terminal depending upon the volume, frequency of

transactions and types of card acceptance. In major cases merchant's account with the bank is mandatory with very few exceptions.

2.1.17 Card Application

Similarly, when a potential for issuance is looked out, the first thing the Bank asks is to fill the application form. Once the form is filled a careful study of the form is made in order to have all the relevant and required information. Then after documents are sought out to justify the applicant's request for a card. In case of salaried persons, a salary certificate, copy of citizenship and two pp size photo is asked and in case of self employed, incorporation documents, financial reports, debit authority, official guarantee and other mandatory documents are required. An analysis is made by the concerned R/O and card is issued to those who prove to have genuine intention to pay back and can afford to avail the card.

2.1.18 Marketing of Card

As NIBL is an acquirer as well as an issuer, it has dual marketing task. It needs merchants who can accept the cards and at the same time it has to issue cards to the potential prospects. In case of merchant, It's the hotels, restaurants, travel agencies, departmental stores, super markets, handicrafts, curio center, petrol pumps and other outlets, which has the potential of accepting cards.

2.1.19 Merchant Marketing in NIBL

The merchant marketing part has two basic functions:

Acquiring of New Merchants

The marketing personnel usually do the induction of new merchants. The sources of data regarding these prospects are newspaper, magazine, reference by existing merchants, marketing by branches, personal market exploration etc. Hence, it is seen that any one who is affiliated with the bank can contribute in this category by just convincing the prospective ones, which they come across during the course of their job. NIBL has more than around 700 active merchants with almost 600 electronic terminals.

Maintenance of Existing Merchants

Some time the cost of inducting new merchants can be more than retaining an existing one. Due to the cutthroat competition in the acquiring market (Standard Chartered Bank Nepal, Alpine, Nabil Bank & Himalayan Bank,) it becomes imperative to keep a bird's eye on the performance of the existing merchants as there is always a threat of take over by the rivals. The job of retaining the loyalty of the merchant is carried out by monitoring and paying regular sales calls as per the performance in terms of frequency and volume of business.

Issuance Marketing

This part is the more important owing to its lucrative returns. NIBL is issues Visa Brand Cards. International cards are issued to the regular foreign currency r account holder and to those who are eligible to avail the foreign exchange under the travel quota scheme of Nepal Rastra Bank i.e. instead of taking Traveller's Cheque people can now carry international cards when visiting abroad and avoid the hassle of foreign exchange. Sources of prospects in terms of issuance are accounts with the bank, business directory, INGO's, big corporate houses, banks, insurance companies, retail businessmen, references, etc. This again show that all the staff associated can make big difference by promoting one of the lucrative products of the bank by luring the potential ones whom they deal in day to day business course of the bank.

2.1.20 Sources of Income Generation and Expenses incurred by the Card Division

Since the researcher's study is based on the Visa Electron Debit Card, only the income and expense incurred through Visa Debit Card is analyzed.

There are basically two sources of Income. They are from:

-) Acquiring Business
-) Issuance Business

Income from Acquiring Business

1. Merchant Service Fee (MSF)

This is the discount rate at which the charge slips are discounted while making purchases through Visa Cards in NIBL's POS terminals. i.e. the commission charged to the merchants on the purchases transaction made by Visa Cards. This MSF rate differs

depending upon the category of the merchants, which varies from merchant to merchant and also differs for NIBL's own card (ONUS Cards) and Other Banks' Card (OFFUS Cards) and the rates varies from 1.5% to 3.5%. for both ONUS and OFFUS cards.

2. ATM Cash Withdrawal Income (OFFUS Cards)

This is the Income that is earned by providing Cash withdrawal to OFFUS cards (card issued by other banks) through NIBL's ATMs. This income is provided by the Issuer Banks to the Acquirer Bank and in the income rate differs from Domestic Cards (Cards issued by banks in Nepal & India) and International Cards (Cards issued by rest of the country). For domestic cards the income per transaction is IRS. 22.47 and for International cards USD 1.00 per transaction.

3. POS Rental Fee

This fee is charged to the merchants for providing POS terminals by the bank. This fee is based on the merchant's annual card business. High card business volume merchants are exempted from these fees.

4. Merchant Membership Fee

This fee is charged to merchants for providing Merchant Membership by the bank. This fee is also based on the annual card business of the merchant. High card business volume merchant are exempted from this fee.

Income from Issuance Business

Debit Card Issuance Fee

This is the fee charged to the cardholder for Debit Card Issuance for the first time. NIBL charges Rs. 250 for Debit Card Issuance for Domestic Cards.

Debit Card Annual Fee

This is the fee charged to the cardholder for Visa Debit Cards issuance for subsequent years after the issuance. NIBL charges Rs. 250 as annual fee.

Debit Card Replacement Fee

This is the fee charged to the cardholder for providing a replacement card. The replacement fee is Rs. 250.

ATM Cash Withdrawal Fee

The fee charged to the cardholder while making cash withdrawals through ATMs are ATM Cash Withdrawal Fee. The cash withdrawals made on Member Banks' ATM is Rs. 20 per transaction while cash withdrawals made of other banks' ATM is Rs. 125 per transaction.

POS Interchange Income

This income is provided by the Acquirer Bank for NIBL cards used in their POS terminals for purchases. This rate is usually 1.1% of the transaction amount.

Income from Other Sources

1. Transaction revenue from associate member:

NIBL provides associate membership of Visa to different banks. Currently Kumari Bank Limited,, Rastriya Banijya Bank Limited, Nepal SBI Bank Limited and Global Bank Limited, Sunrise Bank Limited, Machhapuchhre Bank Limited are the associate members of NIBL. Whenever, the debit card issued by associate member is used in NIBL's ATM to withdraw cash, the cardholder is charged extra service charge of Rs. 10.00 per transaction. NIBL is entitled to 80% of the service charge so generated.

2. Annual membership charge from associate member:

NIBL charge USD 5,000.00 annually to its associate member against the membership fee.

3. NIBL also provides payment service through card for TOEFL, GMAT and GRE for which it charges Rs. 500.00 per transaction from the students.

2.1.21 The expenses incurred by card department can be discussed as follows:

Expenses from Acquiring Business

1. POS interchange expenses:

This expense is charged by the Issuer Bank for their cards used in NIBL's POS terminals for purchases. This rate is usually 1.1% of the transaction amount.

Expenses from Issuance Business

1. ATM Cash withdrawal expenses:

Whenever the card issued by NIBL is used in another bank's ATM (acquirer's ATM), it has to pay certain charge to the acquiring bank. The acquiring bank charge IC 22.47 on each transaction.

Other Expenses

1. Retrieval request expenses:

This is the fee charged by the acquiring bank when NIBL has to retrieve charge slip on behalf of its cardholder. Usually the acquiring bank can charge to the range of USD 2 to USD 8.

VIBS (VISA Integrated Bidding System) Expenses

The bank has to pay monthly fee to VISA International for availing different services and transaction fees for both acquiring and issuing transactions.

Operating Expenses

Operating expenses includes all the production expenses of debit card and administrative expenses of card department.

2.1.22 Safety Tips Using the Card

-) Sign your card immediately upon receipt of the same.
-) Always sign the card with a ballpoint pen.
-) The moment you get your Credit Card, note down the card number and the emergency contact number of the Bank's Card Center separately. Should you ever misplace your card or it gets stolen, it will be possible for you to immediately report a loss.
-) For security reasons, we advice you to keep a photocopy of the front and backside of the Credit Card with you.
-) Try and memorize the PIN instead of noting it down somewhere.
-) Don't lend your card to anyone. Be well aware of who has access to your cards. If your Credit Card is borrowed by a family member (spouse, child, parent), with or without your knowledge, you are responsible for their purchase/cash withdrawal.

- J Never disclose the card number and PIN number unnecessarily.
- J Do not give your Credit Card number over the phone or on the Internet. NIBL Visa Credit Card cannot be used for Internet, Phone and Mail transactions.
- J Never leave your card unattended at a shop or restaurant.
- J Make sure the card returned to you at the merchant establishment is yours.
- J When using your card in a merchant establishment, only your signature is needed. Never disclose any other personal details about yourself, be it your address or phone number.
- J Never sign an incomplete sales slip. Make sure it is totaled.
- J Always keep a copy of the bill and the payment slip and ATM receipts for all transactions.
- J Always check your billing statement. Check the purchases and compare it with the bills and receipts in your possession.
- J Keep the phone numbers of the Bank in a place other than the wallet that nest your card. If your wallet gets picked, you won't have to frantically hunt for the emergency number.
- J In case the card is lost or stolen, report immediately.

If returning or handing over the card to the Bank, make sure you give it to a bank official and cut it before doing so. That ensures the card can never be used again.

2.1.23 Usage of Debit Card around the World

Today, Visa Debit Card is the most popular and widely used Debit Card around the globe. It has become one of the most convenient and secured mode of payment and has replaced most of the cheque and cash transaction around the globe. People use Debit Card to buy their grocery, household items, electronic goods, expensive items, etc. It is also used to pay for services, such as hospitals, affiliation membership charges, gambling, betting through internet, etc.

India

The debit card has limited popularity in India as the merchant is charged for each transaction. The debit card therefore is mostly used for ATM transactions. Most of the banks issue VISA

debit cards, while some banks (like SBI) issue Maestro cards. The debit card transactions are routed through the VISA or MasterCard networks rather than directly via the issuing bank.

Japan

In Japan people usually use their *cash cards* originally intended only for use with cash machines, as debit cards. The debit functionality of these cards is usually referred only cash cards from certain banks can be used. A cash card has the same size as a VISA/MasterCard. As identification, the user will have to enter his or her four-digit PIN when paying. Unlike other debit card services, J-Debit is only available during certain times of the day. J-Debit was started in Japan on March 6, 2000. Suruga Bank began service of Japan's first Visa Debit in 2006.

Singapore

Singapore's debit service is managed by Network for Electronic Transfers (NETS), founded by Singapore's leading banks, DBS, Keppel Bank, OCBC, OUB, POSB, Tat Lee Bank and UOB in 1985 as a result of a need for a centralized e-Payment operator.

United Kingdom

In the UK debit cards (an integrated EFTPOS system) are an established part of the retail market and are widely accepted both by bricks and mortar stores and by internet stores. The term EFTPOS is not widely used by the public, debit card (or Switch, even when referring to a Visa card) is the generic term used. Cards commonly in circulation include Maestro (previously Switch), Solo, Visa Debit (previously Visa Delta) and Visa Electron. Banks do not charge customers for EFTPOS transactions in the UK, but some retailers make small charges, particularly where the transaction amount in question is small. The UK has converted all debit cards in circulation to Chip and PIN (except for Chip and Signature cards issued to people with certain disabilities), based on the EMV standard, to increase transaction security; however, PINs are not required for internet transactions.

United States

In the US, EFTPOS is universally referred to simply as debit. The same interbank networks that operate the ATM network also operate the POS network. Most interbank networks, such as Pulse, NYCE, MAC, Tyme, SHAZAM, STAR, etc. are regional and do not overlap, however, most ATM/POS networks have agreements to accept each other's cards. This means that cards issued by one network will typically work anywhere they accept ATM/POS cards for payment. For example, a NYCE card will work at a Pulse POS terminal or ATM, and vice versa. Many debit cards in the United States are issued with a Visa or MasterCard logo allowing use of their signature-based networks.

The liability of a US debit card user in case of loss or theft is up to 50 USD if the loss or theft is reported to the issuing bank in two business days after the customer notices the loss.

Germany

Debit cards have enjoyed wide acceptance in Germany for years. Facilities already existed before EFTPOS became popular with the Eurocheque card, an authorization system initially developed for paper checks where, in addition to signing the actual check, customers also needed to show the card alongside the check as a security measure. Those cards could also be used at ATM Terminals and for card-based electronic funds transfer (called electronic cash). These are now the only functions of such cards: the Eurocheque system (along with the brand) was abandoned in 2002 during the transition from the Deutsche Mark to the Euro. As of 2005, most stores and petrol outlets have EFTPOS facilities. Processing fees are paid by the businesses, which leads to some business owners refusing debit card payments for sales totaling less than a certain amount, usually 5 or 10 euro.

2.2 Review of Previous Research Works

The objective of literature review is to provide base for further study on the topic selected. Hence whatever literature has been reviewed reveals that debit card business is flourishing in the world economy like anything and whoever is in this business finds is profitable. But the status is not lucrative in Nepal as it is in other nations of Asia Pacific Region. What the

review has also exposed that debit business has also played a significant role in the economic boom of those nations who have encouraged their usage. Once a payment card is issued it enhances the expenses of individuals leading to a growth in consumption and hence encourages investments. This part of study incorporates review of related studies within the nation. Some unpublished thesis has been reviewed for that purpose.

Tiwari (2002), an article written on "Banks in Credit Card Business" throw light on information exchange between the credit card issuer banks. Himalayan Bank, Nabil Bank and Standard Chartered Bank (the credit card services providers of the country) have decided to exchange information on loans acquired by customers through the cards issued to them. The decision has been made to curb the increasing trend of acquiring credit card from various banks without clearing dues of one bank. The banks have also agreed to black list customers failing to pay their bills and not to issue card to them. The provision of Nepal Rastra Bank whereby its Credit Information Bureau (CIB) blacklists defaulters of above Rs. 1 million only, as bankers put it, has been the reason behind increased problems and the bankers undersigned the latest agreement to fight the menace. Earlier, Himalayan Bank had made public the identity of three defaulters after it failed to obtain their response despite the bank repeated the notice to clear their dues. According to Himalayan Bank about 5 to 10 percent of the customers are cheats; however, the rate was not higher to what persists in the international market.

Thapa (2002), has conducted research on "Prospect and challenges of credit card Business in the banking sector of Nepal" the main objective of the researcher was to find out prospect and challenges of credit card business in the banking sector of Nepal. Researcher has taken Nabil bank Ltd and standard Chartered Bank Ltd. as a sample bank.

After completing the research work the researcher found that the main problem of credit card business is acceptance infrastructure, credit card business depend upon arrival of tourist and high fixed cost associated with card operation. But the study does not give the total answer of his research. The studies mainly focus on Nabil Bank Ltd. and only Nabil bank does not

represent the total card market. From researcher study, it can be concluded that the study is descriptive rather than analytical. In spite of the failure to present the true picture of credit card, Thapa's attempt regarding the topic is appreciable. Hence, necessity of research is not finish. That is why in this research, tries to find out the present situation of credit business considering three banks Nabil, SCBNL and HBL as sample bank that led the card business and viability of card business in Nepal.

Joshi (2005), in her study entitled “Credit Card Market in Nepal” evaluated the market share of HBL, SCBNL and NABIL Bank. The data collected from surveys and interviews of card holders, non cardholders and professionals were highlighted. The data were represented ingraphical form and showed the market share of Credit Card issuing banks. The study also gives us the information about the development of the Card Industry in Nepal and the world. After the data analysis, she has suggested following measures for newcomers in Credit Card business:

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

Shrestha (2007), had conducted research on “Credit card business in Nepal with Reference to Himalayan Bank Limited”. Her work is highly commendable and she had drawn significant conclusions and remarkable recommendations for Himalayan Bank. Her study is more analytical and also attempts to give a slight picture of credit card market in Nepal. But the study only deals with one bank and is only directed to identify problems of that particular bank only.

Pandey (2010), conducted a research on "Master card business in Nepal". In his research the concept of credit card has not been developed significantly in our nation as it has been in other nations. People believe in carrying cash rather a card.

Since most of the people in Nepal belong to middle and lower class family they hesitate to pay the annual fee for the card; moreover they make purchases in small grocery shops where credit cards are not accepted. Hence we can say that concept of card in Nepal is in its budding stage.

There is high prospective and growing market for credit card business especially acquiring business. Now a days, people are being aware about credit card facilities and the advantages of holding a credit card, which is gradually progressing in industrialization process and increasing income level among the higher and middle class society. So the possibility of other banks or financial institutions entering this field should not be ignored.

As far HBLs performance in card business is concerned it is under performing owing to many factors decline tourism and its effect on the acquiring business, emerging aggressive competitors, lack of penetration and habituation in the market, absence of adequate supporting technology among 72 others. Our research aimed mainly to assess some of the factors level of impact and reasons for their existence. At this competitive age, HBL cannot afford to rest on its laurels and should aggressively segment the market and approach each segment with tailored program, while doing so, certain aspects of its policy might need to be revised or completely eliminated.

Action plans based on our recommendations might be considered if the bank considers them to be useful in the long run. HBL should hence be clear that card business is profitable if it is carried in a very monitored and controllable manner.

Joshi (2010), conducted a research on "Credit Card Business in Nepal with Reference to Nabil Bank, HBL and SCBNL". In his analysis, he aims to trace how the credit card operation evolved over the years and tried to examine the existing structure and operation of credit card systems. He also tries to analyze the major problems related to credit card and tries to find some measures to improve it. He examined the aggregate market trend for credit card, recommend and suggest measures to improve card business in Nepal based on his analysis.

"...credit card is one of most vigorously sought after and growing business in the world. Credit card is a plastic card which allows the holder to purchase goods and services on credit and is mostly issued by banks or financial institutions. It is such a service where card holder can enjoy credit facility even though he doesn't have sufficient balance in his account credit cards also minimize the risk associated with carrying money like loss of money pickpocketing etc. and also offers many discount and award schemes. From a merchant point of view, it will increase the sales of the merchants as the trend today is of plastic money and also he gets rid from taking collected money to banks for deposits. Everything happens electronically and the merchant's account gets credited very shortly after every purchase."

Risk is the major element of any kind of business. Card business is also a risky business. Though profitability is very high the difficult chances from card holder is also very high because cards are issued morally on the basis of salary sheet and few identification number or tax code.

2.3 Research Gap

Previous researches conducted on this topic and the studies were unable to brief on the detail meaning and importance of plastic cards in modern life. This research has made an effort to present the comprehensive analysis of debit card focusing on its pros and cons and its impact on the bank's overall performance and customers day to day life.

Plastic Card is most popular form of payment among the types of payment due to its unique features. But in Nepal the popularity of card is quite low due to ignorance about the

advantages of carrying card rather than hard cash. This research has been analyzed using both primary and secondary data. Information given in this thesis is thoroughly analyzed to give best possible figure of debit card.

This research has also focused on the transaction process of plastic cards either it be through ATM or POS terminals. Since, the card business is very technical and systematic; many people are unaware about its functions. This research has tried to provide the indepth knowledge regarding the system of card business. The research also focused on the technical problems of card business.

CHAPTER-III

RESEARCH METHODOLOGY

Research means search something again and again for knowledge. We study the social problems to find out something more about the phenomena. The first look may not always be adequate. It may be prone to error. Therefore, we look into the phenomenon and study the problem differently and thoroughly each time. This process of searching many times is known as research. Research is a knowledge building process. It generates new knowledge, which can be used for different purpose. Research is undertaken not only to solve a problem existing in the work setting, but also to add or contribute to the general body of knowledge in a particular area of interest to the researcher. Thus research is an organized, systematic, data based, critical, scientific inquiry or investigation into a specific problem, undertaken with the objective of finding answers or solutions to it.

Methodology is the research method used for investigation. Research Methodology is the way of doing and completing research work. It is the way to solve the research problem systematically. The systematic and well organized way of solving the research problem can be referred to as research methodology. The research methodology methods and techniques are convenient and appropriate for analyzing the data and information collected. This includes personal observation, questionnaire distribution, secondary data collection, annual report, previous study, websites of commercials banks etc. Research methodology depends on the various aspects of research projects. The size of project, the objective of project, impact of project in various aspects of human life etc are the variables that determine the research methodology of the particular projects.

This study is undertaken to have a clear picture of Visa Debit Card operation of NIBL through descriptive com exploratory research design. The research methodologies adopted are outlined as:

- Research Design
- Population and Sample
- Sources and Techniques of Data Collection
- Data Analysis Tools

3.1 Research Design

A research without a pre-drawn plan is like an ocean voyage without mariner's compass. The preparation of a research plan for a study aids in establishing direction to the study and in knowing exactly what has to be done and how and when it has to be done at every step. The design is an overall framework or plan for the collection and analysis of data. The research design serves as a framework for the study, guiding the collection and analysis of the data. The use of research design prevents a blind search and indiscriminate gathering of data and guides to proceed in the right direction.

A research design is the program that guides the investigator in the process of collecting analyzing and interpreting observations (Nachmias & Nachmias, 1987).

The data was collected from different sources. Questionnaires were distributed to the cardholders and merchants to get the first hand information regarding the operation of cards in Nepal from both cardholders' as well merchant's point of view. Personnel of Card Center of NIBL have been asked regarding the bank's card service and its cardholder base. Information provided has been scrutinized in best possible way to provide the clear picture of card business in Nepal.

The information collected is tabulated and presented with diagrams. Comparison has been done in regards to the acquiring, issuance of debit cards by different banks. The Data is analyzed using different financial and statistical tools. As mentioned, study adopts exploratory com descriptive research design.

3.2 Population and Sample

The total 30 commercial banks constitute the population of organization as unit of analysis and Nepal Investment Bank Limited constitute sample. Likewise all cardholder of commercial banks and merchant outlets who accept cards are total population and responses collected through questionnaire of card holders and merchants are sample as individuals as unit of analysis.

Table: 2
Populations and Sample

Population	Sample
- Total 30 commercial banks of Nepal	- Nepal Investment Bank Limited
- All cardholders of commercial banks and merchant outlets	- 50 cardholders and 25 merchants

3.3 Sources of Data

To a researcher statistical data provides raw materials to derive conclusions and examine the given problems. In the absence of adequate and accurate data application of statistical techniques cannot fetch good and reliable results that may be very helpful in arriving the sound decision and conclusions in solving the given problems. Thus, that data is the soul of statistics and very important that should be collected on a sound basis.

In view of the basic sources of data collection, data can be classified into primary as well as secondary.

Primary Sources

Primary data are those which are to be collected for the first time by the researcher. The primary source of data is questionnaires which were distributed to different people and the clients of banks. Some data were collected through unstructured interview of the personnel working in card center of different banks mainly from NIBL

Secondary Sources

Secondary data are those which do not originate from the researcher, but which he/she obtains from someone else's records. These are like the finished products since they have been

proceeding statistically in some form or the other. Secondary data were collected through Annual report of NIBL.

-) Internet.
-) NIBL website.
-) Reports provided by Data Card Industry.
-) Newspaper, journals, articles and various magazines.
-) Dissertation of Central Library of T.U. and Library of Shanker Dev Campus.

3. 4 Data Collection Technique

All required data were collected through primary and secondary data collection technique. Annual Report and other published financial report were used to gather required secondary data. Some unpublished data (in general) provided by bank also used as secondary data. Questionnaire, personal interviews, and observation technique are used to collect primary data, all together fifty copies of questionnaires were distributed and just thirty respondents reply the question. Likewise, altogether, thirty copies of questionnaire were distributed to the merchants and just twenty respondents reply the questions.

Structured Questionnaire

Structured questionnaires were prepared for three different sample groups; Customers (card users), Merchants and Departmental stores. Few banking staffs and friends working at Alpine Travel Service and various banks with acquaintance of debit card were also consulted.

Customers

This questionnaire was targeted to people regardless of sex, age, education or any other such demographic criteria, the only requirement was that the respondent had to have a credit card of any bank of Kathmandu. This questionnaire was designed so as to focus on specific reason for acquiring credit card and choosing particular banks for doing so. For the debit card holders, the question mainly focused on the types of debit card acquired, means of gathering information about debit card, reasons for acquirement and problems encountered with usage

of card, frequency of usage, places of usage, reasons for usage, future plans of termination and reasons for doing so.

Merchants

The merchant's questionnaire was targeted to merchants of different establishment such as departmental stores, restaurants, hotels, travel agents and others such as retail outlets concentrated in Lalitpur, Bhaktapur and Kathmandu. The questionnaire was divided into two portions; one focused on Merchants having debit cards facilities and the other merchants not having the facilities. The first section consists of questions focused on the acquiring bank, reasons for selection of bank, reasons for acquirement of facilities, frequency of usage of debit card and problems encountered with usage of card. The second section comprises of questions regarding reasons for not acquiring debit card facilities, reaction of customers to absence of debit card facility and whether there is planning for installing debit card facility and reasons for doing so or if not then why.

Departmental Stores

Departmental stores questionnaire was targeted to departmental stores providing debit cards facilities to their customers. This questionnaire was designed so as to find out the reasons for selection of different banks cards. The questionnaire included most of the questions in 'Merchant' questionnaire. Furthermore, apart from general information, acquiring bank, reasons for selection of bank, reason for acquirement of facilities, frequency of usage of credit cards and problems encountered with usages of cards were asked.

3. 5 Methods of Data Presentation and Analysis

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

Financial tool and various statistical tools are used to analysis the debit card of Nepal Investment Bank Limited.

3.5.1 Financial tool used

Financial tools are used to evaluate the financial performance of bank. Analysis of financial statement is the process of determining financial strength and weakness of the company by establishing strategic relationship between the items of balance sheet. The following financial tool is used here in the study to obtain the objective of the study.

Profitability Ratio

Profitability ratio measures how effectively a bank management generates profit. It can be defined as the Net Profit divided by Total income. The ratio has been used to know about the profitability of card center of NIBL.

3.5.2 Statistical tools used

The following statistical tools are used to evaluate the analysis of the debit card of NIBL.

Arithmetic Mean

Arithmetic mean in a given set of observations is their sum divided by the number of observation.

Standard Deviation

The measurement of the scatterness of the mass figure in a series about an average is known as dispersion. The standard deviation means absolute dispersion. Standard deviation calculates the average deviation of all the values from the average value in positive term. So, it can be used to calculate fluctuation or deviation. Greater the amount of dispersion greater will be the standard deviation.

Coefficient of Variation

The co-efficient of variation is the relative measure of dispersion, comparable across, which is defined as the ratios of the standard deviation

Coefficient of Correlation

It describes the degree to which one variable is linearly related to other variables. Two variables are said to be correlated when change in the value of one variable appears to be related or linked with the change in the other variables. The correlation coefficient always lies between -1 and +1. If the correlations between two variables are positive it shows the positive relationship between them. If the correlation is negative it shows opposite relationship between them and if it becomes 0 there is no correlation between two variables.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

This chapter mainly focuses on analysis and interpretation of the data collected from various sources and research methodology. We study on the comparison of cards issued by NIBL and other major commercial banks. Growth pattern of NIBL, of the entire industry and comparative analysis of NIBL with its close competitor is presented and analyzed in order to have deeper understanding of the card business.

4.1 SWOT Analysis

Everyone has some certain strength and weak points. These may be either visible or concealed. Strength and weakness are within us and to some extents are under our control. We can manipulate these to suit a particular situation on the other hand opportunities and threats are beyond our control. An organization should try to exploit the opportunities and avoid the threats. A successful organization is the one that may carry its own SWOT analysis. SWOT is basically a common sense approach to management that can be applied to any situation with a little bit of imagination.

Now let's see a brief SWOT analysis of

S – Strength

) Quality Service:

The services offered by the bank are faster and reliable which has enabled it to be one of the leading banks in Nepal

) Established Presence

It has been established in Nepal since 1986 that means it has been here for more than 24 years of quality service and had earned goodwill in the financial market.

) Location

The bank has taken time to decide on the location of its outlets very sensibly and has managed to provide its services from the locations that are convenient to its customers.

) Innovative attitude

It has always welcomed technological changes and implemented the latest technologies that make it No. 1 technologically. It is the first to introduce the Visa Debit Card in Nepal. It is the first one to provide Internet Banking (though limited access and facility only).

W – Weakness

) Promotional Activities

It spends a lot of money on promotional activities each year but not as successful compared to other banks due to well-trained team of such activities. It should build up a team for the same to get better results or the activities and to save a lot of unnecessary effort and money limited outlets.

It has limited branches as compared to other govt. banks as well as commercial banks specially in the rural area. Hence it should open more branches including in the rural areas.

O – Opportunities

) Increasing earnings of people

A slow but steady growth of Lower class to Middle and Middle class people to upper middle class and Upper Middle Class people to High class due to growing remittance from abroad as hundreds of people are going abroad for employment. It should focus on this sector for more business.

) Growth in Industries

Though due to present political situation the industries have not been able to perform up to the expected level, there are still lots of possibilities. It should explore the market to capture its share on time.

T – Threats

) Competition and New Entrants.

The growing no. of finance companies and then turning to development banks, moreover NRB has licensed to few more Banks to operate recently and allows international banks to open their outlets in Nepal. In this scenario it has to face a lot of competition in the days ahead so it better prepare for the situation on time.

The above is just a glimpse illustration of a SWOT analysis of Nepal Investment Bank Ltd. It is highly recommended that should do a SWOT analysis taking all the variables into account to get a clear picture and to help it draw a future course of action.

4.2 Comparative Analysis

Different data regarding the card issuance, acquired and numbers of ATM deployed of NIBL has been compared with the other major commercial banks.

Table : 4.2

Acquired Volume of Card as of FY 2066/67

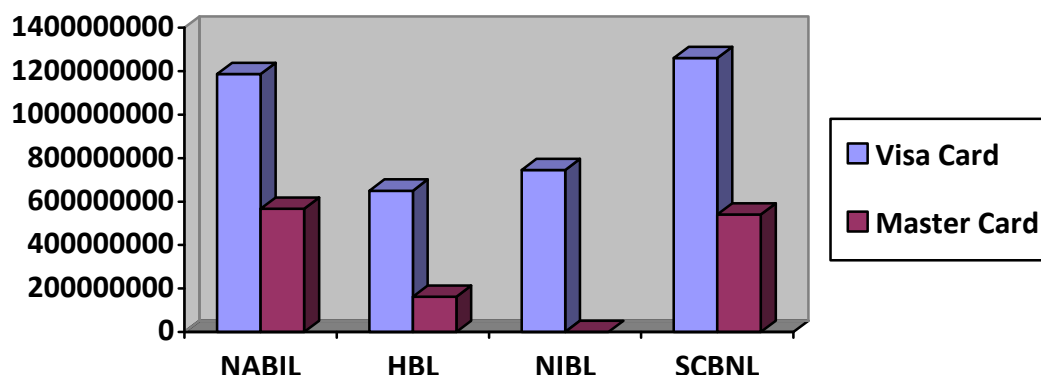
Banks	Visa Card	MasterCard	Total
NABIL	1,186,700,000	567,200,000	1,753,900,000
HBL	650,000,000	162,500,000	812,500,000
NIBL	744,297,000	-	744,297,000
SCBN	1,260,000,000	540,000,000	1,800,000,000
Total	3,840,997,000	1,269,700,000	5,110,697,000

Source: Nepal Card Member Forum 2010

Card acquiring business is the most profitable business of any commercial banks. With acquiring business, the banks can also get benefit of exchange gain on acquiring of international cards. Initially SCBNL and NABIL banks are doing acquiring business and by 2003 NIBL entered into the card market. However, its acquiring business is increasing.

The above table can be made more clear by the following figure.

Figure : 4.2
Acquired Volume of Card



In Nepal, Alpine Travel is the first to acquire Visa and Master card in association with overseas Union Bank in late 80's. NABIL Bank started to acquire Visa and Master Card in 1990. Similarly in 1991, SCBNL started acquiring Visa and master Cards. From 1997, Himalayan Bank Limited also started to acquire Visa Cards. From 2003, NIBL started acquiring Visa Cards.

The above table and chart shows that during FY 2066/67, amount equivalent to Rs. 5.11 billion is acquired by the Nepalese commercial banks. SCBNL is the bank with highest acquiring volume. NABIL stands in the 2nd position. Though NIBL started acquiring cards only on 2003, as of FY 2066/67, its acquiring volume exceeds the HBL's acquiring volume. This proves that NIBL is aggressively moving forward to increase their card business. The above table also shows that in Nepal, Visa brand cards are mostly acquired by the banks. NIBL only acquires Visa brand cards since it has recently got associate member of MasterCard International.

4.3 Trend of Debit Card issuance of NIBL

NIBL started issuing debit card from September 2003. The trend of debit card issuance of NIBL can be illustrated as follows:

Table : 4.3

Trend of Card issuance of NIBL

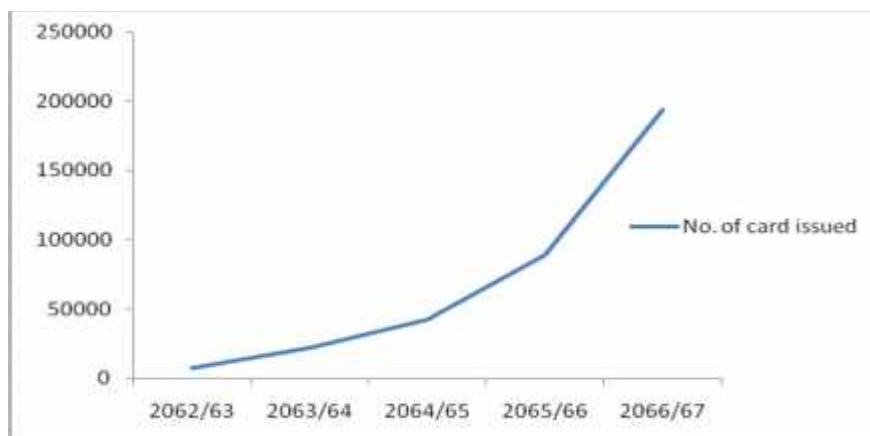
Fiscal Year	No. of card issued	Growth %
2062/63	7300	
2063/64	21700	297.26
2064/65	42,000	93.55
2065/66	89,000	111.90
2066/67	194,000	117.97

Source: Internal report of card center of NIBL, 2010

The trend of debit card can be illustrated more easily by the following diagram:

Figure : 4.3

Trend of Card issuance of NIBL



The above table and diagram clearly states that the growth rate of debit card of NIBL is on increasing trend. NIBL started issuing Visa Debit Card since FY 2062/63 when it issued 7300 Nos. of debit cards. As of 1st August 2010, it has issued altogether 194,000 debit cards. The average growth rate of debit card is more than 110% in NIBL

4.4 Visa Debit Card Issuance by Nepalese Commercial Banks

Till August 2010, there are nine commercial banks who issue visa debit card. The market share of debit card of each commercial bank is illustrated as follows:

Table : 4.4
Total Debit Card issuance by Commercial Banks as of FY 2066/67

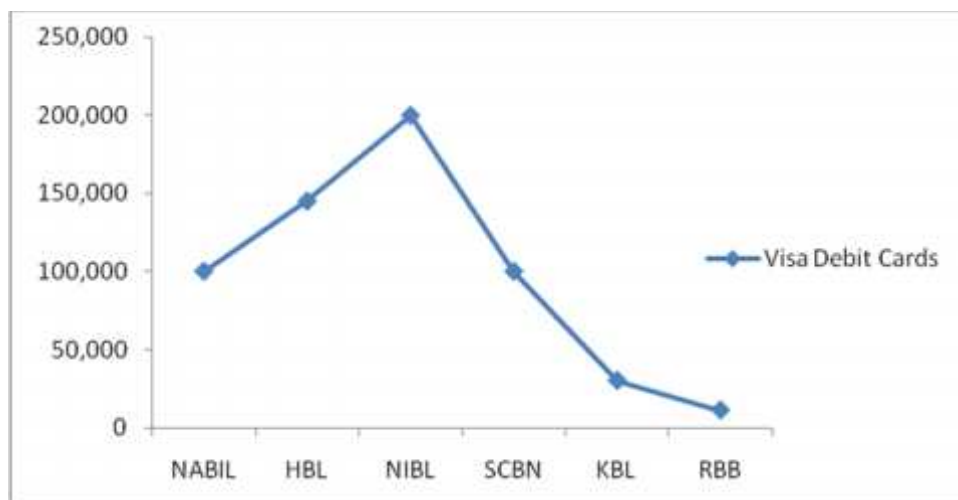
Banks	Visa Debit Cards	Market Share
NABIL	120,000	14.9
HBL	155,000	12.4
NIBL	194,000	34.2
SCBN		17.3
KBL	30,000	14.9
RBB	11,000	5.4
GBL		
MBL		
SRBL		
LAXMI		
Total	202,000	100.00

Source: Nepal Card Member Forum, 2010

Out of 100, NIBL covers 34.2% of total debit card market with largest number of debit card issuance till date.

Figure : 4.4

Total Debit Card issuance by Commercial Banks



From the above table and diagram it is clear that NIBL has issued maximum number of debit cards i.e. 194,000 cards during FY 2066/67. NIBL has largest debit cardholder base compared to other commercial banks.

4.5 ATM and POS deployment by Nepalese Commercial Banks

Now a days, almost all commercial banks, development banks and finance companies are deploying more numbers of ATM and POS terminals to facilitate its cardholders. The comparative chart of ATM and POS deployment can be made clear by the following table and figure of some major commercial banks.

Table : 4.5

Comparative table of ATM and POS deployment of Nepalese Commercial Banks as of FY 2066/67

	NABIL	HBL	NIBL	SCBNL	KBL	RBB	SRBL	GBL	MBL	LAXMI
ATM	56	61	67	20	24	28	51	34	16	7
POS	1300	800	600	-	-	-	-	-	-	-

Source: Nepal Card Member Forum, 2010

NIBL has the largest number of ATMs and POS terminals deployed compared to other commercial banks. Till FY 2066/67, NIBL has deployed 67 ATMs and 600 POS terminals throughout the nation. Nabil and HBL are the nearest competitor of NIBL regarding the deployment of ATM and POS terminals.

4.6 Profitability Analysis

Card business is the most profitable business for any bank or financial institutions. It generates profit by issuing and acquiring cards. Heavy investment and advanced technology are required to operate its business. Normally, Card department needs more than two years to generate profit. The profitability of card department depends upon many factors. Income and expenditure of card department of NIBL as follows:

Table : 4.6
Profitability analysis of card department of NIBL
 Fiscal Year 2066/67

Types of Card issued	Number
Debit Card	194,000
Credit Card	1,570
Total	195,570

Income Generated

Income Headings	Amount Rs.
Debit Card Issuance Income	33,063,143.00
Credit Card Issuance Income	1,583,668.00
Merchant Income	19,597,780.00
Visa Income	17,863,978.00
Cash Advance Income	27,368,545.00
Credit Card Charges	503,516.00
Interest from credit card	1,619,168.00
Miscellaneous Income	3,177,325.00
Other Fees and Commission	2,316,506.00
Consortium Income	1,670,460.00
Total Income (A)	108,764,089.00

Expenses Incurred

Expense Headings	Amount Rs.
Visa cash advance fee	6,410,386.00
Visa Interchange fees/other visa related fees	23,946,836.00
Interest Suspense	170,670.00
Card Printing	2,158,947.00
Administration Expenses	1,019,102.00
Purchase of non-capital card	120,186.00
Advertisement and Publicity	249,165.00
Professional Fees	1,605,922.00
Staff Expenses	4,921,643.00
Visa Charges	272,608.00
Depreciation	11,024,032.00
Consortium Expenses	502,088.00
Membership fee	1,102,313.00
Other Supplies	12,300.00
Computer Support	2,618,413.00
Loan loss provision	2,318,741.00
Total Expenses (B)	58,453,352.00

Total Income (A)	108,764,089.00
Total Expenses (B)	58,453,352.00
Profit/Loss (A-B)	50,310,737.00

Source: Internal report of Card department, NIBL, 2010

During FY 2066/67, card department of NIBL earns Net Profit of Rs. 50.31 Million. The total revenue generates Rs. 108.764 Million and expenses incur Rs. 58.45 Million. The Net Profitability for the particular year is 42.26%.

During the particular year, the bank issued total 194,000 debit cards and 1570 credit cards. The department's major expenses are Visa interchange fees and other visa related expenses, depreciation expenses, professional fees and staff expenses. The department generated major income in the form of Visa income, merchant income, debit card issuance income and cash advance income. The Bank generates major income from Debit card rather than credit card due to large debit cardholder base.

4.7 Factors influencing profitability of card business

There are many factors that influence the profitability of card business. The brief view of influencing factors is as follows:

Acquiring Business

Acquiring business is concerned with the processing of transactions by the banks, which are submitted by those outlets/firms/organizations, who accept cards. Bank provides service to their business customer that allows them to accept card payments against the sale of goods/services or cash withdrawal. Acceptors of those cards are called merchant. The cardholders will go to such merchant or outlet and make a purchase with the card they have and draws a sales voucher of the amount whatever they make purchases. The merchants will present those voucher to the acquirer (Bank) for further processing and payments to the merchants. The acquirer will be benefitted from this business in the form of merchant's service fees i.e. the merchants are paid full amount of the voucher less certain discount fee, which are determined earlier at the time of agreement between merchant and the bank. NIBL charges 1.5% to 3.5 % commission as merchant service fee for different types of merchants. Based on the business volume and merchant type, the merchant service fee is determined.

The merchant service fee is the income for the acquiring banks. This can also be elaborated by the following example; suppose Mr. A purchases goods worth Rs. 100,000.00 at a shopping

mall using his Visa Debit Card but the bank reimburse the merchant after deducting the merchant's service fee. If the merchant service fee is 2.5%, then the bank deducts Rs. 2500.00 and reimburses only Rs. 97,500.00 to the merchant. Here Rs. 2500.00 is bank's income against acquiring business. However, the income generated from merchant service fee is shared with the issuer bank. This means out of merchant service fee of 2.5%, 1.1% to 1.6% is paid to the issuer bank.

Some of the major factors which affect acquiring businesses are:

Merchants

Merchants are the outlets that accept cards. More the merchants more will be the acquiring volume. More the acquiring volume, more the income bank generates through merchant service fee.

No. of Tourists

Greater the inflow of tourist, higher will be the acquiring business as most of the tourists make payments with cards.

ATM

Higher the number of ATMs higher will be the card usage on the ATMs. Since, revenue is generated from the usage of other bank's card, acquiring volume also significantly increases with the increase in number of ATMs.

4.8 Domestic Card Issuance and Usage

The increase in domestic card issuance leads to the increase in the usage of the same. Increase in usage of cards means the increase in acquiring business.

Issuing Business

The card issuing bank charges annual fee to its cardholders. Increase in the issuance of cards means the increase in annual fees. Thus, the income of the card centre also depends upon the issuance of the card. Besides annual fees, the issuing bank can generate interchange income when its card is used in other bank's terminals. For example, if the cardholder of NIBL purchases goods worth Rs. 100,000.00 from the merchant whose acquiring bank is other than

NIBL, then NIBL receives Rs. 1100 (1.1% of transaction amount) as interchange income from the acquiring bank.

The variable that determine the usages of any card are determined by the card issuance and merchants. It will be moderately positively correlated with each other, that means greater the number of card issued greater will be usages and likewise greater the acceptor of card or merchant higher the probability of card being used. Thus increase in profitability of card business.

4.9 Presentation and analysis of primary data

Sources of primary data were Questionnaire distributed to cardholders and merchants inside the valley. The cardholder's and the merchant's responses are presented in the tabular and the graphical form to give the clear interpretation.

4.9.1 Cardholder's Responses

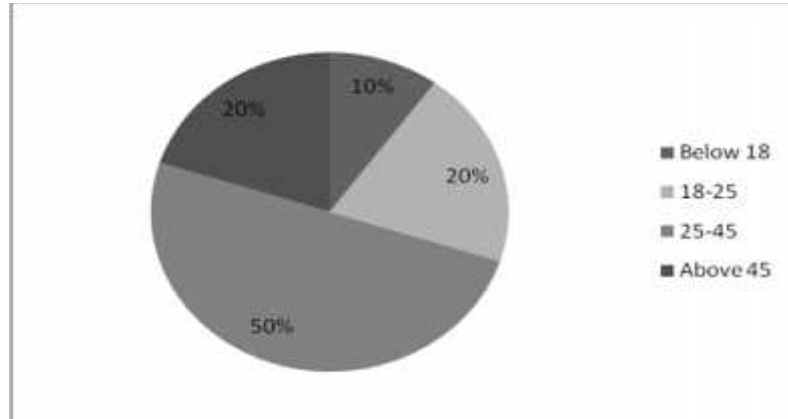
Ordinary Cardholders were asked to fill questionnaire consisting of 12 questions out of which 7 major questions are interpreted and presented.

Table : 4.7
Age group of cardholders

Age Bracket	Responses	Percentage
Below 18	5	10%
18-25	10	20%
25-45	25	50%
Above 45	10	20%
Total Responses	50	100%

We can illustrate the above data in the following figure:

Figure : 4.5
Age group of cardholders



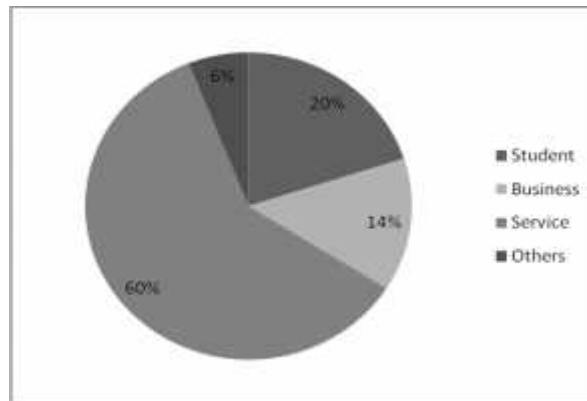
On the basis of above table and figure 50 sampled cardholders, it was found that the majority of debit cardholders fall under age group of 25- 45. Most of the working people fall under the age of 25 – 45. Hence, it can be concluded that most of the working people are using debit cards in their daily life. The reasons to hold card by them are found to be its convenience and time saving.

Table : 4.8
Profession of cardholder

Profession	Responses	Percentage
Student	10	20%
Business	7	14%
Service	30	60%
Others	3	6%
Total Responses	50	100%

We can illustrate the above data in the following figure:

Figure : 4.6
Profession of cardholder



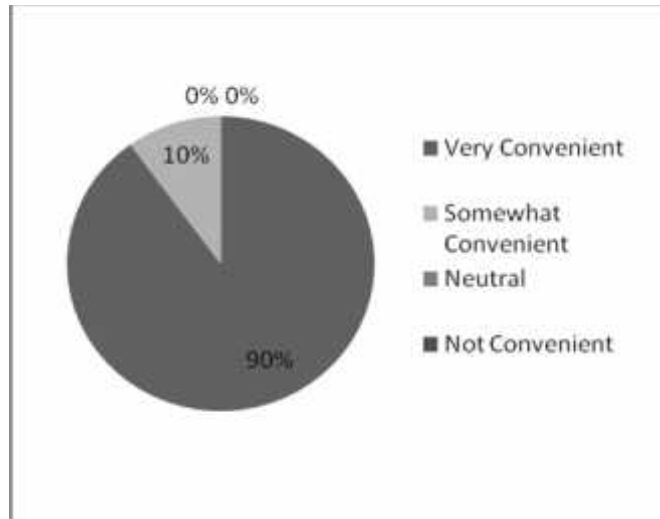
On the basis of above given table and figure, as per the survey conducted, about 60% of respondents fall under the service category. It is clear that, most of the service holders are using debit cards. These days, organizations directly deposit their staff's salary in bank accounts. As such, service holders are provided with maximum number of debit cards. Service holder can save their time by using debit card.

Table : 4.9
Degree of Convenience in using Debit Cards by the holders

Degree of Convenience	Responses	Percentage
Very Convenient	45	90%
Somewhat Convenient	5	10%
Neutral	-	-
Not Convenient	-	-
Total Responses	50	100%

We can present above data in the following

Figure : 4.7
Degree of Convenience in using Debit Cards by the holders



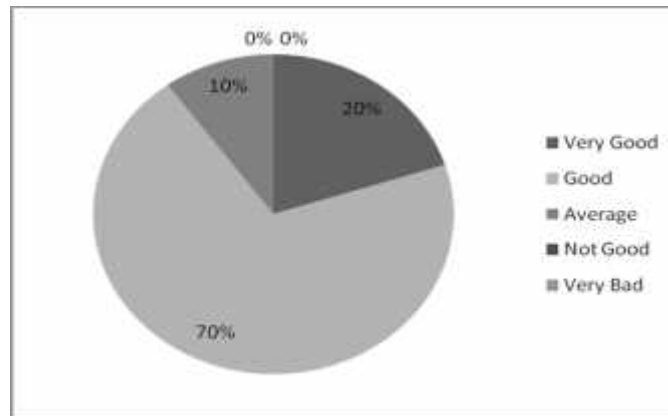
Out of 50 sampled cardholders, 45 cardholders that constitute to 90% of sampled cardholders feel that debit cards are very convenient. Due to convenience in cash withdrawal and make purchase, people are getting attracted towards using debit cards.

Table : 4.10
Card Service of the Bank

Card Service	Responses	Percentage
Very Good	10	20%
Good	35	70%
Average	5	10%
Not Good	-	-
Very Bad	-	-
Total Responses	50	100%

We can illustrate the data in the form of below chart

Figure : 4.8
Card Service of the Bank



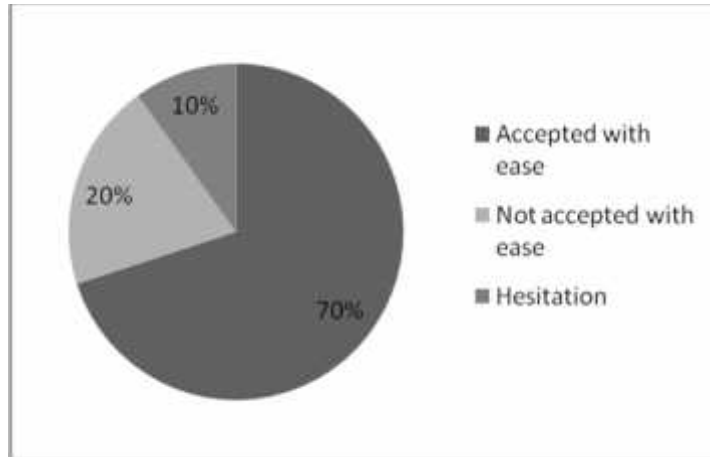
Most of the sampled cardholders are in the opinion that the card service of bank in context to Nepal is good. Out of 50 respondents 35 feels that the card service is good. However, there is always the complaint of card users that the bank’s ATMs do not function properly. The sampled cardholders are of the view that if the bank could patch up with the technical problem of ATM, more and more people will be using debit card and there will be the cashless payment system even in Nepal. Some of them respond as good and only 5 people respond as average service in ATM, but there is no one found to respond as not good and very bad for the card service.

Table : 4.11
Card Acceptance

Card Acceptance	Responses	Percentage
Accepted with ease	35	70%
Not accepted with ease	10	20%
Hesitation	5	10%
Total Responses	50	100%

We illustrate here the above table in chart form

Figure : 4.9
Card Acceptance



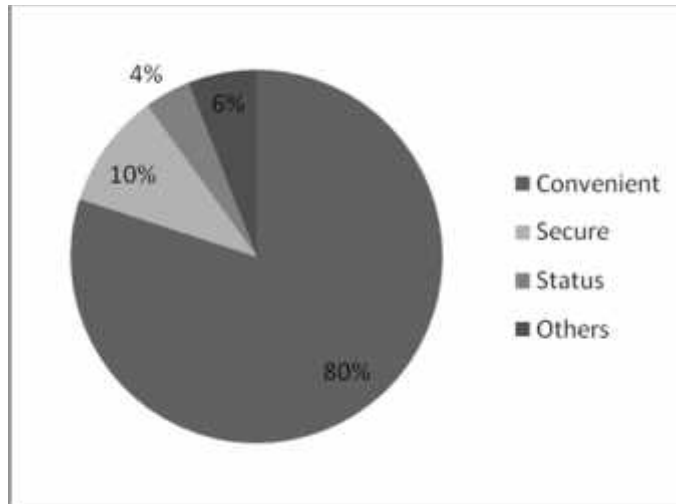
Only issuing cards does not make sense unless it is easily and widely accepted by the merchants. As per the survey conducted by researcher, it is found that most of the service provider and stores easily accept the card. However, there are still instances where the merchants hesitate to accept card or totally deny payment through card due to the merchant fee associated with the card.

Table : 4.12
Benefits of Holding Debit Card

Benefits	Responses	Percentage
Convenient	40	80%
Secure	5	10%
Status	2	4%
Others	3	6%
Total Response	50	100%

The following chart shows in easy way to describe the above data.

Table : 4.10
Benefits of Holding Debit Card



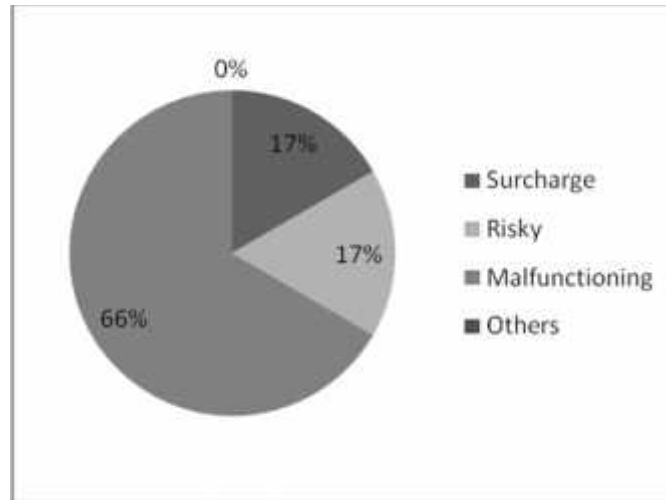
Study shows that debit card is very much convenient. Cardholder can easily do shopping without carrying hard cash. About 80% of respondent are of the view that holding debit card is very convenient. Besides convenience, it is secure also. So, the major benefit of holding card can be interpreted as the convenience way of doing transaction.

Table : 4.13
Disadvantages of holding debit card

Disadvantages	Responses	Percentage
Surcharge	5	20%
Risky	5	20%
Malfunctioning	40	80%
Others	-	-
Total Responses	50	100%

We easily describe above data in chart form.

Figure : 4.11
Disadvantages of holding debit card



About 80% respondents are of the view that disadvantage of holding debit card is malfunctioning. Since, debit card is widely used to withdraw money at ATM, due to technical problem the ATM frequently does not work properly. 20% of the sampled cardholder are of the view that debit card is risky as well it incurs surcharges. Card can easily be used in POS terminals. Merchant does not verify or authenticate the cardholder's signature. As such, even the stolen card can be used in POS terminals to make purchases. While making purchase using card, merchants deny to provide discount on the quoted price. As such, if the cardholder makes cash payment they can get discount but with card, they have to forego discount. Hence, surcharges associated with card are also one of the main disadvantages of using card.

4.9.2 Responses of Merchants

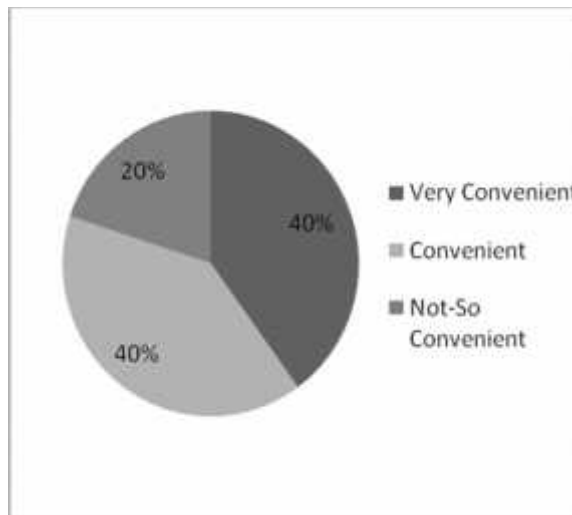
Merchants play an important role in card business. Without merchants, card is of no use. Hence, merchant's views regarding card business of Nepal should be analyzed. The researcher has collected 25 questionnaires consisting of 7 questions from merchants. The major five responses are tabulated and presented as follows:

Table : 4.14
Convenience of accepting cards

Convenience	Response	Percentage
Very Convenient	10	40%
Convenient	10	40%
Not-So Convenient	5	20%
Total Response	25	100%

We can easily present the above data in the following figure.

Figure : 4.12
Convenience of accepting cards



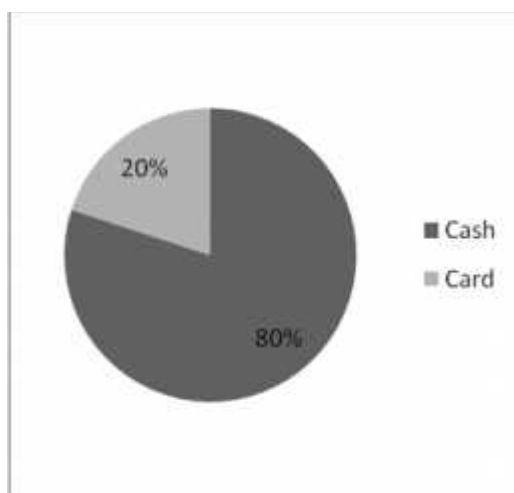
From the response of the Merchant, it can be concluded that merchants found the card to be a convenient mode of payments. 20% of the respondent said that it was not so convenient as it had to follow the process and the payment is realized the next day.

Table : 4.15
Preference of Card Vs Cash

Preference	Response	Percentage
Cash	20	80%
Card	5	20%
Total Response	25	100%

We can easily present the above data in the following figure

Table : 4.13
Preference of Card Vs Cash



From the survey, it was found that most of the merchant preferred cash than card. It was found that as Card transaction are recorded and reveal in their books of accounts and at the same time, they receive the cash against their goods only the next day, they preferred cash rather than card.

Table : 4.16
Benefits of accepting cards

Benefits	Response	Percentage
Increase sales volume	9	36%
Easy cash management	12	48%
Banking relationship	4	16%
Total Response	25	100%

We can easily present the above data in the following figure

Figure : 4.14
Benefits of accepting cards



About 48% of merchants are of the view that the benefits of accepting card are hassle free cash management. While doing transaction through card, the amount is deposited in their accounts maintained with the bank. They don't need to visit the bank on daily basis to deposit their cash. About 36% of sampled merchants are of the view that accepting card increases their sales volume. Since the merchants can cater all types of customers, it automatically increases their sales.

Table : 4.17

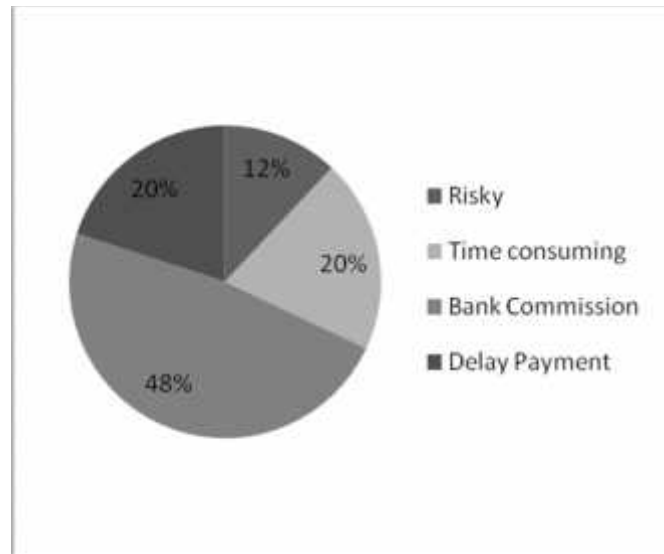
Disadvantages of accepting cards

Disadvantages	Response	Percentage
Risky	3	12%
Time consuming	5	20%
Bank Commission	12	48%
Delay Payment	5	20%
Total Responses	25	100%

We can easily present the above data in the following figure.

Figure : 4.15

Disadvantages of accepting cards



From the survey conducted, it is found that most of the merchants feel that the major disadvantages of accepting card is commission on transaction charged by the bank. Due to bank commission associated with card transaction, the merchants can't provide discount on the quoted price. As such, most of the cardholders are discouraged to make purchase. Further, in case of fixed price shop, the merchants get less profit margin on product sold if the transaction is done through card due to deduction of bank commission. 20% of merchants are

of the view that making card sale is time consuming and also it delays in getting payment from the bank.

4.10 Major Findings

From the data analysis and interview taken with cardholders, merchants and bank personnel heading card department of different banks, the researcher has find out the following:

- J The trend of debit card usage is increasing day by day. Almost all the commercial banks, development banks and other financial institutions are issuing debit cards to it's a/c holders and deploying maximum number of ATMs. In NIBL alone, the average growth of debit card issuance is more than 110%. The bank has target to issue debit card to all it's a/c holders.
- J Due to convenience in withdrawing money from ATM and making purchase with card, people are getting attracted towards the card rather than cheque and cash. As per the survey conducted by the researcher for this Research, about 80% of sample cardholder feels that it is convenient to hold debit card rather than cash or cheque.
- J With the survey conducted, it can be made clear that the card users are satisfied with the present card business of their bank. However, there exist technical problem in ATM which has negative impact on the cardholder's expectation.
- J The merchant outlets are also increasing with the increasing number of cardholders and awareness of benefits with regards to card acceptance.
- J Maximum profit of card center of bank is generated by issuing debit card rather than other card. The volume of debit card is more compare to any other card and major income of card center is in the form of acquiring income. With the increase in debit card issuance, the acquiring of card increases as such the acquiring income increases. On the basis of data available, the Net Profitability of card centre of NIBL is 39% which seems to be very lucrative. The profitability of card centre of any bank depends upon the volume of card issuance and acquire. Though card business is profitable, today banks are entering into the card business not for profit but to compete in the present banking market and to cross market their other banking products.

CHAPTER –V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

This study was focused to find out the rate of card business in Nepalese commercial banks with reference to NIBL. So, in the first chapter, Rationale of Study, Focus of Study, Statement of Problems, Research Questions, Objectives of the Studies and the Limitation of Study were identified and analyzed.

In Chapter two, to make theoretical foundation, review of past literatures was made basically in two areas: i) Theoretical review ii) Review of Related Studies. Theoretical Review includes the Definition of Plastic Cards, Types of Cards, Evolution of Plastic Payment Cards, Components of Credit/Debit Card, Parties involved in Card Business, Transaction Process of Debit Card through ATM and POS terminal, Benefits of using Card, Risk associated with the Operation of Card Business, Dispute about Card, Advantages and Disadvantages of Visa Debit card, Safety tips of using Debit card, Usage of Debit Card in Nepal and Card business of NIBL.

In Chapter three, what research is defined and how is it presented in this study. The Research Design applied and Population and Sample of data, Sources and Techniques of Data Collection, Data Analysis Tools used along with the Research Gap has been described.

In Chapter four, SWOT analysis has been done, the data collected from questionnaire and secondary sources has been analyzed by presenting the data in tabular and graphical form. The major findings of the data analysis are quoted.

In today's world, plastic cards have been the integral part of people's daily social and professional life. There are different types of cards like credit cards, debit cards, charge cards and so on. The most popular form of card is credit card and debit card.

Debit card is an alternative payment method to cash when making purchases. Debit card allows direct access to the account of holder for making purchases or withdrawing cash. Credit card is the card on which certain credit limit is allocated. The cardholder can make purchases and take cash advance on credit basis.

The usage of debit card in Nepal is increasing with the increase number of card issuance and card acceptance. It is the latest development of banking product. Due to convenience factor associated with the card, people are getting attracted towards it. The increasing trend of debit card illustrates the same thing.

5.2 Conclusions

-) There is the competition between cash, cheque and card. People prefer carrying card rather than cheque and hard cash. In developed countries, the traveler must carry card especially credit card. Without credit card, one cannot buy services like renting a car and booking big hotels.

-) Cards not only easiness to purchase but also help in need of emergency cash requirement with its cash advance service. Today, all the banks are in process to substitute their cheque with card. They are trying to educate their clients to use cards rather than cheque because of advantages and security aspects associated with it. For banks issuing card cost less compare to issuing cheques. Though it saves stationary cost, it is very expensive for banks. For card issuance, the bank should invest huge capital on the equipments and technology. The banks need to work hard to get profit from it. The card business is inevitable for any bank to survive in the present market. That's why; even the government banks like Rastriya Banijya Bank Limited have started issuing and acquiring cards. Card banking is one of the main tools of cross selling the other banking products. Without card banking, customers do not show interest in establishing relationship with the bank.

- J For Nepal, card is the latest development in banking technology. Today, all the banks are trying to increase their cardholder base. The usage of card especially debit card is taking fast pace in the card market. The card not only benefits the cardholder but also the merchants. The merchants can overcome the hassle of managing hard cash by accepting more and more cards. Accepting card makes their business easy and saves their time.

- J Nepal Investment Bank is one of the leading commercial bank of Nepal. It is the first bank to issue Visa Debit Card (Vis Electron) in Nepal. It is the only bank with largest cardholder base in Nepal. Altogether, it has more than 100,00,000 cardholders. It is the only bank having largest numbers of ATM and POS terminals. The bank is providing both debit and credit card facility to its customers. However, it is focused on the maximum issuance of debit card rather than credit card.

- J The Card business in Nepal is being looked upon by most of the banks today. Earlier there used to be very few players in Card Business but today, there are more than 10 banks that issue Visa Cards alone. The issuance of cards has drastically grown and so is with the ATMs. Because of its ease and security, people today prefer using cards rather than cash in many merchant outlets and they prefer going to ATMs than going to the bank's teller to withdraw cash. Hence, it can be concluded that Card Business in Nepal is gaining popular. Thus, banks have started concentrating on Card Business and at the same time, customers prefer using cards and ATMs.

5.3 Recommendations

Today the whole world is moving towards the cashless payment system. The concept of one world and one currency is on rise with the help of information technology. Card business has been possible with the development of technology. Even in the underdeveloped country like Nepal, card business is gaining popularity due to its convenience in daily life.

After analyzing the primary and secondary data, it is worth recommending the following points:

- J Today card business is limited within city area of country. Beyond the cities, even today, people are adopting traditional way of banking. In the remote area people are still far from banking facilities. They are using cash rather than cheque and card. The card business should not be limited to city area. Banks should made strategy to extend their card business to other parts of the country.

- J The bank lacks promotional activities in regards to its card business. People are unaware about the features and types of card available to its customers. So, bank should promote its card business so that more people get to know about it.

- J Bank should provide awareness program in regards to benefit associated with card usage by cardholder and card acceptance by merchants. The bank should educate its customers regarding the convenience of using cards and security aspects associated with card rather than cash. As such, merchants should also be made aware about the benefits of accepting cards. Only with the customer and merchant awareness, the card business can touch the height of optimal.

- J NIBL should increase merchant outlets to increase its acquiring volume. The number of merchant outlet has not increased. Two years back, it was around 500 which is still the same. The bank is only focusing on the card issuance and not increasing its merchant outlet. Both card issuance and establishment of merchant outlet should go side by side to meet the target profit volume.

- J The bank should focus on quality service in regards to ATMs. NIBL is the bank in Nepal with maximum numbers of ATMs and cardholders. With the increase in cardholders, the bank is deploying more and more ATMs. However, due to frequent technical and networking problem, ATMs do not function properly. Though technical problems cannot be eliminated, it can be lessen by proper supervision and maintenance of ATMs.

-) A large numbers of commercial banks are emerging in the market. To capture the deposit, they are providing the customers with attractive interest rates on deposits. Even the new banks are issuing SCT cards to cater the needs of customers. Most of the banks are facing the problem of customer drain by the other new banks. Even NIBL is facing the same problem. However, there are the customers who are more interested in the quality service of banks rather than the interest rates provided on deposit. One way to enhance the service of the bank is by building strong card foundation. So, NIBL should focus on proper operation of its ATMs and should adopt flawless networking system.
-) As per the interview taken with the staff of card center of different banks, there is the reconciliation problem in case of transaction made by card either it be in ATM or POS terminals. The auditing of such transaction is also very tough. Since, the card business is technically advanced, the normal people cannot understand about its operation. There are so many instances, where cash is not dispensed from ATM though the a/c get debited. Such transactions are not reconciled unless the customer complain about it to the bank. So, the banks should have auditors with strong technical knowledge and should be able to reconcile the transactions so that the customers won't get suffer.
-) There is the charge associated with withdrawing cash from ATMs of other banks. Usually such charge is very expensive. For example, if the cardholder of NIBL uses his card in ATM of HBL, he is levied per transaction charge of Rs. 125.00. Today, almost all the commercial banks are issuing cards. Only few banks have their own ATM terminals. New Banks are issuing SCT cards but they do not have their own ATM. In such case, SCT cards issued by such banks are compelled to use in other bank's SCT ATM for which the per transaction charge of Rs. 25 is levied. This charge is very expensive. Banks should increase the card issuance usage volume so that the card usage volume at ATM terminals will side by side increases and such surcharges can be minimized.

) Merchants are of view that bank should reduce the commission charged on the transactions.

) The researcher has not made an analysis on behavioral aspects of cardholder which is more qualitative and challenging. The researcher in future can concentrate on it and can analyze on it so that, it not only help the card issuing organization to know about the perception of cardholder but also helps them to invent their product as per the customer's requirement since today's market is customer oriented rather than product oriented.

ANNEX

Net Profitability Ratio: Net Profit/Total Revenue

Calculation of Correlation Regression

Issuing volume (in Nos.) of NIBL

Fiscal Year	No. of card issued		
	X	X-X	(X-X) ²
2062/63	73.00	(10.94)	119.68
2063/64	21.70	(62.24)	3,873.82
2064/65	42.00	(41.94)	1,758.96
2065/66	89.00	5.06	25.60
2066/67	194.00	110.06	12,113.20
X	419.70	0	17891.27

$$\bar{X} = \frac{\sum X}{N} = 83.94$$

$$\text{S.D. of } \bar{X} = \sqrt{\frac{\sum(X-\bar{X})^2}{N}} = 10.85$$

$$\text{C.V.} = \frac{S.D.}{\bar{X}} = 0.260$$

Acquiring Volume of NIBL

Fiscal Year	Acquired volume in Rs.			(X-X)(Y-Y)
	Y	Y-Y	(Y-Y) ²	
2062/63	125.00	(260.00)	67,600.00	6692.4
2063/64	200.00	(185.00)	34,225.00	-5783.1
2064/65				-300.6

	400.00	15.00	225.00	
2065/66	500.00	115.00	13,225.00	-1465.1
2066/67	700.00	315.00	99,225.00	8586.9
X	1,925.00	0	214,500.00	7730.5

$$\bar{Y} = \frac{\sum Y}{N} = 41.74$$

$$\text{S.D. of } \bar{Y} = \sqrt{\frac{\sum(Y-\bar{Y})^2}{N}} = 10.85$$

$$\text{C.V.} = \frac{\text{S.D.}}{\bar{Y}} = 0.260$$

$$\text{Cov}_{xy} = \frac{\sum(x-\bar{x})(y-\bar{y})}{N} = 1546.1$$

$$\text{Correlation (R}_{xy}) = \frac{\text{Cov}_{xy}}{\text{S.D. of } X * \text{S.D. of } Y} = 1.53$$

CASE STUDY ON COMPREHENSIVE ANALYSIS OF VISA DEBIT CARD

(VISA ELECTRON)

This Questionnaire is prepared by a researcher for the purpose to investigate; information provided by you will be of big help for her studies please help her by giving the honest responses to these questions.

(Merchant's Response)

Q.1 Do you accept cards?

- a) Yes b) No

Q.2 Which Cards do you accept?

- a) Visa cards b) Master cards c) Both d) Others.....

Q.3 How convenient do you find accepting the cards?

- a) Very convenient b) Convenient c) Not-so Convenient

Q.4 What to do you prefer as mode of payment?

- a) Card b) Cash

Q.5 How often do customers use cards for payment?

- a) Always b) Very often c) Rarely d) Never

Q.6 Do you think accepting Debit/Credit card has benefits?

- a) Yes b) No

Q.7 If your answer to question no.6 is yes, which of these benefits to you are significant?

- a) Increase sales volume b) Convenience
c) Instant payment d) Banking Facilities

- Q.8 Do you think there are any disadvantages accepting Debit/Credit cards, if yes which of the following do you consider significant?
- a) Risky b) Expensive e) Others.....
c) Time consuming d) Insecure
- Q.9 Do you encourage the usage of Debit/Credit cards?
- a) Highly b) Neutral c) Not at all
- Q.10 What percentage of commission do you pay to the bank?
- a) 1.0% - 2.0% b) 2.1% to 3.0% c) 3.1 to 4.0% d) don't pay at all
- Q.11 When does your card payment get realized from your bank?
- a) the same day b) the next day c) within one week d) more than a week
- Q.12 Have you ever encountered a problematic cardholder?
- a) Yes b) No c) Can't say
- Q.13 Have you ever encountered a fraud cardholder?
- a) Yes b) No c) Can't say
- Q.14 Has your bank ever refused to reimburse your card payment?
- a) Yes b) No c) Can't say
- Q.15 With whom do you prefer doing Card Business?
- a) Nabil b) Alpine c) SCBN d) NIBL e) HBL f) Can't say

CASE STUDY ON COMPREHENSIVE ANALYSIS OF VISA DEBIT CARD

(VISA ELECTRON)

This Questionnaire is prepared by a researcher for the purpose to investigate; information provided by you will be of big help for her studies please help her by giving the honest responses to these questions.

(Cardholder's Response)

- Q1. Which age group do you fall under?
a) Below18 b) 18-25 c) 25-45 d) Above 45.
- Q2. Which profession are you in?
a) Student b) Business Person c) Service d) Others
- Q.3 Do you use any kinds of bank cards?
a) Yes b) No
- Q.4 If your answer in Q.3 is yes, which card(s) do you use?
a) Debit/ ATM Card b) Credit Card c) Prepaid Card
d) If others please specify.....
- Q.5 Which card do you own?
a) Master card b) Visa Card c) SCT Card d) Others
- Q.6 Which bank's card are you currently using?

- a) SCBNL b) NABIL c) HBL d) NIBL
- e) If others please specify.....

Q.7 Do you feel convenient while using your card?

- a) Very much b) Some what c) Neutral d) Dislike

Q.8 How do you feel about your bank's card service?

- a) Very good b) Good c) Average d) Not good e) Very bad

Q.9 When you present your card (s) to merchants do they accept it with ease?

- a) Yes b) No c) Hesitate

Q.10 Which of these do you consider the benefit of using cards?

- a) Convenience b) Secured c) Credit availability d) Others.....

Q.11 Do you think holding cards have disadvantages, if yes which of these do you consider significant?

- a) Risky b) Expensive c) Surcharges d) Malfunctioning e) others

Q.12 Holding a card is a symbol of social status" do you agree?

- a) Strongly Agree b) Agree c) Undecided d) Disagree
- e) Strongly disagree

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