

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

1.1.1 INTRODUCTION OF CREDIT CARD

A Credit Card as the name suggests, is a card on which you get credit. Credit Card is the payment for goods and services enjoyed by the person in lieu of cash. It allows the cardholders to use it to avail goods and services without being necessary to pay on the spot. It is such a service where the cardholder can enjoy credit facility even though he doesn't have sufficient balance in his account. It is the concept of buy now pays later. Many risks are involved in carrying bundles of cash for purchase of goods and services. Credit Card helps to overcome such difficulties as it is simply a card with high security and easy to handle from place to place. A credit card, basically, is a thin plastic card, usually 3-1/8 inches by 2-1/8 inches in size that contains identification information such as a signature or picture, and authorizes the person named on it to charge purchases or services to his account – charges for which he will be billed periodically. It is issued by financial institutions, which is the member of Master Card International/ Visa International.

A credit card is a card that gives credit for a charge days ranging from 15 – 45 days depending on the date when one made the purchase. Besides this, it also provides its member the benefits like travel discounts, discount on retail loans. It is different from charge card in the sense that in charge card entire dues is to be paid within the credit period and balances cannot be carried forward as in credit card. Credit card is also different from Debit card in the sense that Debit card is just like an ATM card on the

move (or like your bank account on the move which enables the access of bank account for payment). The bank account of the cardholder is debited then and there when he makes any purchase through debit card..

Some facts about Credit Cards

-) Every Card has a limit.
-) Card can be used till limit exists.
-) Card should not exceed limit.
-) Limit decreases by usage amount.
-) Settlement of dues revive limit.
-) Enhancement of limit is possible.
-) Payment habit determines further rating.

1.1.2 HISTORY AND DEVELOPMENT OF CREDIT CARD IN NEPAL

Credit Card Business started in Nepal, as Alpine Travel Services (ATS) first obtained the license from VISA/ Master Card International. It introduced VISA and Master Card services in Nepal back in 1985 as the representative of the Chase Manhattan bank, NA Singapore, and thereafter of the Overseas Union Bank, Singapore.

After that, acquiring business started in Nepal, by NABIL and SCBNL from 1989 AD, but NABIL acquired Master Card and SCBNL acquired VISA only. In 1990, SCBNL also acquired Master Card. Similarly; NABIL started acquiring business of Diner's card in 1992 and VISA in 1993. In 1992, SCBNL started acquiring business of Japan Commercial Bank Card (JCB) also. The Issuing Business was first started in Nepal by HBL and NABIL also started the business since November 1993. NABIL

issued Master Card and HBL issued HBL Regular Card, which was Nepal's first Nepali Credit Card. In December, 1997 it started issuing and acquiring VISA also. Then, in April, 1997, SCBNL started issuing VISA and Master Card in July, 1998. NIBL started issuing VISA Electron in 2003. And finally Laxmi Bank started issued Visa in 2007. At present, there are four banks involved in Credit Card Business, HIMALYAN BANK LIMITED, NABIL BANK LIMITED, STANDARD CHARTERED BANK and NEPAL INVESTMENT BANK LIMITED.

1.1.3 PLAYERS IN NEPAL

HIMALAYAN BANK, NABIL, NIBL and SCBNL are carrying the credit card business in Nepal. All of these Banks are both issuer and acquirer. Types of Credit Card they are acquiring and issuing are shown in the following table:

BANK	ISSUANCE	ACQUIRING
NABIL	Master Card	Master card/Visa Card/ Diner's Card
SCBL	Master Card/Visa Card	Master Card/ Visa Card/JCB
HBL	Visa Card/Master Card	Visa Card/Master Card
NIBL	Visa Card	Visa Card

1.2 FOCUS OF THE STUDY

The basic purpose of the study is to understand the various aspects of credit card. The study first aims to trace how the credit card operation of HBL has evolved over the years and tries to examine the existing structure and operation of credit card system. It also tries to analyse the major problems of HBL related to credit card and tries to find some measures to improve it.

1.3 STATEMENT OF THE PROBLEM

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

-) What are the weak points of HBL in relation to credit card operation of other banks in Nepal?
-) Are there any opportunities that can be utilized for making credit card business operation more effective and efficient?
-) Are there any attractive schemes and packages that can be introduced for luring more and more customers?
-) How can the Bank strive to make the best utilization of its resources in order to escalate its capitalization rate and to cut down the variable cost as much as possible?
-) What is the reason that the card division of HBL is not getting the return as expected?

1.4 OBJECTIVES OF THE STUDY

The basic purpose of the study is to understand the various aspects of credit card. The study first aims to trace how the credit card operation of HBL has evolved over the years and tries to examine the existing structure and operation of credit card system. It also tries to analyse the major problems of HBL related to credit card and tries to find some measures to improve it. Taking into consideration all these aspects, the specific objectives of the study are as follows;

-) To examine the credit card operation in Nepal
-) To analyze the problems and weak points related to various transactions of credit card in HBL.
-) To analyze the growth of card business of HBL.

1.5 SIGNIFICANCE OF THE STUDY

Any organization venture into new product when it foresees the potentiality of the business and the market. New product development is not only one of the key aspects for the success of a particular organization but for the whole nation as a whole. Hence

Credit card being a quite new concept in Nepal needs a special attention in order to find out the bottlenecks and sort them out for the business to prosper. It has been decades that we have hardly seen any new financial products, in real terms, being introduced in the Nepalese markets.

The primary significance associated with the study is to sort out the intricacies and develop the concept of innovation.

1.6 LIMITATIONS OF THE STUDY

Research is the systematic process of searching something to find out the solution of a problem. The findings might not be equally applicable to all the problems. Every research has some limitations. A single research can't be perfect in itself. The present research too, can not be an exception. Hence the major limitations of this research are:

-) The study is limited to the credit card issuing banks of Nepal. Thus the findings may not be applicable to other non credit card issuance banks in Nepal and abroad.
-) The reliability of the study is heavily dependent on the secondary sources of data collected from Nepal Card Member Forum and Himalayan Bank Limited and on questionnaires filled by the respondents.
-) Only four Credit Card issuing banks are considered for the study.

1.7 ORGANIZATION OF THE STUDY

The study has been organized into 5 different chapters in order to make the study easy to understand. The details of which is as below:

Chapter 1 : Introduction

Chapter 2 : Review of Literature

Chapter 3 : Research Methodology

Chapter 4 : Data Analysis and Presentation

Chapter 5 : Summary, Conclusion and Recommendation

Chapter 1 : Introduction

The first chapter covers the general Background of the Study, Focus of the Study, Statement of the Problems, Objectives of Study, Hypothesis of the Study, Limitation of the Study, Organization of the Study.

Chapter 2 : Review of Literature

The second chapter covers the Conceptual Framework, review of the book, review of the articles and others.

Chapter 3 : Research Methodology

The third chapter consist research design, population and sample, sources and techniques of data collection, nature of data, tools and techniques for analysis, limitation of the methodology.

Chapter 4 : Data Presentation and Analysis

This chapter is major part of the study, which are concerned with presentation, analysis and interpretation of the data.

Chapter 5 : Summary, Conclusion and Recommendation

This chapter contains the summary of the whole study, conclusion of the topic, major finding on the topic and appropriate suggestion.

CHAPTER –II

REVIEW OF LITERATURE

2.1 CONCEPTUAL/THEORITICAL REVIEW

2.1.1 Types of Card

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 is it the concept of “BUY NOW PAYS 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

AMEX, member banks of Master card International, Visa International, etc, issues credit cards.

Debit Card:

A debit card is also a plastic card, which allows direct access to the account holder for making purchases or withdrawing cash. It exactly looks like a credit card but the features are completely different. A debit card holder must have an 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 card holder has access to his funds maintained in the account with the help of a small plastic card.

Member banks and card companies of Visa and Master card International issues debit card.

Charge Card:

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

Chip / Smart Card:

A chip/Smart card is a payment card with a preloaded value into the card. The card contains embedded electronic chips. Usage is restricted up to the value loaded into the card. The value decreases as the cardholder uses the card. Values may or may not be reloaded as per the 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 can be stored. (*Fundamental of Visa Business, Manual,2004.*)

2.1.2 A HISTORY OF BANK CARD INDUSTRY**I. Introduction**

The bank card industry is an integral part of today's worldwide financial structure. It goes beyond simple consumer credit cards to include debit products, business cards, traveler's cheques, stored value cards, and electronic payments services such as home banking and electronic bill payment services.

This card and a wide range of financial institutions, including commercial banks, credit unions, savings banks, and issues related products and companies such as American express. Even non-financial services companies such as General Motor and AT&T are now involved in the payment system industry with very successful co-brand cards issued in partnership with Visa and Master Card Member financial institutions.

A. A global currency

Visa cards can be used to make purchases at more than 27 million retail and service establishments worldwide. By mid 1990's, cardholders used their all purpose cards to purchase good and services and to get cash advance in more than 200 countries and territories around the globe. That makes bankcard products the closest thing there is to a global currency. This is remarkable achievement considering bankcards in their present form have been in existence for only a few decades.

B. Proprietary cards provide customer convenience

The payments systems industry traces its root back to 1914, when western union issued a metal plate to preferred customers allowing them to defer payments on purchases.

During the first half of this century, a variety of other enterprises, such as hotels, department stores, and oil companies also began to issue charge cards to their customers. In this type of closed systems, cards can be use to purchase goods and services from the company that issued the cards.

C. Travel and entertainment cards set a new product

In 1985, Diner's clubs introduced the first travel and entertainment (T&E) card, to serve the needs of business travelers by enabling them to charge meals and travel expenses at a variety of merchants, such as restaurants, hotels airlines and car rental agencies.

Diner's club paid the merchants for the transactions made with the card, deducting a small 'discount' as compensation for the cards role in a sale. Cardholders were billed monthly by Diner's club for their charges, and were required to pay the balance in full upon receipt. In 1958, American Express introduced its own T&E card.

This new type of system, in which the card issuer licenses independent merchants to accept its cards, is also a closed system, because both cardholders and merchants deal with the same organization.

D. Bank offer cards to local customers

In 1951, Franklin National Bank in London Island, New York, issued a card that was accepted by local merchants. Within the next several years nearly 100 other banks across the country were also issuing the cards. Because these early bankcards system applied only to their local areas, some banks found it difficult to make a profit.

Bank of America, unlike many smaller banks, had the entire state of California as its market. The bank AmeriCard, first issued in 1958, was an early success. Like a number of other bankcards available at that time, it offered cardholders a new feature: revolving credit. Cardholders now had the option of paying their account balance in installments with a monthly finance charge applied to the unpaid balance.

With increasing consumer acceptance and growing number of closed card programs in place, the stage was set for the development of national bank card association.

E. Banks brand together

By 1966, Bank of America had expanded its bankcard program by forming the Bank Americard Service Corporation, which licensed other banks outside California to issue BankAmericards to their customers.

That same year, seventeen Master Charge Bank representatives met in Buffalo, New York, to arrange for the reciprocal acceptance of their local credit cards at their merchant outlets. This group formed the Interbank Card Association (ICA), which has since evolved into MasterCard International. In 1969, ICA acquired exclusive rights to the Master Charge name and the interlocking circle logo for its members.

Because the members of the association share the cost of bankcard program, the formation of the BankAmericard Service corp. and the ICA enabled even small institutions to offer bank cards to their customers. With the increasing success of the associations most regional banks soon converted their independent programs to either BankAmericard or Master Charge.

F. A new kind of system

Unlike a close system, bankcards association does not directly issue cards or sign merchants on. Instead, the association license member financial institutions to issue card and/or acquire merchants' transaction receipt under the associations' brand name.

This type of system is called an interchange system, because the association manages the transfer of transaction data and funds between the issuing and acquiring members. The process is known as “interchange”. Originally, association members were required to issue cards and sign merchants. Today, many members are issuers only, some are acquires, while some members still maintain both cardholder and merchants relationships.

G. Duality

In 1970, Bank of America transferred control ownership of the BankAmericard program to the banks that issued the cards, forming National BankAmericard Inc. (NBI). This membership corporation further developed the BankAmericard system within the USA.

Master Charges, too, was growing, and by the time, more than 1400 banks offered Visa and Master Charge credit cards, with more than US\$3.8 billion in outstanding balances. But merchants still had to deal with separate banks for their Master Charges and BankAmericard programs.

This soon changed. In the mid 1970, the Worthen Bank and Trust Company, and NBI Member in Little Rock, Arkansas claimed that NBI’s Exclusive membership conditions placed it at a competitive disadvantage for signing merchants. Worthen took NBI to court, challenging the regulations that prohibited it for becoming member of ICA as well.

NBI, which believed that maintaining separate would stimulate competition and be good for everyone, won on appeal. However, when Worthen threatened to take the case to the Supreme Court, NBI-in response to a Justice Department opinion – changed the regulations to allow dual membership for USA Members. In 1976, for the first time, a USA bank became a Member of both ICA and NBI. “Duality”, as this development is called, enabled merchants to deal with one bank for both their BankAmericard and Master Charge programs. And issuer could offer both brands to their customers.

H. International expansion spurs name changes

Outside the USA, Bank of America continued to license banks to issue the familiar blue, white and gold cards until International Bankcard Company (IBANCO) was formed in 1974 to administer the international BankAmericard program, sharing management with NBI.

Internationally, both BankAmericard and Master Charge programs had different looks and names in different countries. BankAmericard, in particular, encountered resistance to its name, because the name was identified with USA and with the best banks of America-even though the connection was in name only. Within USA as well, member did not like having what seemed to be a competitor's name on their cards. In 1976, the BankAmericard name was changed to Visa, a simple memorable name with international flavor that was pronounced the same in every language. At the same time, NBI was renamed Visa USA, and IBANCO was renamed Visa International. In 1979, the Master product was renamed MasterCard and its logo was update. While some differences in international programs still exist, these name changes created more consistent and recognizable global presence for both associations. By the end of the decade of 1970's Visa had a new electronic processing system, which virtually handled unlimited transaction volume, and helped make the explosive growth of the industry in 1980's possible.

I. Following landmarks were then followed:

Online-authorization system also known as Base I was developed in 1973.

Electronic clearing and settlement system known as Base II was formulated in 1974.

J. Growth of the industry

Today, consumers receive numerous competing offers and are becoming increasingly sensitive to differences in service and financing. Issuers are using database information technologies to "micro-market" tailored pricing and service offers at the cardholder level to maximize responses rate and profitability and minimize attrition.

The bankcard associations have now evolved from credit card companies to full service payment systems. They handle and process virtually every type of

transaction, providing cardholders with the convenience, utility and security so important to today's lifestyle.

In spite of the immense size of the industry, general purpose cards are still used for only 17% of the more than US\$4.69 trillion in annual consumer payment transactions. The rest are paid by cash and cheques. Huge potential for future growth exists in market segments such as fast food restaurants, supermarkets, healthcare providers and long distance calling services. As you will see, Visa has the products, systems and cardholder bases to take advantage of these and other opportunities.(www.howstuff.com)

2.1.3 ADVANTAGES OF PAYMENT CARDS:

-) Safe and secure in comparison to traditional mode of payment like cash, cheques etc.
 -) Very convenient to carry it instead of bulky cash.
 -) Wide acceptance.
 -) Unlike cash it is easy to get replacement.
 -) Not only for purchases but a credit card can be used to make cash advances. Hence it is helpful during the shortage of cash and emergencies.
 -) In-built credit instruments with the privilege of interest free credit period of 45 days maximum to 15 days minimum.
 -) Symbol of status and reliance.
 -) Facility of revolving credit i.e. option of minimum stated payment on regular installment rather than settling it at one time.
- (Internal Credit Card Manual, 2007. HBL)

2.1.4 PARTIES INVOLVED IN CREDIT CARD OPERATION

There are various parties involved in Credit card Operation, which is listed below;

1) The Issuer

The financial institutions, a licensed member of Master Card/ Visa Card International, which holds contractual agreement with and issues, cards to them who are eligible.

2) The Cardholder

Any person or institution possessing credit card is a Cardholder. The cardholder is authorized to use the card.

3) The Acquirer

The acquirer is a member of Master Card / VISA Card and has a written agreement with the merchants to accept sales drafts and provide necessary support and process credit card transactions. Master Card and VISA Card provide various services to the acquirer including authorization and settlement processing, interchange and resolution of member disputes.

4) Merchants

Any type of goods and services provider can be a merchant provided who meets the qualification standard of Master Card / Visa Card and Acquirer. They may be a Hotel, retail store, departmental store, restaurant, airlines, health clubs, travel agencies and many others.

5) The Settlement Bank or Payment Services Organization

These are the organization that organizes card operation, clearing and settlements. Like: Master Card International, Visa International etc. Once the acquire makes the payment to the merchant, it itself need to get the payment from the bank which has issued the card and it is not possible and feasible to make direct claim as there are hundreds and thousands of such transactions taking place everyday. Hence these claims from all these member institutions are forwarded to clearing and settlement banks for payments. In the clearing part all the necessary calculations are made to compute the net payment and in the settlement process the actual payments are made. In case of Mater Card this process is conducted by Master Card International and in case of Visa cards by Visa International.(Internal Credit Card Manual, 2007, HBL.)

2.1.5 TRANSACTION PROCESS

The transaction begins when the cardholder purchases any goods and services from a merchant. The merchant prepares a sale draft using a manual imprinter or an electronic terminal. The slip contains card number, cardholder's name, expiration date of the card, the amount of purchase which has to be signed by the cardholder. The merchant, then, sends the sales draft to the acquirer and get the amount on the sales draft reimbursed at less an agreed discount rate by the acquirer. The commission merchant pays to the acquirer is called "Merchant Service Fee" (MSF). The settlement bank, Master Card and Visa Card International then reimburses the acquirer who sends the data either through line or by processing it through floppy and submitting same. The settlement bank charges the issuer and the issuer then bills it to its cardholder who ultimately repays the issue.(Internal Credit Card Manual, 2007, HBL)

2.1.6 RISK AND FRAUD IN CARD BUSINESS

Besides highly profitability Credit Card business, there occur risks such as fraud. Fraud is a major problem for all in the business since the whole payment system is built on the basis of trust between issuers, cardholders, merchants and acquirers. Profitability of card business may seriously undermine if losses due to fraud. Therefore, minimizing losses due to fraud forms an important responsibility of issuer

and acquirer. The largest fraud losses may result from unauthorized use of lost and stolen cards. When a card discovered to be lost or stolen, the cardholder should immediately report the losses directly to issuer or card Registration Company. The issuer should act quickly and record lost or stolen in the authorization file. Any authorization shall be declined and the card will be listed "Pick Up".

The cardholder account should be closed and new account is opened in order to segregate genuine transaction and unauthorized transaction. The cardholder account should be monitored carefully. The merchant should carefully check warning bulletins before processing a transaction under the merchant floor limit.

Following are the fraudulent activities that may occur in the business.

a) Magnetic Stripe Fraud

Magnetic stripe fraud (skimming) is recent and sophisticated fraud technology where the information in the magnetic stripe is re-encoded to the counterfeit or altered cards. The cards look genuine when used in magnetic stripe reading terminals.

b) Cardholders Fraud

Cardholder's fraud is very difficult to uncover for the issuer. Sometimes, the cardholder may claim about losing his card and meanwhile uses them for services after reporting lost.

c) Lost / Stolen of Cards

The main risk of credit card is lost or stolen of cards. In such case if the cardholder fails to inform the bank immediately the transaction made before the information in passed to the bank will make the cardholders liable. The bank does not fight in favor of their client and if the case is not won, the total liability has to be burdened by their cardholder.

d) Splitting or charge by the merchant

Some times the merchant split one single transaction and presents them without taking the authorization code from the acquirer. In such case there is immense risk associated in case the merchant's transaction gets declined.

e) Alteration of Amount

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

f) Signature forgery

This type of fraud transaction usually happens in case of lost or stolen card, where the culprit forgoes the signature at the back on the signature panel and present to the acquirer or merchant depending upon the availability of supporting from both ends.

g) Identified counterfeit transaction

There are several criminal syndicates all around the globe, who are engaged in the fraudulent transactions of credit cards. In the counterfeit transaction, syndicates use the bank identification number (BIN) and manufactures fabricated counterfeit cards. And, circulates them in the market that resembles the original card in every aspect.

h) Unidentified counterfeit transaction

This is similar to the identified counterfeit transaction except that the syndicates do not use any BIN to manufacture the counterfeit. The BIN used is not valid and can't be traced in the interchange directory.(Fundamental of Visa Business, Manual, 2004)

2.1.7 RISK MINIMIZE MECHANISM

In order to minimize the risk and losses in the fraud card transaction management, the respective institute should be very much cautions. The bank should keep proper monitoring for sudden high charge transaction. In case of potentially loss situation immediate use of warning bulletins and electronic negative file can be crucial for early detection and to minimize fraud losses. The banks should adopt following risk management steps:

- a) Cardholder application must be carefully screened
- b) Proper monitoring of card use
- c) Judicious collection practices
- d) Educating the cardholder
- e) Responsiveness to risk situation in order to minimize fraud losses.
- f) The bank should keep proper monitoring for high charge transaction
- g) Cardholder in case of lost or stolen should immediately inform the bank. (Internal Credit Card Manual, 2007, HBL)

2.2 CREDIT CARD BUSINESS IN REFERENCE TO HIMALAYAN BANK LTD.:

Himalayan Bank has been a pioneer in introducing (1993 A.D.) a Nepalese domestic Credit Card ("Himalayan Bank Credit Card"). Encouraged by the demand for Credit, Himalayan Bank has added another feature in terms of credit card services by becoming a principal member of VISA and Master Card International. Currently, the bank issues all ranges of VISA Card and MasterCard. Two types of Visa card and Master Cards are issued by HBL. First is Local/ Rupee Card, which is valid only in India and Nepal and the second is International/Dollar Card, which is valid worldwide.

2.2.1 MANPOWER STRUCTURE OF HBL IN CARD CENTER, PULCHOWK

As manpower structure, there are various departments of HBL, among them Card Center is one of them. Under Card Center, Card Center Manager followed by senior officer controls the junior officer and junior officer handles three sub departments. They are marketing supervisor, issuer supervisor, and acquirer supervisor. Under these three sub department Officer, there are three senior assistants. Similarly there are four assistants under three senior assistant.

2.2.2 DIFFERENT SERVICES CHARGES IN CREDIT CARD OF HBL

There are different services charges in Credit Card of HBL, which are as below;

1) Subscription Fee

The charges for Visa card vary which are described below:

A. Domestic Card (Valid in Nepal & India only) for Premium Savings Account :

Description	Membership Fee	Annual/Renewal Fee	Total
Visa Gold Domestic			
Main Card	500/-	1,000/-	1,500/-
Supplementary Card	500/-	500/-	1,000/-

Visa Classic Domestic

Main Card	250/-	750/-	1,000/-
Supplementary Card	150/-	500/-	650/-

B. Domestic Card (Valid in Nepal & India only) for Normal Savings Account:

Description	Membership Fee	Annual/Renewal Fee	Total
Visa Gold Domestic			
Main Card	500/-	1,500/-	2,000/-
Supplementary Card	500/-	1,000/-	1,500/-

Visa Classic Domestic

Main Card	500/-	750/-	1,250/-
Supplementary Card	500/-	500/-	1,000/-

C. International Card

Description	Membership Fee	Annual/Renewal Fee	Total
Visa Gold International			
Main Card	25/-	25/-	50/-
Supplementary Card	10/-	25/-	35/-

Visa Classic International

Main Card	20/-	20/-	40/-
Supplementary Card	10/-	15/-	25/-

www.himalayanbank.com

2) Over Limit Fee

Basically credit card means plastic card with some credit limit in it. Every card has some pre-defined limit associated with it and if that limit is crossed by any means over limit fee is charged. The over limit charge of HBL is NPR 500/- p.m. in case of Domestic Card and USD. 10.00 in case of International Card.

3) Late Payment Fees

After getting the transaction detail by the cardholder he has to pay the bill to the issuer. And if he fails to pay it in time he will be charged Rs.150 or 0.5% of total amount, whichever is higher as late Payment Fees.

4) Interest

The major income in credit card comes from the interest charged in the outstanding amount. The interest rate applicable for Nepalese market varies from bank to bank. HBL is charging 24% p. a. for its Domestic cardholders and 18% for its International cardholders. The interest is charged if the cardholder misses to make payment in the due date.

5) Merchant Service Fee

Nepal Card Member Forum has maintained a minimum Merchant Service fee applicable for all Master Card and VISA Card transaction from 31st January 1999. It varies from 2% to 3.5% on the billed amount.(www.himalayanbank.com)

2.2.3 COMPETITION

Initiated in 1985 through ATS and concentrating on the acquiring side, the credit card industry of Nepal has slowly progress over the year. The acquiring side benefited

when tourism boomed during the late '90s. On the other hand, the introduction of HBL domestic card laid the foundation for the issuing side. Global brand VISA and MasterCard were subsequently introduced. In the span of over 15 years four major players have maneuvered the credit card industry of Nepal. The following section basically focuses on features of these three banks:

Although the inception of credit card business has already been 15 years, the industry has not been able to fully penetrate the market. The acquiring side has been badly hurt by the on going slump in the tourism sector and particularly the unstable political front. The slow down of the economy has not only affected the acquiring business but also the issuing side. The low level of economic activities automatically generates lower spending and more importantly savings from past earnings are consumed. This will undoubtedly hamper the issuing of credit cards. Moreover, the lower rate of spending will naturally yield lower usage of cards. Besides these obvious reasons, one critical factor, which negatively governs the credit card business, is the societal factor. Nepalese are still not familiar with the concept of credit cards. This mode of payment is still in its infant stage, where common but affordable people generally hesitate the word, credit (*RIN as called in Nepali*) itself. This situation will change as the economy moves ahead and money is gradually replaced by other means of payment.

HBL entered the acquiring business for Visa Card International lately in comparison with other banks. But HBL had started the Credit Card business from its own proprietary card, which assisted in acquiring business for Visa Card and helped to compete with other banks in some extent.

The other banks, which have credit card business good in comparison with HBL has following extra things;

-) They have initialed Point OF Sales (POS) network with over 300 terminals between Kathmandu and Pokhara.
-) They have many branches outside Kathmandu Valley, especially in Pokhara, where the tourism related credit card transaction is very high.
-) They have online authorization environment to provide authorization and monitor the risk involved.

POS system requires heavy investment but it has become so popular to the merchants that they do not prefer other medium of transaction, due to its easy use and minimum risk. Although NIBL entered only one and half years before in the credit card market, it has already installed 500 POS network with over 300 terminals between Kathmandu and Pokhara. All three NABIL, NIBL and SCBNL have been aggressive in credit card business. They are concentrating on both card issuance and charge slip acquiring and have mobilized the big marketing team. Tough Credit Card business is considered as ancillary service of the bank; it has been already given recognition as an independent profit market center in these three banks (NABIL, NIBL & SCBNL) with heavy investment in new technologies and manpower.

2.2.4 THE TRANSACTION PROCESS OF HBL:

A. Acquiring:

The acquiring process starts when a cardholder makes a purchase at an outlet, which is a merchant of HBL. The merchant either makes a sales slip (called paper transaction) using imprinter or electronic terminal. In case of paper transaction, the slip is submitted to the bank for further processing and for the electronic transaction the data is transferred to the centre electronically. The slip or the electronic data is then processed in the home-built system called CP, which segregates Visa and Master Card transactions to produce two files. The merchants are then paid and an outgoing file is prepared which is edited by a system provided by Visa called VAP to send it to Visa Clearing and Settlement Centre. In case of Master Card, the file from the CP is processed in the software called PRIME to produce the outgoing and is send through MFE to Master Card processing Center for clearing and settlement process.

B. Issuance:

The issuance process system is exactly reversed in the above case. When HBL's cardholder makes purchase, an Acquirer from the merchant acquires it either manually or electronically. The acquirer then processes the transaction and sends the claim against HBL (issuer) through Visa.

Authorization:

The authorization process starts when a cardholder makes a purchase at a merchant's location. The merchant either calls the authorization centre in case of paper-based transaction or swipes the card in the electronic machine. In case of electronic transaction or the paper based transaction, the call is first received at the authorization centre and is routed to base I system through VAP in case of Visa and through PRIME online to the system of Master Card. From Visa/Master Card the call is then routed to the issuer and the issuer sends back the response via same route to the acquirer. The acquirer then communicates the response to the merchant. The response may be:

Approval Code: i.e. the transaction is approved

Decline : i.e. the transaction is not authorized.

Please Call : i.e. the acquirer needs to call the issuer.

CC : i.e. the card needs to be captured. Etc.

Application processing:

) Merchant Application:

When potential merchant is sought out, it is asked to fill 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 R/O who has made the actual visit at the merchant's location and made study of the merchant. On the basis of the analysis and the history of the merchant, a merchant membership number is assigned called merchant number. The merchant is either given an imprinter machine or an electronic terminal depending upon the volume and frequency of transactions. In major cases, merchant's account with the bank is mandatory with very few exceptions.

) Card application:

Similarly when a potential prospect 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. There 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 certificate and two passport size photo is asked 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.

C. Marketing

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

) Merchant marketing:

The merchant marketing part has two basic functions:

i. Acquiring of new merchants:

The marketing personnel usually do the induction of new merchants. The sources of data regarding these prospects are Newspaper, Magazine, and 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. HBL has around 631 active merchants.

ii. Maintenance of existing merchants

Sometimes the cost of inducting new merchants can be more than retaining an existing one. Due to the cutthroat competition in the market (SCBN, NABIL and NIBL) 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 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 most important owing to its lucrative turns. HBL issues rupee as well as international credit cards in Nepal. International cards are issued to regular dollar account holders 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 Travelers 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, 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.

The criteria for giving cards are based on the income level and the study of financial track of the prospect. If the bank finds someone who can afford to avail the card backed by the good purchasing power and shows the intention to pay back, approves the application and issues the card.

Another matter of vital concern, which falls under this Issuance Function, is the protection of the credit being granted to the cardholders. As observed many cardholders default to pay on time and as such, strong recovery measures is initiated. This aspect is usually handled by sending reminders and making telephone calls.

D. Income generation and Expenses incurred by the Card Division:

1. Acquiring Income

) Master and Visa card On Us Merchant Fees:

This is the discount rate at which the charge slips are discounted i.e. the commission charged to the merchants on the transaction of HBL's Card. This rate differs depending upon the category of the merchants and minimum of 1.5% to 3.5% of the transaction amount.

) Master and Visa Card Off Us Merchant Service Fees:

This is the commission which HBL gets when it processes the off us card (i.e. cards not used by HBL) acquired by its merchant. Again the commission differs ranging from 2.5% to 3.5% of the transaction amount.

Cash Advance Income

) For Visa cash advance

USD 1.75 per transaction plus 0.33% of the transaction amount

) For Master Card cash advance

USD 3.6 per transaction plus 0.09% of the transaction amount

2. Issuance Income

) Rupee Credit Card

Joining Fee	Rs. 500
Annual Fee (Gold/Classic)	Rs. 1500/1250
Supplementary Card Fee (Gold/Classic)	Rs. 1000/750
Duplicate copy of statement	Rs. 100
Card replacement fee	Rs. 1500/1000
Cash advance fee	Rs. 1.5% /150
Over limit fees	Rs. 500
Interest and late payment fees	Rs. 0.5% or 150

) International Credit Cards

Joining fee	\$ 25/20
Annual fee	\$ 25/20
Supplementary card fee	\$ 35/25
Duplicate copy of statement	\$2
Card replacement fee	\$ 25/20
Cash advance fee	\$5 or 2.5%
Over limit fees	\$10
Interest and late payment fee	\$ 5 or 0.5%
Travel quota card issuance fee (Credit Card Application Form, HBL)	Rs. 500 flat

2.3 REVIEW OF RELATED STUDIES :

As it is known to everybody the wants of people are unlimited one fulfilled other comes, likewise there should be new and convenience product to be issued by the company so that customer get more satisfaction and feel easy. It is known by everybody the main care of banking is as LC, Remittance, Loan etc are being provided by the bank. The key to banking success lies on the ability of the banks to provide subsidiary products to the customer. In this competitive market many new

line of products are being introduced by the banks and also other sectors. Such as credit cards, on line banking, SMS banking and others innovative products.

There are very less literature available on Credit Card. As very few has made an attempt to conduct research on this product of the bank in Nepal. Because of countable bank are giving credit card like Visa Card and Master Card in Nepal. Most of the banks are issuing SCT network and ATM card only in Nepal. Hence all the literature on this subject matter is more or less confined to the information provided by Credit Card department of HBL, articles, newsletters and web sites.

The main objective of this study is to get further knowledge on credit card & its business study of Himalayan Bank Limited. Hence whatever literature has been received reveals that credit card business is flourishing the world economy like anything and whoever are in the business find it profitable. The business of credit card is less develops in Nepal with compare to the other Asia Pacific Region. But the review also exposes the importance of credit card business and how it helps to develop the economy of the country. Many study also proved that the people buy more product from the card than from cash money. That means Credit Card enhance the expenses of individuals which leads to growth in consumption and which encourage investments.

There are few studies made in context of Nepal with regard to Debit Card, ATM Card and Credit Card because of information lack and lack of experts, the studies is limited in this regard. So many theses were reviewed in course of preparation of this thesis. Among them, some were relevant and some were not, out of which only the relevant

thesis that are significant for this research are reviewed for the study. Every research thesis has a long list of its findings, summary, conclusion and recommendations. However, the researcher has tried to edit them for brevity.

Chandra Bahadur Thapa (2002) has study on The Prospect and Challenges of Credit Card Business in the Banking Sector of Nepal.

Objectives of the study:

1. Why the authorities are saying that the card department is overcapitalizes as far as other product's profitability is concerned?
2. What concept the present cardholder of Nepal hold regarding the performance of their cards and how the habit of using card can be the enhance so that the problem of over capitalization can be reduced by the generation of extra revenue?
3. What cost and benefit is associated with this business and what is the break even business for Nepal?
4. The authorities are demonstrating the card business in Nepal is very much dependent on the arrival of tourist in Nepal. An analysis will be made to find out whether card business is dependent on the tourism business or not?

Findings of the study:

1. The concept of credit card has not developed significantly in our nation as it has been in other nation. Hence, it is at its duding state.
2. The major problem of the card business is the lack of conceptual framework among the people, the dwindling economic scenario and than huge cost associated with its operation.

3. In case of the bank in question, it has been found marginally overcapitalized when compared to the overall capitalization rate of the bank.
4. In recent years the acquiring and the merchant business growth are not doing well compared to the earlier phase of growth and in comparison to the growth of other nation.

Pushpita Nepal (2004) has done research on “A study on usage pattern of Plastic Money”.

Objectives of the study:

1. To discover various communities in respect of demographic variables that prefers to use plastic money.
2. To find out consumer attitudes who use plastic money.
3. To ascertain factors that makes them prefer cash or cards.
4. To trace out strengths and weakness of card services provided by bank.
5. To find out awareness of SCT.

Findings of the study :

1. The popularity of plastic money is yet to increase.
2. Peoples from age group of 26-40 are most prominent users of plastic money.
3. Peoples belonging to the income group of Rs.20,000.00 to Rs. 40,000.00 use plastic money more than any other income groups.
4. Bankers are the significant users of plastic money as they are more acknowledged about the service operation.
5. People prefer cards services primarily due to the fact that it is easy and safe to carry.

6. 2/3 seems that people become attracted towards a particular bank if card of that bank has more acceptability and accessibility.
7. SCT carry certain charges for the services derived. 60% of the people refuses to pay where as 40% do not mind paying certain surcharges for the convenience.

Sunita Hada (2004) has study on “Credit Card Practices in Nepal”.

Objectives of the study:

1. To study the current position of the card business.
2. To find out the growth of the card business.
3. To examine the trend of the credit card users in Nepal.
4. To examine the aggregate market increasing or decreasing.

Findings of the study:

1. Nepalese economy is lagging behind in card business due to direct and indirect factors.
2. Nepal is backward in the card business as compare to the other country.
3. History of credit card is not so old, so the card business has not gained its momentum as it has in other nation.
4. Credit card is offered by the limited commercial bank only.

Rekha Bhattarai (2004) has done research on “A study on Card Services of Himalayan Bank Ltd.”

Objectives of the study:

1. To know the various stages involved in card management.
2. To assess contribution of HBL in field of card business of Nepal.

3. To find out prospects of card business in current situation.
4. To draw out problem in card business and to give recommendation and suggestion.

Findings of the study:

1. HBL has limited market shares and progressing economic growth and also attentive marketing strategy.
2. Card business of HBL dependent upon the acquiring business.
3. Std. Chartered Bank Nepal and NABIL are the competitors of HBL in card business. A new competitor bank NIBL has been added to this business.

Sandeep Jain (2006) has research on “A study on Market Preference of Credit Card and Debit Card in Nepal”

Objectives of the study:

1. To examine the current position of various commercial banks cards business in reference to services offered.
2. To find out the awareness level of the card business in Nepal and strategies to be implemented to increases this level.
3. To ascertain the hold of the credit card business by the present providers in the market.
4. To determine the present position of NIBL card market.
5. To find out the ways of promotion being done by other banks for their card business.
6. To trace out the problems associated with the cards and the solution to it.

Findings of the study:

1. Both cardholders and planners to take the debit card are more interested in using their card for shopping and entertainment purpose.
2. The customers look for the market reputation of the bank before they become a customer of the bank.
3. The actual uses of card are not enough. Any bank would only benefit if the cards were used more frequently at different POS. A bank earns with more swipes.
4. It also had a question for the people, to find out what is their perception about NIBL. The result was the most people rated it as easy accessibility and convenience but the lowest rating was for its safety.

Mebina Tuladhar (2006) has study on Credit Card Business in Nepal with reference to Himalayan Bank Ltd.

Objectives of the study:

1. To get the overview of the credit card.
2. To analyze the problems related to various transactions of credit card in HBL.
3. To find out weak point of HBL in relation to credit card operation by conducting survey of existing customer and merchants of different banks of Nepal.
4. To identify and assess of different untapped segments.
5. To recommend and suggest regarding the above after analyses of information gathered from various sources.

Findings of the study:

1. The membership fee, the fixed interest rate, annual fee, rewards programs, member benefits, and other card member services are the things which customer considered before applying credit card.
2. Among various reasons for choosing particular issuing bank wider acceptance of card and the relationship with bank seemed to be most dominating.
3. Convenience & security are other two factors effecting card issuance business.
4. The information about the type of credit card and their respective benefits needs to be communicated more effectively.

Shreejana Joshi (2007) has done research on Credit Card & Analysis of Credit Card Performance of Himalayan Bank Ltd.

Objectives of the study:

1. To identify and assess different untapped market segments of credit cards and to evaluate the current position of card business in Nepal.
2. To analyze the problems related to various transactions of credit card in HBL & what necessary action is taken by the HBL to increase their card business.
3. To analyze the advantages of carrying credit card rather than cash.
4. To recommend and suggest the importance of credit card business in Nepal.

Finding of the study:

1. The main and major problem of the card business is lack of knowledge, awareness, conceptual framework and technique of using cards.

2. It is because of acceptance of cards only by the big business houses, departmental stores, readymade stores etc. and most of the Nepalese people are shopping in small rented shops where cards are not accepted.
3. Very minimal growth of the acquiring and merchant business in comparison to the growth of other nation.

Ritu Shrestha (2007) on her thesis “A fieldwork Report of Credit Card: Its transaction Process and Settlement Mechanism” has found out the following things:

Objectives of the study:

1. How the transaction process of credit card is done?
2. How different parties are involved and their performance in the credit card business.
3. Study of clearing and settlement process regarding credit card business.

Findings of the study:

1. The development of credit card business from past to present, is the out come of science and technology.
2. It is the result of convenience and efficiency searched by the people in order to carry bulk amount of cash.
3. A good management is important for all the aspect of a total bankcard program. It is particularly key to success and profitability of the credit card program

2.4 RESEARCH GAPS

After completing the research work all the researchers found that, the main problem of credit card business is acceptance, credit card business is depend upon arrival of the tourist and high fixed cost associated with the card operation. But not all the researchers have focus on the card business probability in Nepal and why the people did not take a card from the bank even though the bank are offering the variety of the cards. Their study is descriptive rather than analytical. In this research, the researcher tried to find out some problems according to the hesitation of having card by the people.

CHAPTER III

RESEARCH METHODOLOGY

In this chapter, research design, nature and sources of data, collection procedures of data and method of analyzing data have been dealt with for the purpose of achieving the basic objective of the study.

3.1 INTRODUCTION

A systematic methodology is required to pick out an actual result for any special study. Research means the search for knowledge and methodology refers to various sequential steps that are adopted in this study. This study is undertaken to explain and analyze the credit card business of Nepal. The research methodology adopted for this study contains various methods and techniques convenience and appropriate for analyzing the data and information collected.

RESEARCH DESIGN

The main objective of the study is to analyze credit card business in Nepal with special reference to HBL. Basically the research is a blend of diagnostic and descriptive in nature. Research design is a plan before doing anything. Like an architect prepares a blueprint before starting a construction, an artist makes a design before executing an idea. It present a series of guides posts to enable the researcher to process in the right direction in order to achieve a goal. The research can also be taken as a development approach as it finds out the development trend of credit card business in Nepal. It shows how the business got its momentum, going on and how well it has emerged. The emphasis is on the present status and its future prospect.

The points are basically discussed on the secondary data, financial statements of five years is taken from card member forum and websites.

3.3 THE POPULATION AND SAMPLE

For the study of credit card business of HBL, the population of customers, merchants, department stores and staffs of HBL is taken, which are as follows:

Table 3.1

Category	Total Questionnaire Distributed	Total Collected	Collection Percentage
Customers	350	300	85.71%
Merchants	120	100	83.33%
Dept. Stores	50	30	60.00%
Staffs	16	14	87.50%
Total	536	444	82.84%

3.4 NATURE AND SOURCES OF DATA

There are basically two sources of data, primary data and secondary data.

A. Primary Data

For this purpose, researcher had targeted four different groups and administered separate structured questionnaires. Customers, Merchants, Departmental stores and staffs of HBL were the four different target groups, for whom we developed and distributed separate questionnaire.

B. Secondary Data

Sources of secondary data for this study include accounting data, internally generated reports which are found within the company and website of the company. And sources refers to books, websites, publications periodicals, data services and computer data banks, reports and statistics gathered and compiled by others prior to study. Sources for this study have been listed below:

-) Data and information relating to Credit Card collected from HBL, Pulchowk
-) Consolidated report of Nepal Card Member Forum
-) Publications of HBL

-) Annual Reports of different years
-) Bimonthly Newsletter of Himalayan Bank Ltd

3.5 DATE COLLECTION PROCEDURES

Among various procedures, primary data are collected through observing the head office, personal interview and through a set of questionnaire. Whereas secondary data are directly collected from the concern company, especially from Nepal Card Member Forum and Card Center Patan. Some data are collected from Central Library of Tribhuvan University at Kirtipur. And, some data are collected from articles in newspaper, and websites.

3.6 DATA PROCESSING PROCEDURES

The collected information and data from various sources are organized and presented in suitable forms like tables, figures and charts.

For the purpose of analysis two tools/techniques are used. They are as below:

1. Financial Tools
2. Statistical Tools

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

The data tabulated, presented and analyzed are of both primary and secondary nature. The presentation and analysis of secondary data became mandatory owing to the fact that the trend of growth in terms issuance, acquiring, merchants growth and usage s deemed necessary as all these factors have direct association with the objective of the concern study. Hence, growth pattern of HBL, of the entire industry and comparative analysis of HBL's with its nearest competitor is presented and analyzed in order to have deeper understanding of the card business and to meet the objective of the study.

4.1 Presentation and Analysis of Secondary Data

4.1.1 Statement of Acquiring Data of Credit Card

In the below table, there are various types of card currently acquired by the members of HBL, Nabil and SCBNL which are VISA Card, Master Card, Diners, and JCB. Among which VISA Card includes 3989, Master Card includes 2929, Diners Card includes 200 and JCB Card includes 554 total members respectively.

Table 4.1
Statement of Acquiring Data of Credit Card (As on 13 Jan 2005)

CARD TYPE CURRENTLY ACQUIRED BY MEMBER	TOTAL N. of MERCHANT	HBL		NABIL		SCBNL		NIBL	
		Date	NOS.	Date	NOS.	Date	NOS.	Date	NOS.
VISA	3,983	1997	631	1993	690	1989	2,239	2003	423
MASTER CARD	2,929		-	1990	690	1990	2,239		-
DINERS	200		-	1992	200	-			-
JCB	554		-		-	1992	554		-
Total	7666		631		1580		5032		423

Nepal Card Member Forum, 2005

4.1.2 Statement of Acquired Volume of Credit Card

The presentation of acquiring Volume of Credit Card indicates the acquired volume of different banks in different Fiscal Year from 057/58 to 061/62. Below table shows that, the HBL covers 3 to 6 percent market coverage during 2057/062. However, SCBNL has the

highest Acquiring Coverage, which is in between 40 to 60 percent. Similarly, the table shows that NABIL has 30 to 40 percent market share. During 61/62, NIBL covers 14 % market share of acquired volume.

Table 4.2

Statement of Acquired Volume of Credit Card (NPR'000)

Year/ Bank	HBL	SCBNL	NABIL	NIBL	Total Business Growth
057/058	187540 (5.22%)	2170652 (60.47%)	1231714 (34.31%)		3589906 (100%)
058/059	162725 (6.15%)	1549669 (58.55%)	934332 (35.30%)		2646726 (100%)
059/060	137780 (5.48%)	1494123 (59.44%)	881798 (37.17%)		2513701 (100%)
060/061	68818 (4.51%)	874891 (57.39%)	580748 (38.10%)		1524457 (100%)
061/062	74854 (3.713643%)	826579 (41.00808%)	830932 (41.22404%)	283284 (14.05423%)	2015640 (100%)
Total	631717	6915914	4459524	283284	12290430

Nepal Card Member Forum, 2005

4.1.3 Statement of Acquired Numbers of Credit Card

In the statement of acquired numbers of credit card, there are various types of card currently acquired by the members of HBL, Nabil and SCBNL, which are VISA Card, Master Card, Diners, and JCB. Below table shows that, VISA Card includes Rs.1, 477,851,000, Master Card includes Rs.532, 411,000, Diners Card includes Rs. 4,098,000 and JCB Card includes Rs. 1,280,000 total volume of Credit Card respectively.

Table 4.3

**Statement of Acquired Numbers of Credit Card
(From 16 JUL2004to 13 Jan 2005) NPR'000s**

Card Type Currently Acquired by member	HBL	NABIL	SCBNL	NIBL	TOTAL
VISA	74,845	540,014	579,708	283,284	1,477,851
MASTER CARD	-	286,820	245,591	-	532,411
DINERS	-	4,098		-	4,098
JCB	-	-	1,280	-	1,280
TOTAL	74,845	830,932	826,579	283,284	2,015,640

Nepal Card Member Forum, 2005

4.1.4 Statement of Issuing Data of Credit Card

In the Statement of issuing data of Credit Card, there are various types of card currently issued by the members of HBL, Nabil and SCBNL which are VISA Classic (Nepal/ India), VISA Classic (International), VISA Gold (Nepal/ India), VISA Gold (International), Master Card (Nepal/ India), Master Card (International), Master Card Gold (Nepal/ India) and Master Card Gold (International).

Table 4.4
Statement of Issuing Data of Credit Card(As on 13 Jan 2005)

CARD TYPE CURRENTLY ISSUED BY MEMBER	TOTAL NOS.	HBL		NABIL		SCBNL		NIBL	
		Date	NOS	Date	NOS	Date	NOS	Date	NOS
Visa Classic (Nepal/India)	9,414	Dec 97	1,780	Aug03	2,038	Apr97	5,383	Jul 04	213
Visa Classic (International)	-		-		-		-	Jul 04	-
Visa Gold (Nepal/India)	1,522	Dec 97	1,462		-		-	Jul 04	60
Visa Gold (International)	544	Dec 01	516		-		-	Jul 04	28
Visa Electron (Nepal/India)	23,006		-	Apr04	8,970		-	Aug03	14,036
Visa Electron (International)	200		-		-		-	Aug03	200
Master Card (Nepal/India)	2,478		-	Nov93	2,478		-		-
Master Card (International)	748		-	Nov93	748		-		-
Master Card Gold (Nepal/India)	272		-		-	Jul98	272		-
Master Card Gold (International)	-		-		-		-		-
TOTAL	38,184		3,758		14,234		5,655		14,537

Nepal Card Member Forum, 2005

Above Table shows that, among those VISA Classic (Nepal/ India) includes 9414, VISA Classic (International) includes Nil, VISA Gold (Nepal/ India) includes 1522, VISA Gold (International) includes 544, Visa Electron (Nepal/India) includes 23006, Visa Electron (International) includes 200, Master Card (Nepal/ India) includes 2478, Master Card (International) includes 748, Master Card Gold (Nepal/ India) includes 272 and Master Card Gold (International) includes Nil number respectively.

4.1.5 Issuance Coverage

In the issuance of Credit Card by different banks out of the total issuance in F.Y. 2061/062, it clearly shows that credit card issued by SCBNL amounts to 5655 cards, credit cards issued by NABIL amounts to 14234 cards, credit cards issued by NIBL amounts to 14537 (38.07%) cards and that by HBL amounts to 3758 cards.

Table 4.5
Issuance Coverage (F.Y. 2061/062) (As on 13 Jan 2005)

Issuer	Number of Cards	Percentage (%)
Standard Chartered Bank	5655	14.80987
Nabil Bank	14234	37.27739
Himalayan Bank	3758	9.912529
NIBL	14537	38.07092
Total	38184	100

Nepal Card Member Forum, 2005

From the above table, we can see that SCBNL covers 14.8% of the total issuance, NABIL covers 37.28% of the total issuance, NIBL covers 38.07% of the total issuance and HBL covers 10% of the total issuance. Thus, NIBL covers the highest coverage in terms of issuance of credit card.

4.1.6 Acquiring Volume

The acquiring of credit card of different banks out of the total acquiring shows that NABIL has the highest acquiring volume, which is Rs. **830,932** (in '000) than that of SCBNL and NIBL, which is Rs. **826,579** (in '000) and Rs. **283,284** (in '000) respectively. Similarly, HBL has the lowest acquiring volume, which is Rs. **74,845** (in '000). Similarly, the below table shows that NABIL has the highest Acquiring Coverage which is 41.5% SCBNL covers 40.5%, NIBL covers 14% and HBL covers 4%.

Table 4.6
Acquiring Coverage (From 16 Jul 2004 to 13 Jan 2005) NPR'000s

Card Type Currently Acquired by member	HBL	NABIL	SCBNL	NIBL	TOTAL
VISA	74,845	540,014	579,708	283,284	1,477,851
MASTER CARD	-	286,820	245,591	-	532,411
DINERS	-	4,098		-	4,098
JCB	-	-	1,280	-	1,280
TOTAL	74,845	830,932	826,579	283,284	2,015,640
	(4%)	(41.5)	(40.5%)	(14%)	(100%)

Nepal Card Member Forum, 2005

4.1.7 VISA card offered by Himalayan Bank

Himalayan Bank had been issuing HBL cards as regular and gold and Visa cards. But from fiscal year 2058/59 HBL stopped issuing HBL card i.e. regular and gold. At present HBL issue one type of card, i.e. VISA card. The VISA cards offered by Himalayan Bank Limited can be categorized into two parts, which are Visa Classic and Visa Gold. The number of cards issued by the bank is given in the table below:

Table 4.7
VISA Card issued by Himalayan Bank

DATE	2001/02	2002/03	2003/04
CLASSIC	729	1184	1480
GOLD	738	1178	1483

Nepal Card Member Forum, 2005

Table No.7 shows the total cards issued by HBL in respective year. In 2003/2004 HBL has issued 2963 cards in total, which includes only Visa cards.

4.1.8 Number of Merchants

The Total number of merchant that accepts cards of the different banks shows the number of merchants holding by different banks. As per the table, SCBNL holds 5,032 merchants, NABIL holds 1580 merchants, HBL has 631 merchants and NIBL has 423 merchants.

Table 4.8
Number of Merchants (2061/62) As on 13 Jan 2005

CARD TYPE CURRENTLY ACQUIRED BY MEMBER	TOTAL N. of MERCHANT	HBL		NABIL		SCBNL		NIBL	
		Date	NOS.	Date	NOS.	Date	NOS.	Date	NOS.
VISA	3,983	1997	631	1993	690	1989	2,239	2003	423
MASTER CARD	2,929		-	1990	690	1990	2,239		-
DINERS	200		-	1992	200	-			-
JCB	554		-		-	1992	554		-
Total merchant	7,666		631		1,580		5,032		423

Nepal Card Member Forum, 2005

4.1.9 Presentation of Acquiring Business Data of HBL

The presentation of acquiring business data indicates the number of merchants and the acquired volume of HBL in different Fiscal Year from 054/55 to 061/62. Below table shows that, both the number of merchants and Acquiring volume of HBL have been increasing till 057/58 but it has decreased as HBL stopped issuing its HBL cards. During 58/59, the number of merchants was minimum, being 546 merchants and during 60/61 acquiring volume was minimum, being Rs.688 in '00,000 acquiring volume. The value for both of them is maximum in 057/058, which is 998 and Rs.2, 204 in '00,000 respectively.

Table 4.9
Presentation of Acquiring Business Data of HBL

Year	Number of Merchants	Acquiring Volume (NPR '00,000)
054/55	591	1,049
055/56	747	1,920
056/57	900	1,942
057/58	998	2,204
058/59	546	1,627
059/60	571	1378
060/61	609	688
061/62	631	748
Total		11556

Acquiring Data and Acquiring Volume, Nepal Card Member Forum, 2005

In other words, the number of Merchants as well as the Acquiring volume of Himalayan Bank is in increasing trend till the fiscal year 57/58 but it decreases in 058/59 due to non issue of HBL cards i.e. regular and gold.

4.2 Presentation and Analysis of Primary Data

The data obtained from the primary source has been analyzed and presented with the help of charts as shown below:

4.2.1 CREDIT CARD CUSTOMERS

As per chart 1, Out of 300 respondents, 63 %(188) were male, while 37 %(112) were female.

Chart 1: Gender Distribution of Customers

As per chart 2, Majority of the respondents surveyed, worked in private sector and had personal business. In fact, 34% (102) worked in private sector, which was followed by personal business at 27%(80). Consultant at 5 % (16), student at 13% (39), and public sector service at 7% (21). Others included retired and housewives, which contributed 14% (42) of the total respondents.

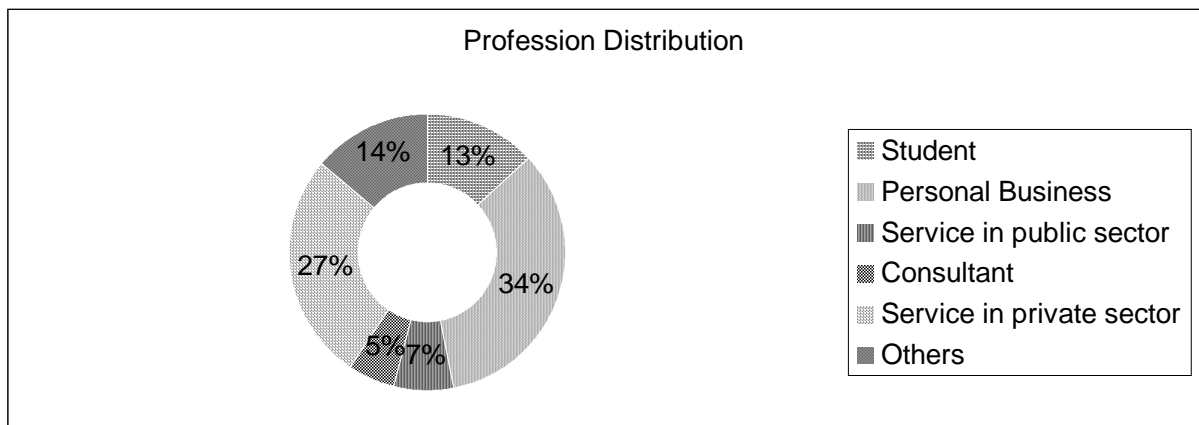


Chart 2: Profession of Customers

As per chart 3, the respondents had absolutely dispersed personal monthly income. Out of 300 respondents, 10% (31) had in between Rs. 10,000 – 14,999, 24% (71) in between Rs. 15,000 – 19,999, 27% (78) in between Rs. 20,000 – 24,999, 19% (58) in between Rs. 25,000 – 29,999, 20% (60) in 30,000 or above.

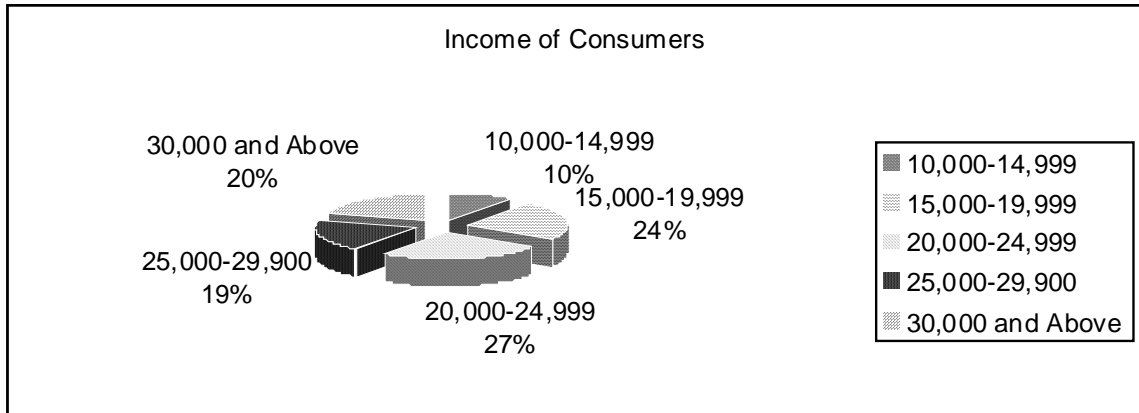


Chart 3: Income Distribution of Customers

As per chart 4, Out of 300 respondents, of the 73.33% (220) respondents had Visa card and 59.33% (178) had MasterCard. Hence we have found that Customers are simultaneously using Visa card and MasterCard.

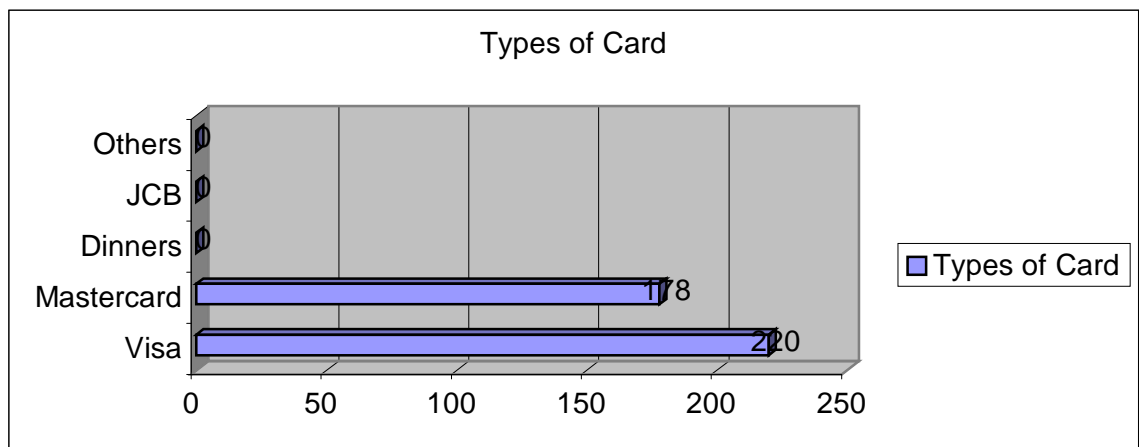


Chart 4: Types of card

As per chart 5, from the sample size of 300 it is seen that most of customers have acquired Credit card of Standard chartered Bank limited, 52% (156) acquired card of standard Chartered bank, 36%(107) acquired card of Nepal investment bank Limited, 45%(136) acquired card of Nabil Bank. And 41% (124) acquired card of Himalayan Bank Limited.

Chart 5: Other Bank's card Possession

As per chart 6, Out of 300 respondents, 18.66 % (56) of the respondents decided to acquire Credit card because of Increasing trend, 73%(219) decided to acquire card because they need credit facility, 81%(243) decided to acquire card because of convenience and security and 10.33(31) acquired card for various other reasons. Hence we can see that majority of consumers hold card for credit facility as well as convenience and security.

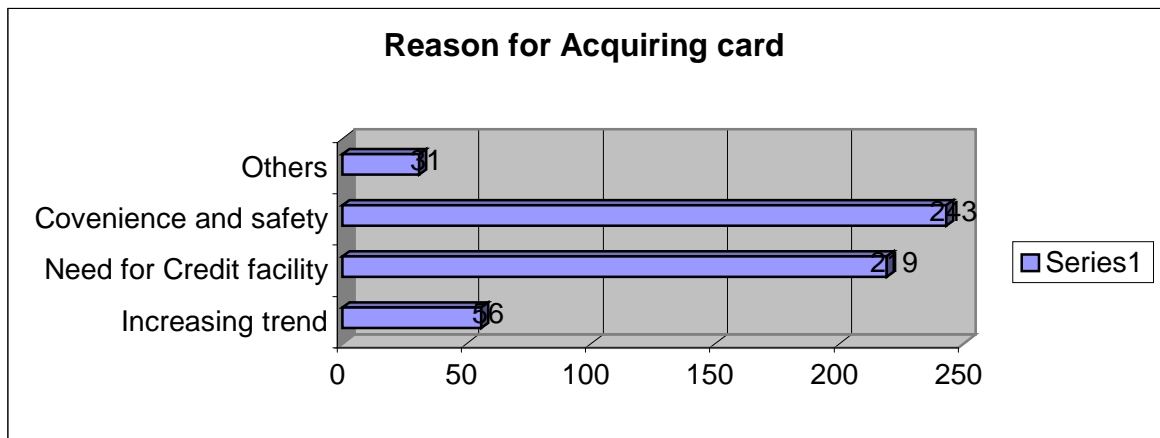


Chart 6: Reasons for Acquiring credit card

As per chart 7, among various reasons of choosing particular issuing bank wider acceptance of card and relationship with bank seemed to be most dominating. 65%(195) acquired a card from a particular bank due to the existence of a bank account, 48% (144) did so because of comparative low service fees, 78%(234) did so due to wider acceptance of the type of credit card issued, 75.66%(227) did so due to their personal relationship with the bank, 7%(21) did so due to location of the bank, 47.66%(143) did so due to their transactions with bank, 47.33%(142) did so because of good marketing by bank, 53%(159) did so because of goodwill of bank and 6.33%(19) chose a particular issuer for other reasons .

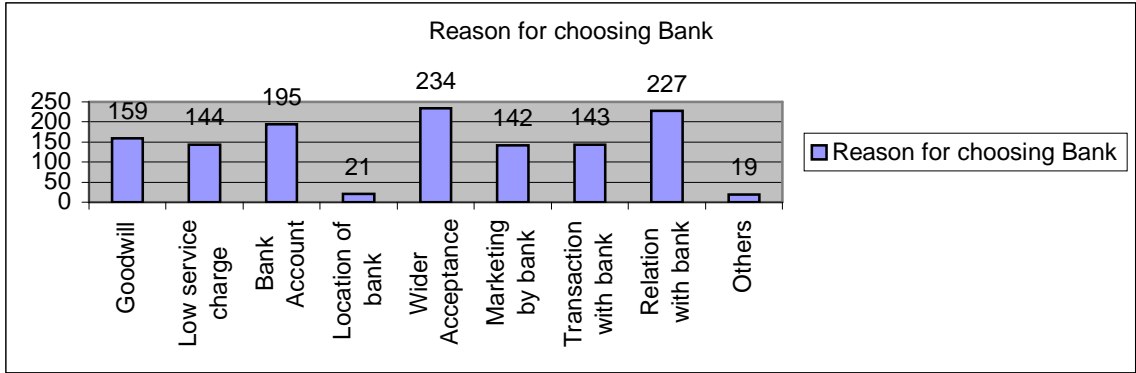


Chart 7: Reasons for Acquiring card of particular bank

As per chart 8, Out of 300 respondents, most of the respondents i.e.71.66 % (215) were influenced by Advertisements to use card, 48.66 % (146) were influenced by their Friends to use card, 32.33 % (97) customers were influenced by their family, and 17.66% were influenced by their Celebrity to use card.

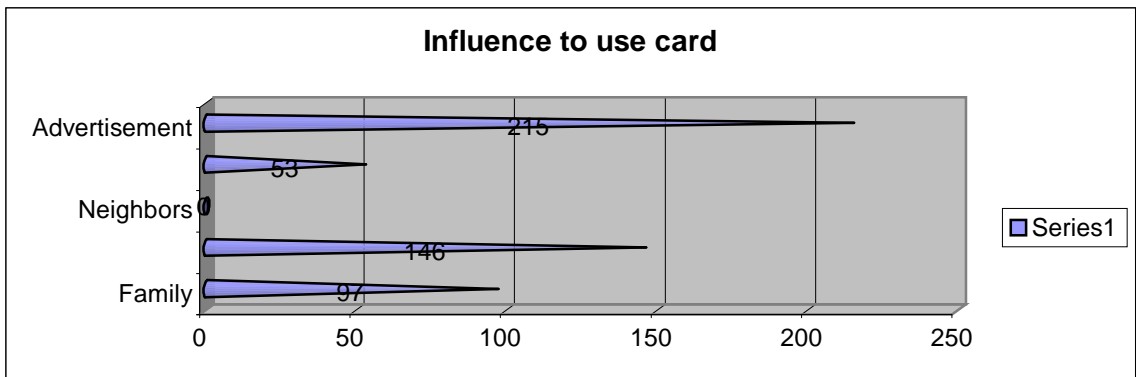


Chart 8: Influence to use card

As per chart 9, from 300 respondents it is seen that 6.66 % (20) of them purchase through credit card once a week, 24%(72) of them uses it every day while 16%(48) of them uses it every fortnight. Like wise 40%(120) of the respondent make payment through credit card twice a week and only 40 of them use credit card for making purchase occasionally.

Chart 9: Purchase through credit card

As per chart 10, from the survey made among 300 respondents of credit card user it is seen that most of them prefer to use the credit card of Standard Chartered Bank. 62.66%(188) of 300 uses credit card of SCB, 39%(117) of them prefer to use credit card of Nepal Investment Bank where as 43.33%(130) of the total respondent uses credit card of NABIL and only30%(90) of them prefer to use credit card of HBL.

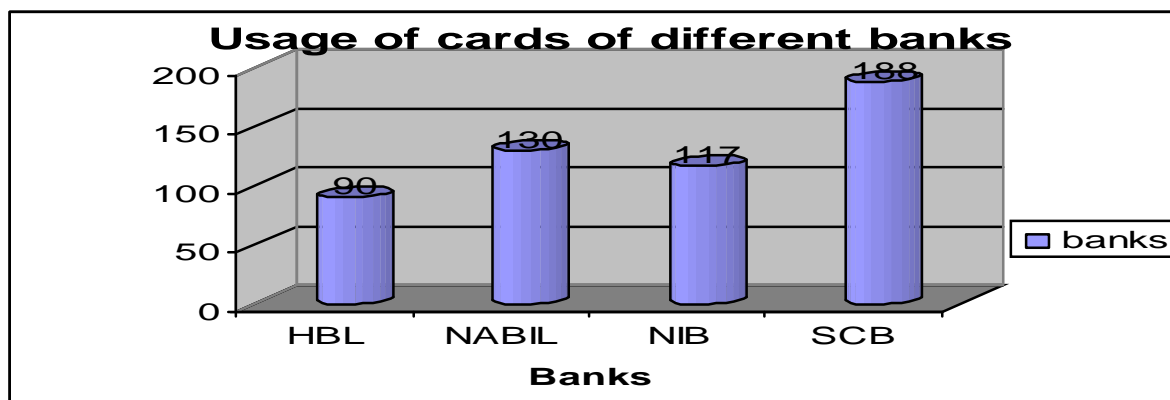


Chart 10: Usages of cards of different Banks

As per chart 11, Out of 300 respondents, 120 of them had changed card, which is 40% of the total respondent, and rest 180 of them, which comprises of 60% had not changed card.

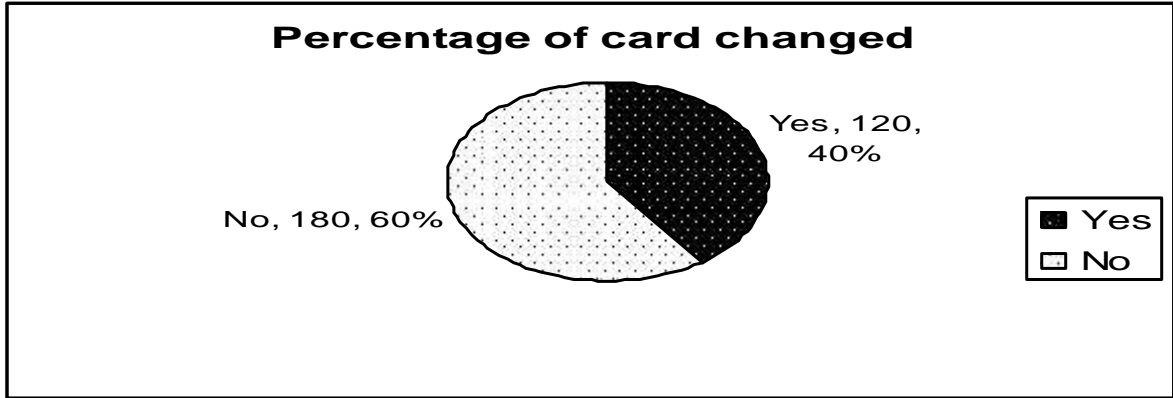
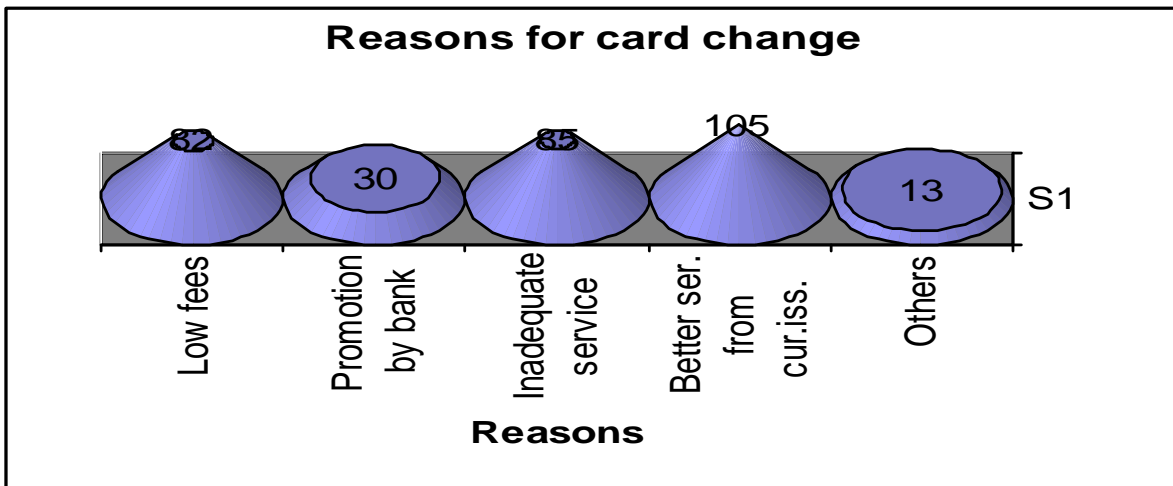


Chart 11: Percentage of people changed card

As per chart 12, from the survey made it is witnessed that 40 %(120) respondents out of 300 who had changed card, 27.33%(82) of them had changed due to fee factor, 10%(30) of them had changed due to the promotion made by the bank. Like wise 28.33%(85) of them had changed due to inadequate service from previous bank, similarly 35%(105) of them had changed due to assurance of better service from current bank and 4.33%(13) of them had changed due to other reason.

Chart 12: Reasons for card change



As per chart 13, through survey it is portrayed that out of 300 respondents 110 uses credit card at restaurants, 100 of them uses at hotels, 225 uses it at departmental stores. Like wise 60 of them uses credit card at travel agency and the rest 65 persons uses credit card for purposes other than this.

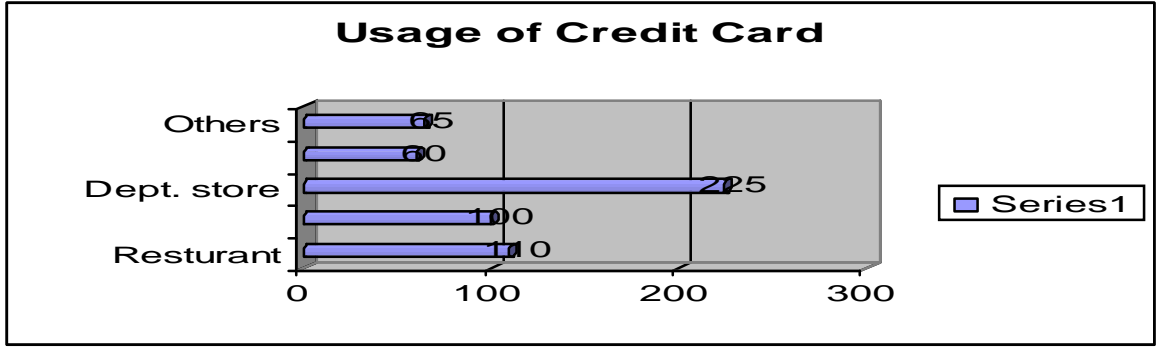


Chart 13: Places of usages of Credit Card

As per chart 14, Out of 300 respondents from the Credit Card Holder of HBL it is seen that 17% of the cardholder does less than 20% of their expenses through credit card. 27% of the cardholder does 20% to 40% of their expenses through credit card. Similarly another 27% does 40% to 60% of their expenses through credit card and like wise 20% of the card holder does 60% -80% of their purchase with it and the customer who make more than 80% of their expenses only comprises of 9% which is pretty low.

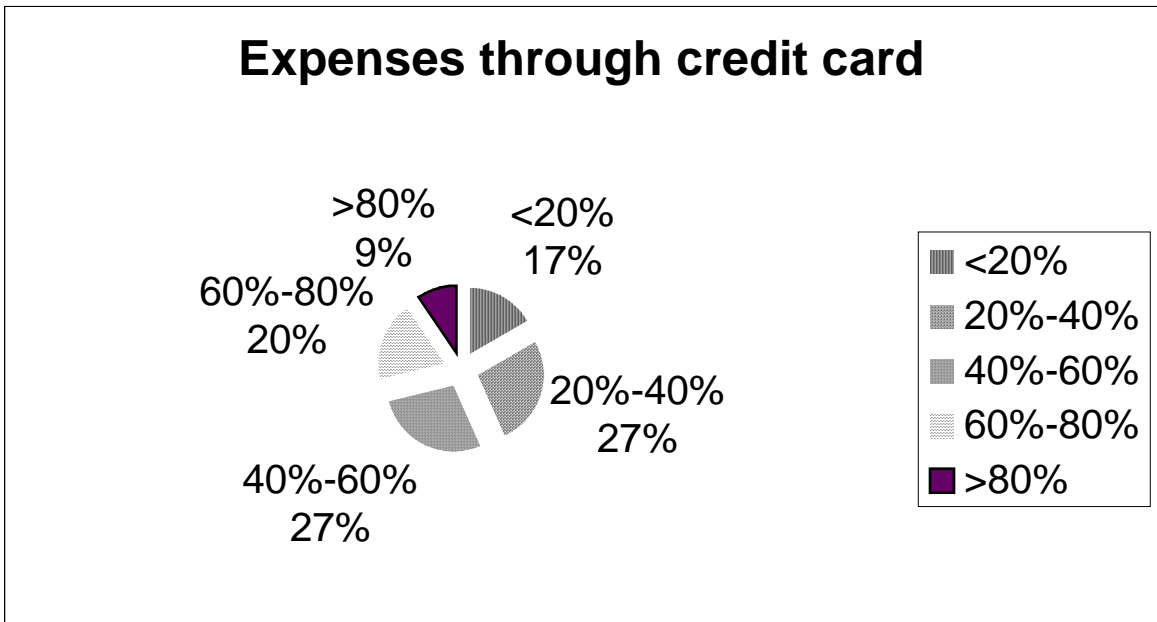


Chart 14: Expenses through Credit Card

As per chart 15, Out of 300 Credit Card holder respondent of HBL 44% (132) had encountered different types of problems and rest 56% (168) of the cardholder has not yet faced any sort of problem.

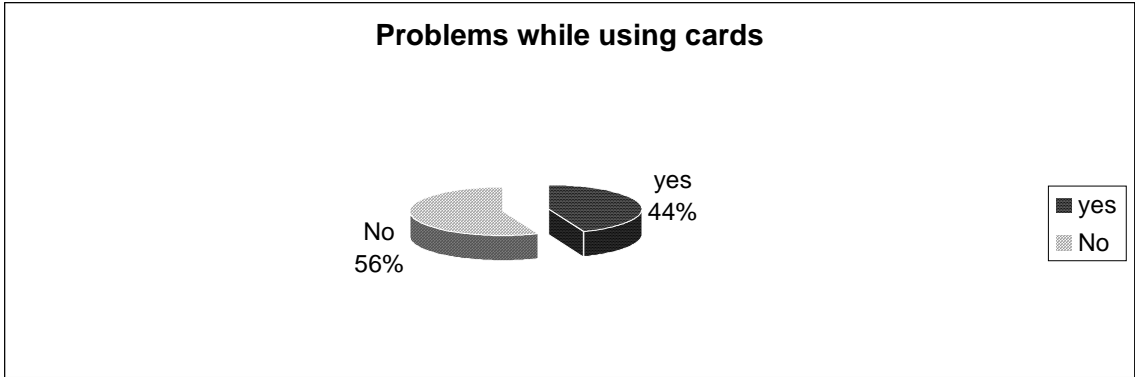


Chart 15: Problems encountered

As per chart 16, 44 % of the total respondent who had encountered with the credit card problems, 33 % of them had faced the problem of non-acceptance of credit card by machine. 29 % of them had faced the problem of non-acceptance by merchants. The problem of card lost is very low which is seen 6 % from our sample size and like wise 32% are other problems encountered by them regarding credit card operation.

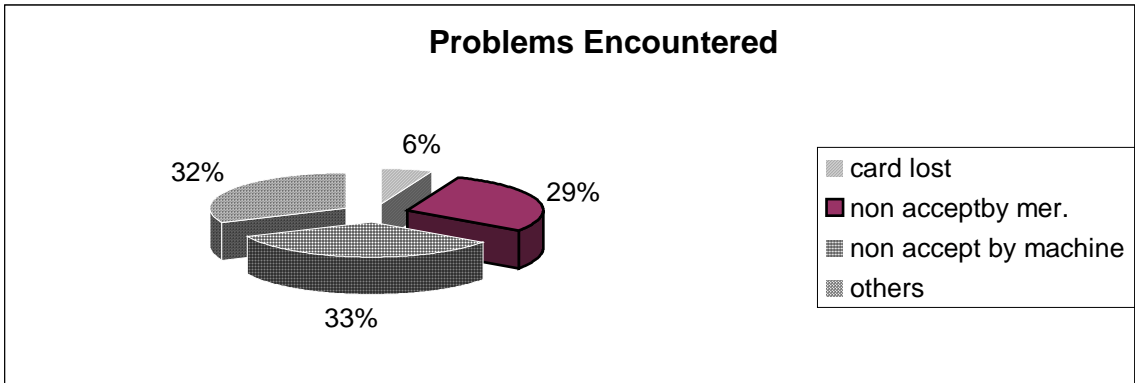


Chart 16: Problems Encountered

As per chart 17, Out of 300 respondent 29% (87) are satisfied with the limit made by the Bank where as 31% (93) are not satisfied with the limit and similarly 40% (120) of the respondent is neutral about the limit made by Bank.

Chart 17: Satisfaction in limit made by bank

As per chart 18, Out of 300 credit card holders 91 of them, which is 30 %, are planning to terminate the usage of their existing card in order to take the card of another bank or to take different types of card or to terminate entirely. And 209 cardholders which are 70 % have no plan to terminate the usage of current card.

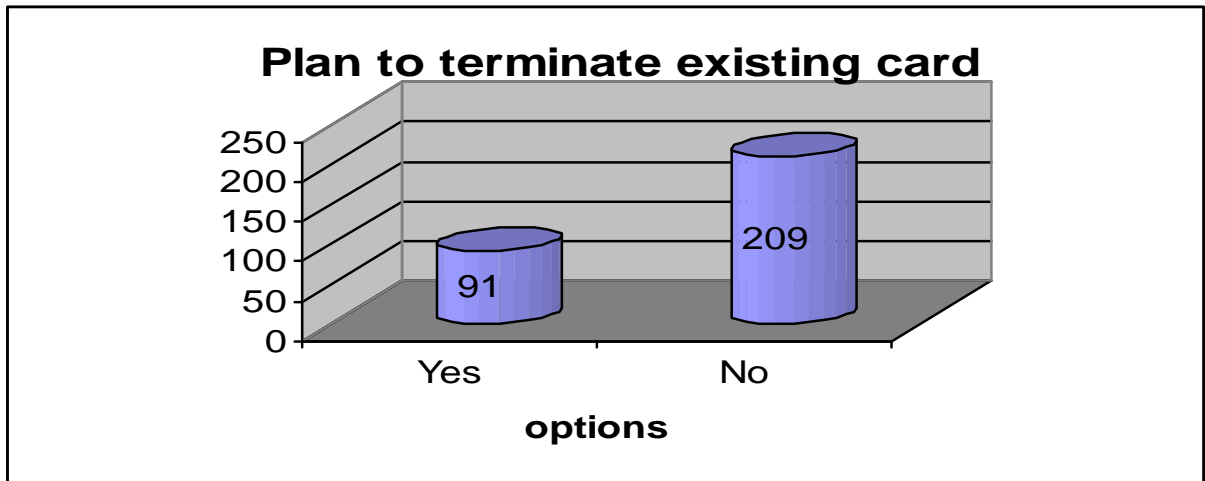


Chart 18: Cardholder planning to terminate existing card

As per chart 19, from the survey it is seen that card holder are planning to terminate their existing card for various reasons and the most common and biggest reason is the wish to hold the card that is widely accepted which comprises of 33 % of 91 card holder. Another factor of termination is service fees, which are accepted by 23 % as an important reason for termination. 22% of person planning to terminate puts good will of bank as one of the

reason for termination. Promotion on the part of bank and other reasons comprises 11 % for the reason of termination of current card.

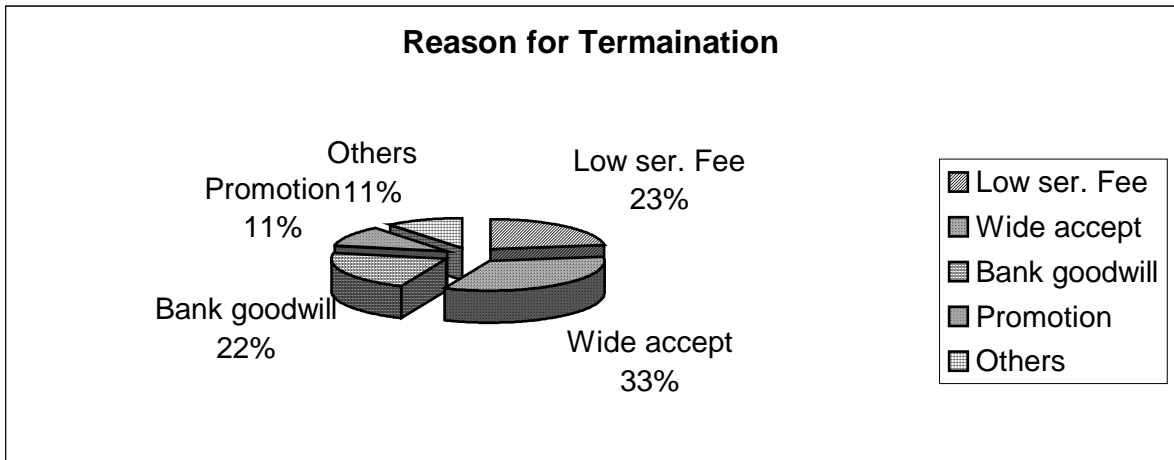


Chart 19: Reason for Termination

4.2.2 MERCHANTS

As per chart 20, Out of 100 respondents, 0% were departmental stores, restaurants and hotels both constituted 30% each and the remaining 20% were travel agents and 20% were retail outlets and other business.

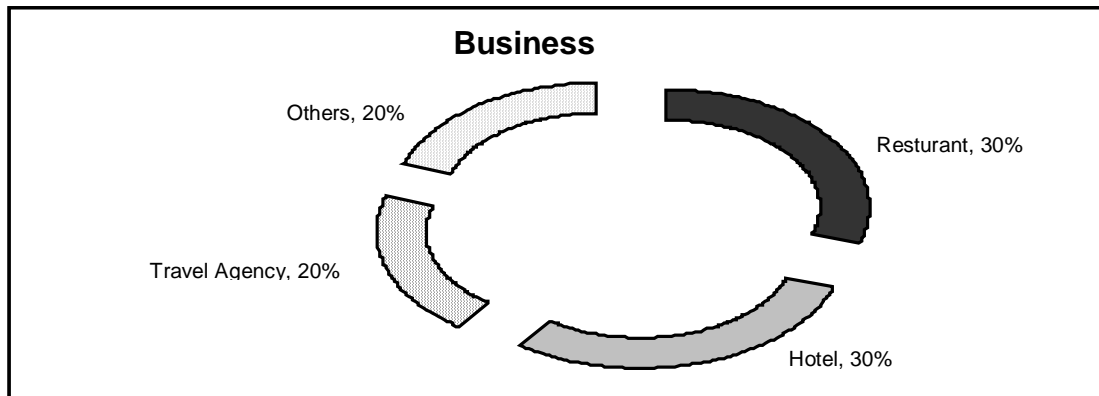


Chart 20: Sample size composition

As per chart 21, Out the sample size of 100 respondents, 49% had installed credit card facility, while 51% had rather decided not having it.

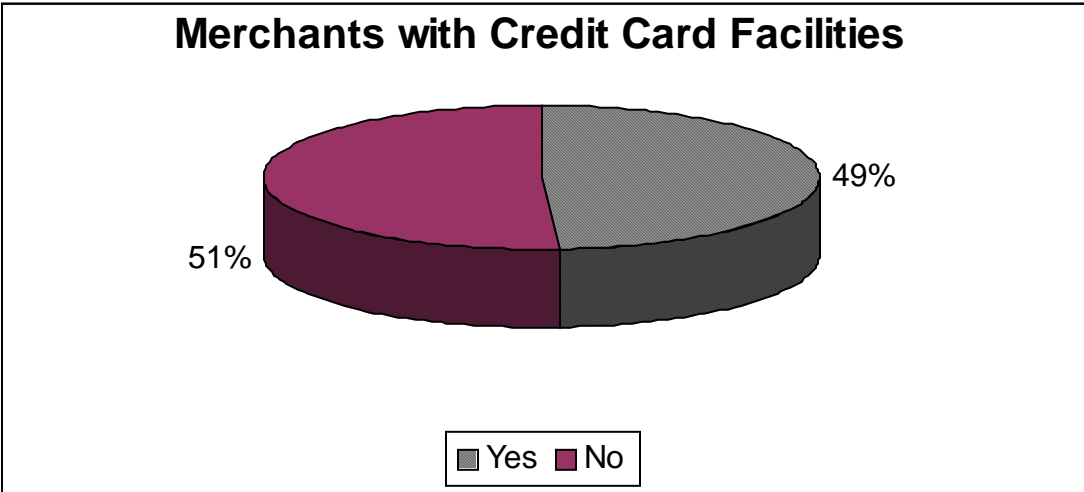


Chart 21: Merchants using credit cards

As per chart 22, Out the 49 respondents obtained from 100 merchants (who installed credit card facility), 100% (49) had Visa card, while 59% (29) had Master card.

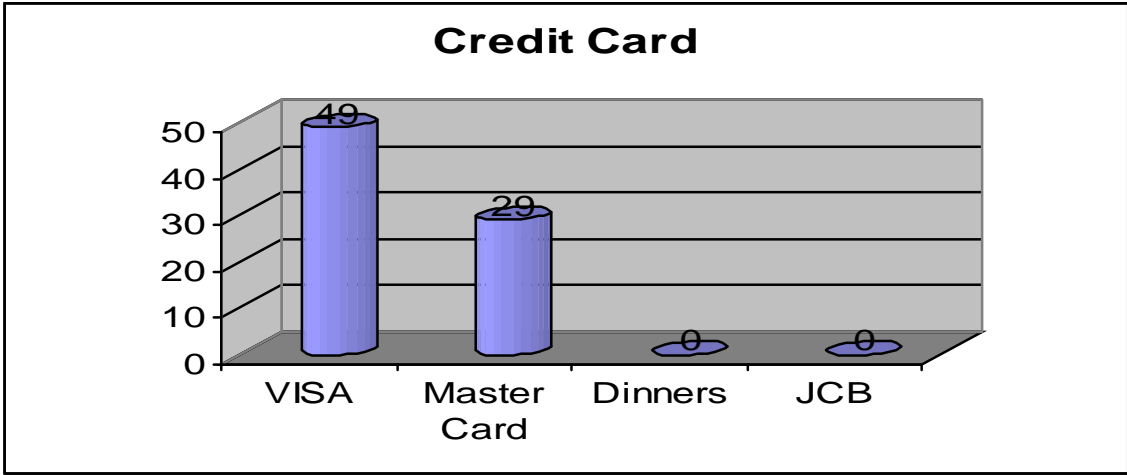


Chart 22: Types of card

As per chart 23, Out of the 117 replies received from 49 respondents, who had installed credit card facility, 37% (43) had acquired the service from SCBN, 18% (21) from HBL and 25% (29) from NABIL and 21% (24) from NIB.

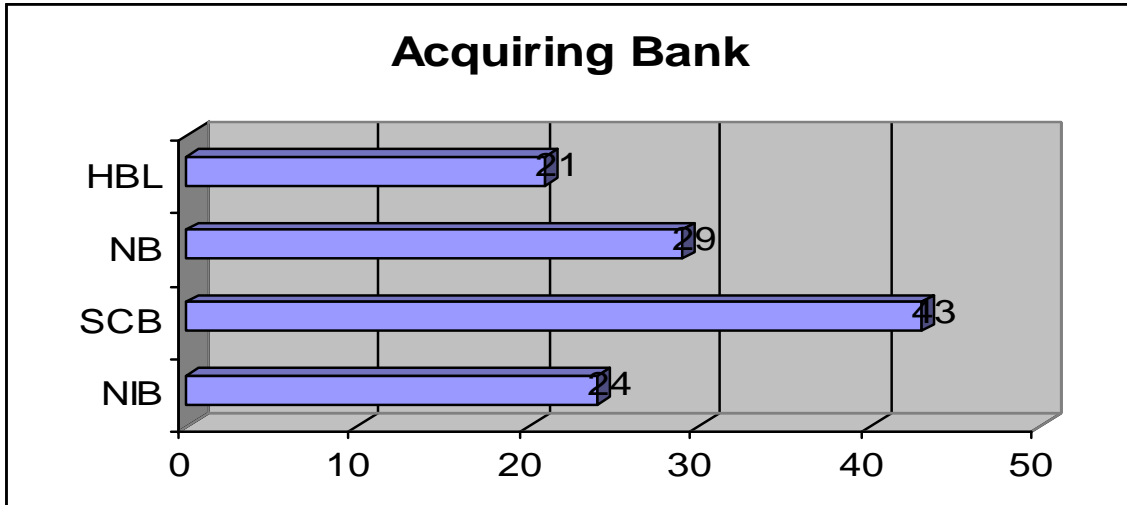


Chart 23: Acquiring bank

As per chart 24, 49% of respondents are having credit card facility, a majority of 84% (41) cited for safety from bad debts as a crucial reason for installing it, while 80% (39) had installed it, as there was wide usages of credit card and 71% (35) had installed it due to high demand for credit. Similarly, 22% (11) had other reasons for the same, for example, customer satisfaction, maintain status etc.

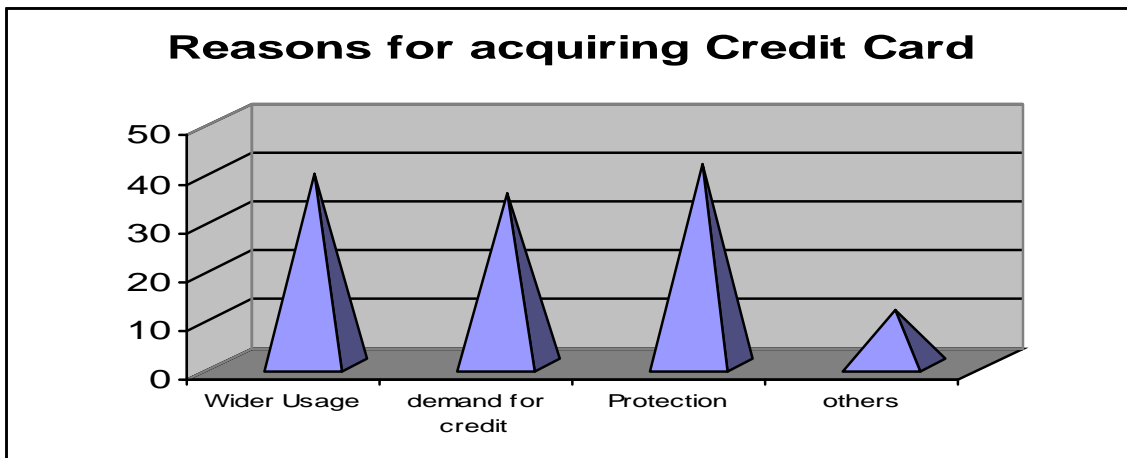


Chart 24: Reasons for Acquiring

As per chart 25, Out of 49 respondents having credit card facility, 84% (41) have selected bank for wider acceptance of the bank's service, 71% (35) for Personal Relationship with the bank, 57% (28) of the merchants for goodwill, 49% (24) for existing transactions with the bank, and 10% (5) for marketing effort on part of the bank.

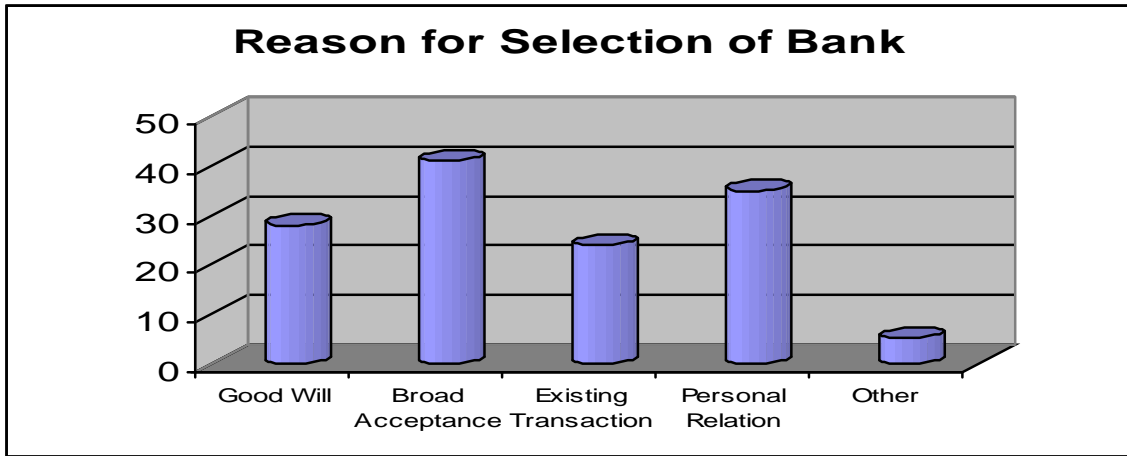


Chart 25: Reason for Selection

As per chart 26, Out of the 49 respondents having credit card facility, a majority of 96% (47) was influenced by other business to provide credit card facility, while 84% (41) had installed it through friends and neighbors. Similarly, 47% (23) were influenced from their family and 28% (14) were influenced from advertisement.

Chart 26: Influence to use card

As per chart 27, Out of the 49% of respondents having credit card facility indicated that all of them (49) have acquired credit card for safety and protection from bad debt, while 73% (36) replies was in favor of receiving benefits of reliability, status, and increasing

number of transaction/customer. Similarly, 33% (16) replies were in favor of convenience.

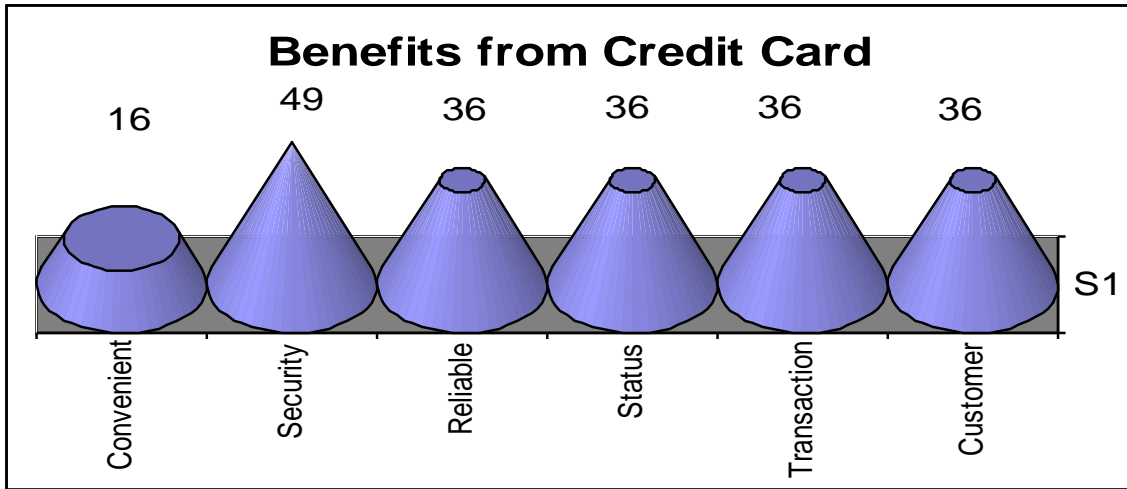


Chart 27: Benefits from card

As per chart 28, Out of the 109 replies received from 49 respondents having credit card facility, 37% (41) customers acquired credit card of SCBN, while 27% (29) customers acquired credit card of Nabil Bank, 19% (21) customers acquired credit card of HBL and 17% (18) customers acquired credit card of Nepal Investment Bank.

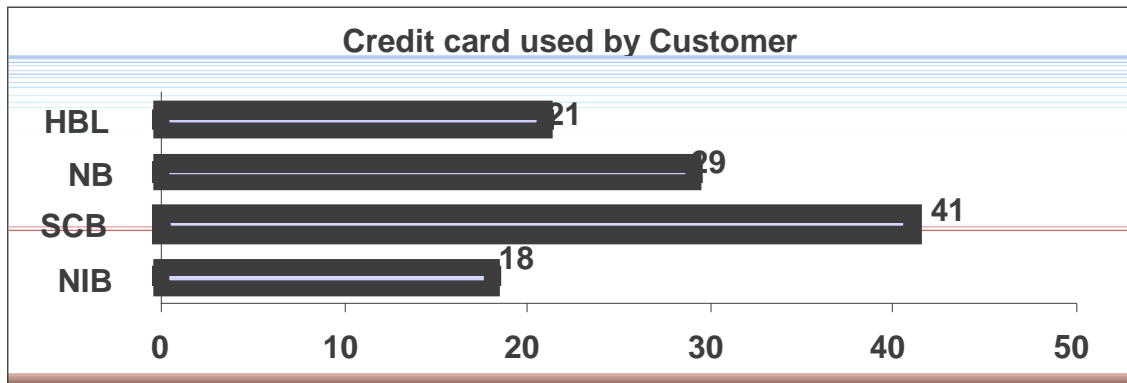


Chart 28: Card being used by customers

As per chart 29, Out of the 49% of respondents having credit card facility, a majority of 76% (37) businesses had grown after installing credit card facilities, while others 24% (12) had not been experiencing well.

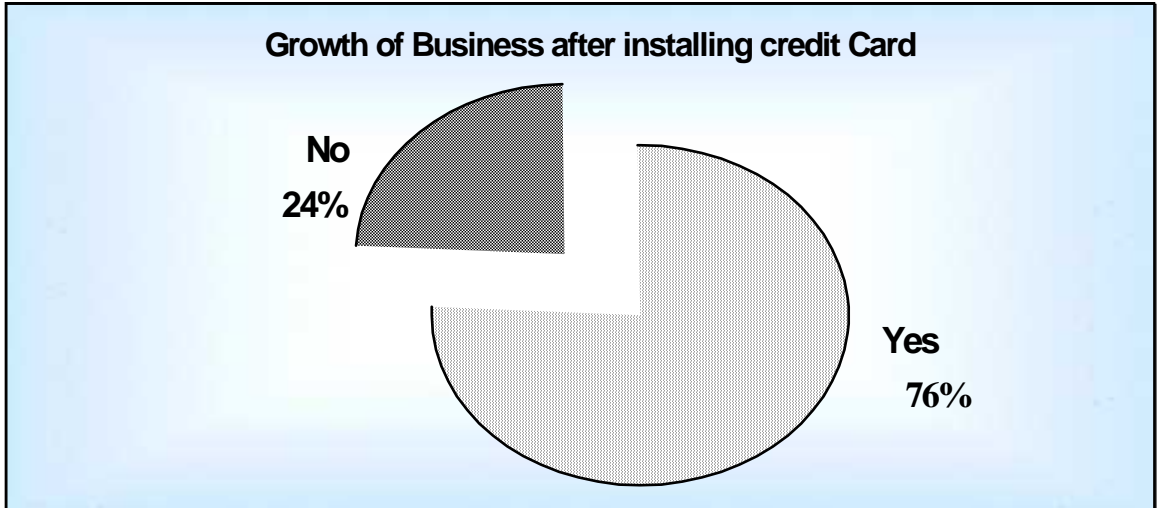


Chart 29: Growth of business after using card

As per chart 30, Out of the 51% of respondents, not having credit card facility, all of the 100% (51) pointed out the higher service cost as a crucial reason for not installing it, 57% (29) claimed tedious process, 55% (28) marked less credit demand, 49% (25) claimed low usage of cards and 29% (15) cited lack of information and higher limit as the various reasons.

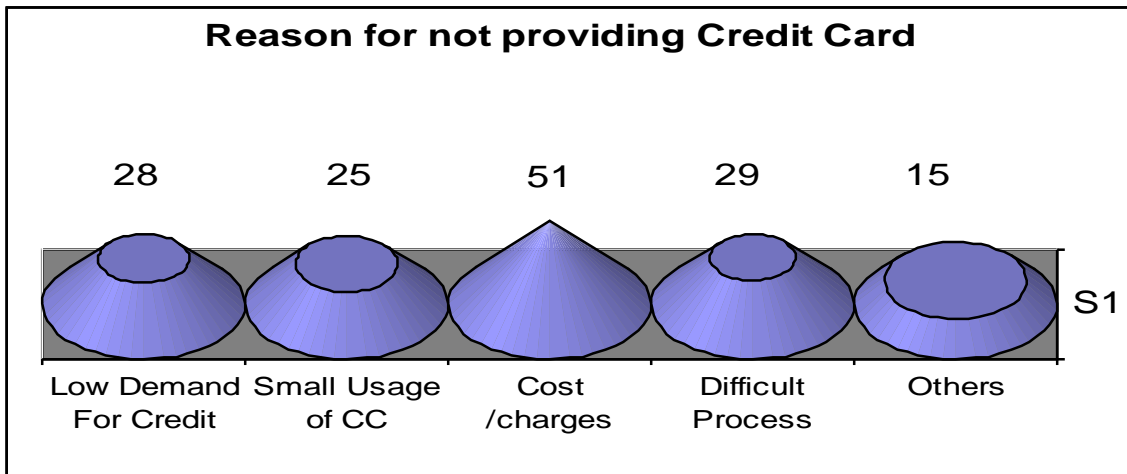


Chart 30: Reason for not providing credit card facility

As per chart 31, from the chart depicting the frequency of requesting credit from 51 respondents, 12% (6) of the customers never asked for credit, 14% (7) asked it occasionally, 8% (4) asked it fortnightly, 15.5% (8) asked it once a week, 15.5% (8) asked it two times a week, while 35% (18) requested daily

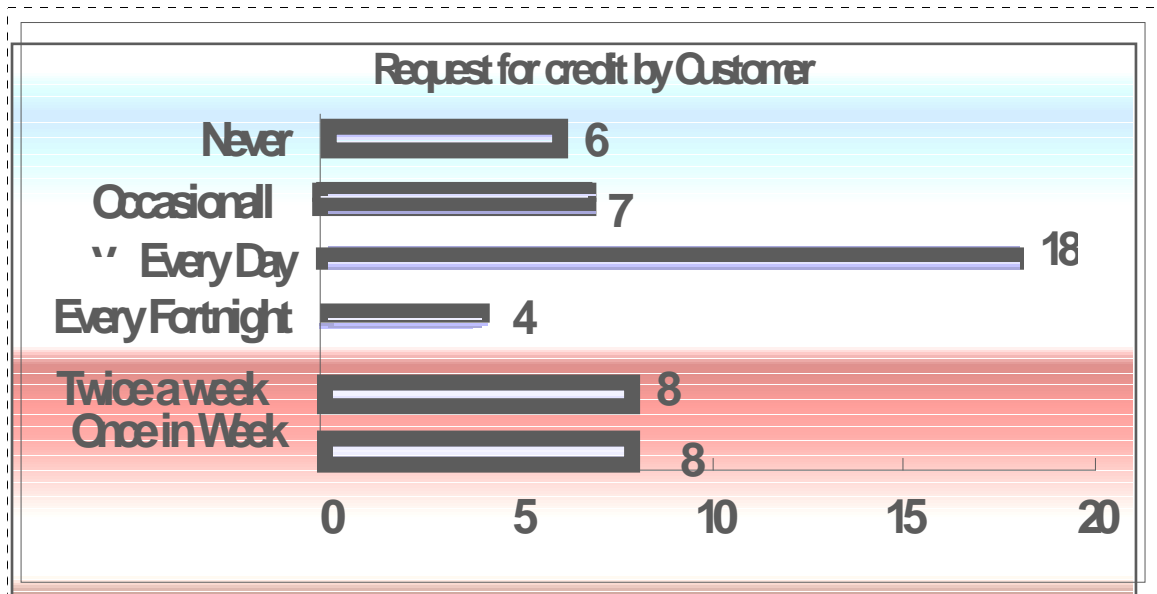


Chart 31: Request for credit

As per chart 32, Out of 51, 51 % (26) merchants provided credit facilities to their customer while 49% (25) merchants didn't give those facilities to their customers.

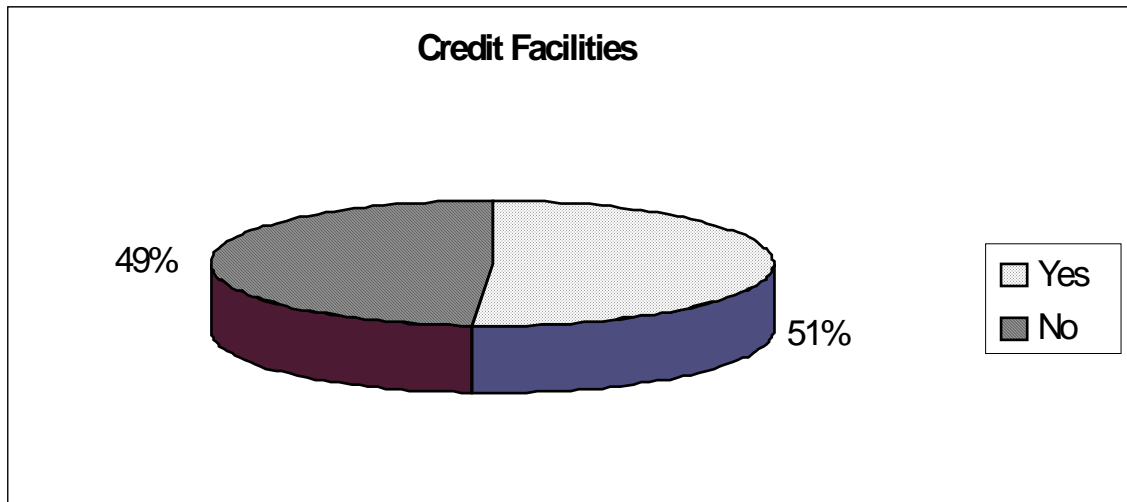


Chart 32: Credit facilities

As per chart 33, Out of 51 respondents not having credit card facility, a majority of 25 reported experiencing different problems due to not providing credit facilities to their customers. As per 43 replies received from those 25 respondents, 32% (14) customer would make cash payment, if they were not received credit, while 40% (17) customer

would also react negatively by going to another merchants, 19% (8) customer would make less amount of purchase than that of required. Similarly, remaining 9% (4) customer would have other reactions for the same, for example, some customer started to discuss with merchant etc.

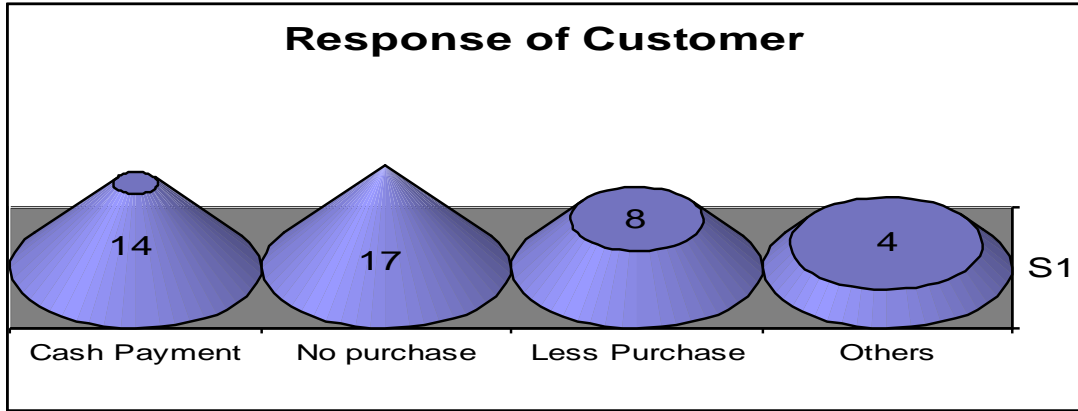


Chart 33: Response of customers

As per chart 34, Out of 51 respondents not having credit card facility, 63% (32) merchants intended to install credit card machines in the near future while 37% (19) merchants had no plans of doing so.

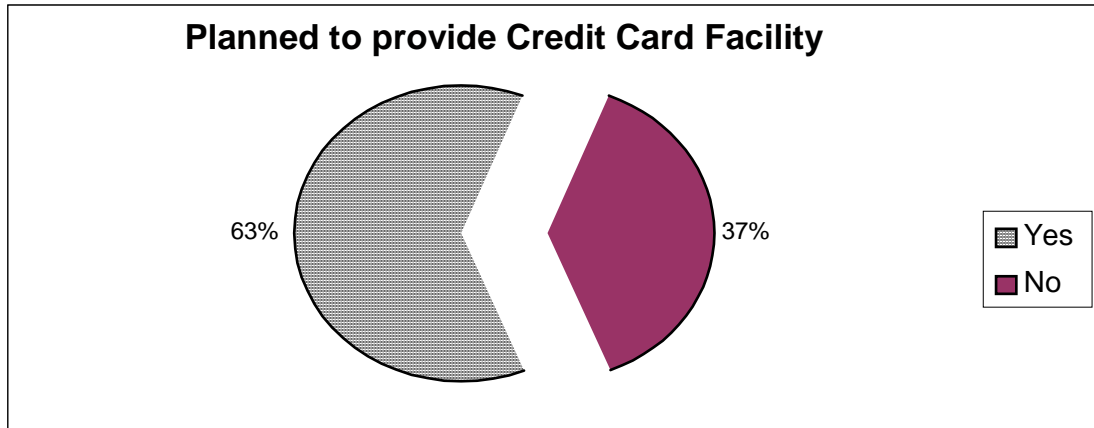


Chart 34: Plan to provide credit card

As per chart 35, Out of 32 merchants planning to install credit card machines in the near future, 28 respondents (88%) planned to acquire a card due to wide usages of the credit card, 15 (47%) did so as there was high demand for credit. Similarly, 15 (47%) cited for

safety from bad debts, 6 (19%) had other reasons for the same such as promotion, goodwill and easier issuance.

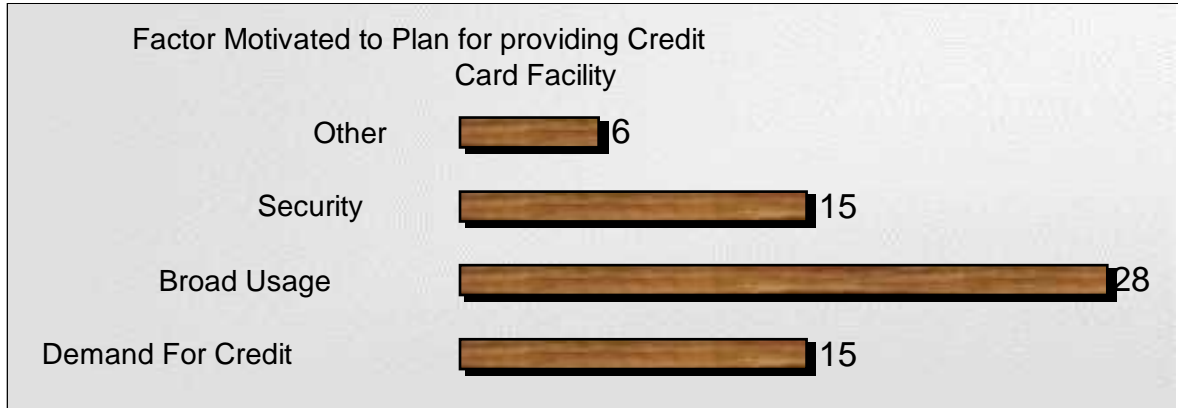


Chart 35: Motivating factor

4.2.3 DEPARTMENTAL STORES

As per chart 36, Out of 30 replies obtained from departmental store, their entire (100%) customer having credit card had VISA, while 40% customer had both VISA and master card.

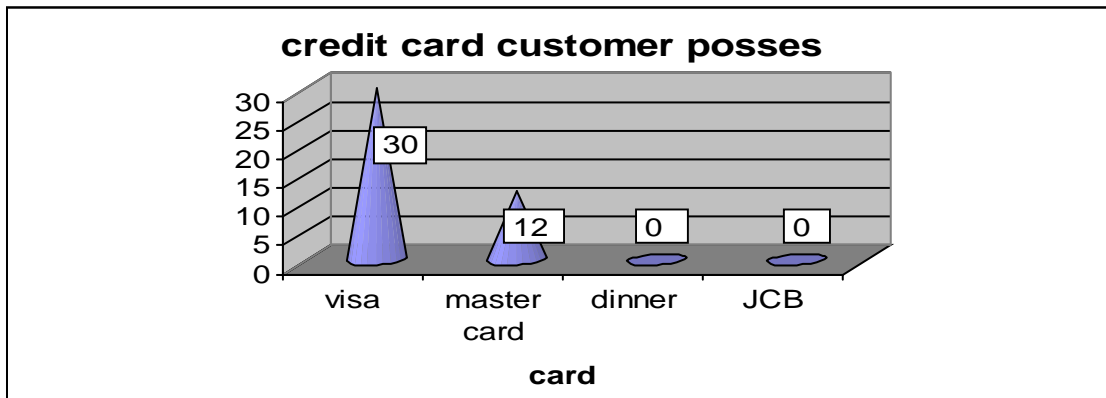


Chart 36: Types of cards

As per chart 37, Out of the 80 replies from 30 respondents, 33% (27) had accepted the credit card of SCBN, 23% (18) had accepted the credit card of HBL. Similarly, 23% (18) had accepted the credit card of NIB and remaining 21% (17) from NABIL

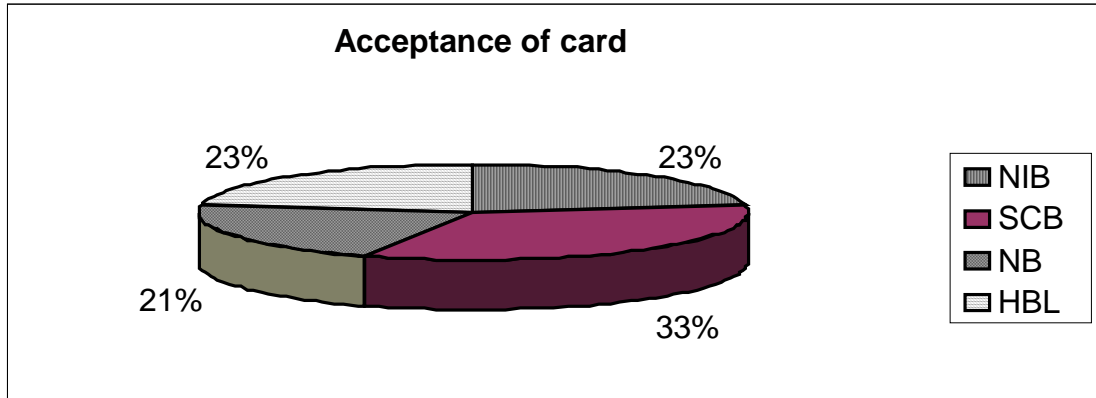


Chart 37: Acceptance of cards

As per chart 38, among various reasons of choosing particular issuing bank wider acceptance of card and relationship with bank seemed to be most dominating. 83%(25) acquired a card from a particular bank due to the wider acceptance of the type of credit card issued, 73% (22) did so because of their personal relationship with the bank, 60%(18) did so because of goodwill of bank, 50%(15) did so due to their existing transactions with bank 47%(14) did so due to appropriate location of the bank, and 7%(2) chose a particular issuer for other reasons such as low charges or commission.

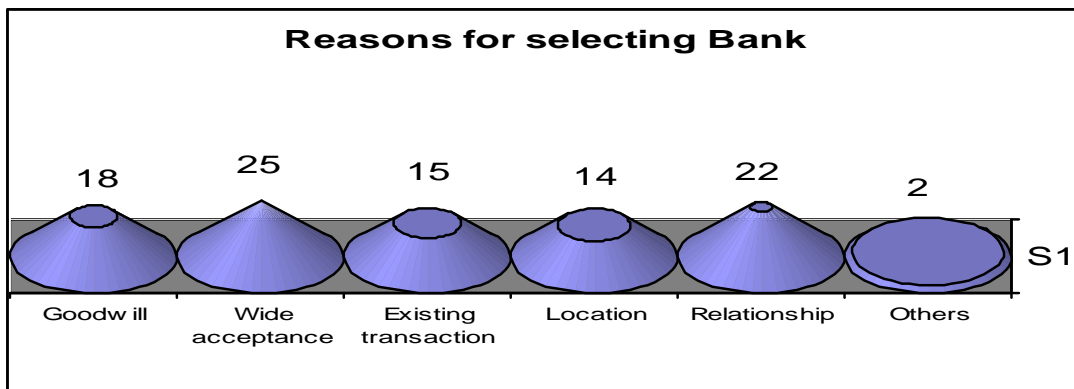


Chart 38: Reasons for selecting banks

As per chart 39, 23% (22) of the customers had selected standard chartered bank for their credit card, 43% (13) had possessed card of Nabil Bank, 47% (14) of the customers had equally possessed credit card of HBL and Nepal Investment Bank.

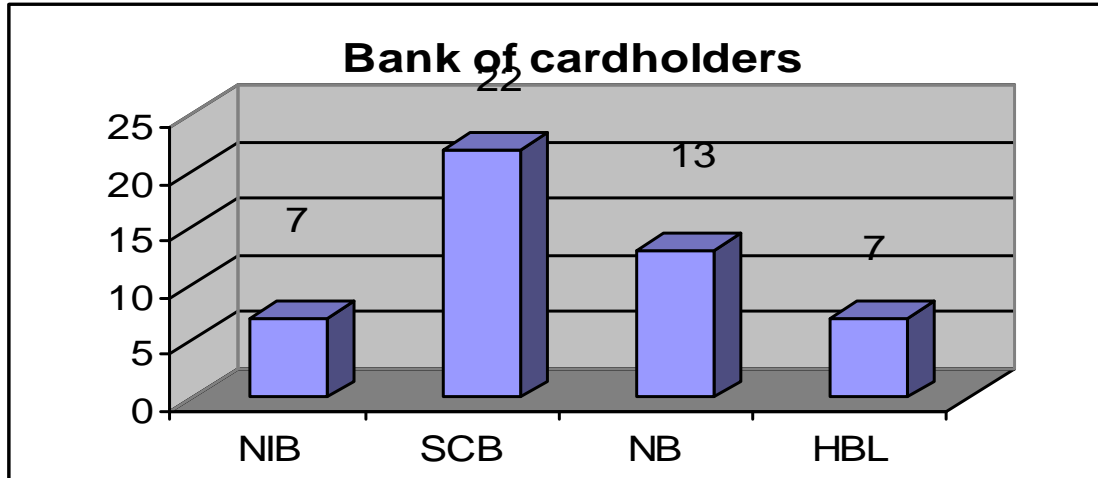


Chart 39: Banks of cardholders

As per chart 40, Out of 51 replies received from 30 departmental stores indicated that majority of them have acquired credit card machine for convenience and safety. In fact, 25 replies were in favor of convenience, which was followed by 12 replies for reliability then 7 for the security and 5 replies were for round the clock service. Finally 2 replies were in favor of need for credit facility trend.

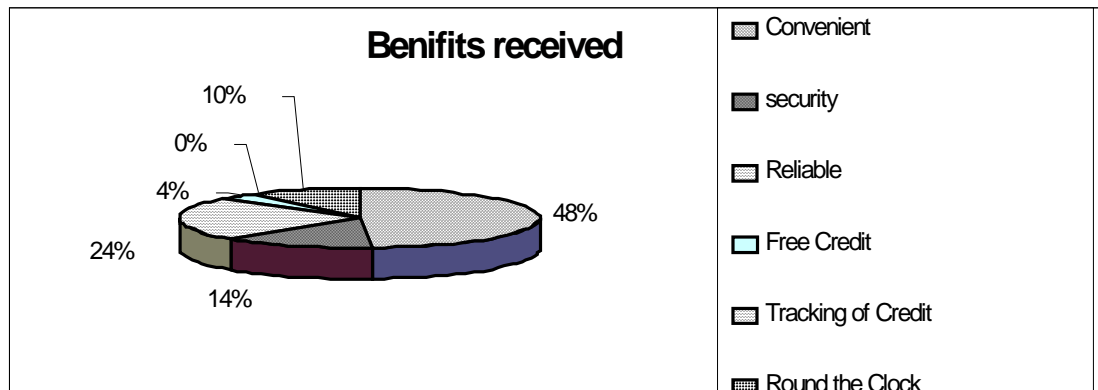


Chart 40: Benifits received

As per chart 41, the percentage of sales of the respondents through credit card was not varied. Out of 30 respondents, below 20% of sales was done through Credit card in 87 % (26) departmental stores. And the remaining 13% (4) departmental stores had sales in between 40%–60%.

Chart 41: Percentage of sales through credit card

As per chart 42, Out of 30 departmental stores, 40% (12) agreed that consumers started to buy more after accepting credit cards, while other 60% (18) agreed that there was no change in buying habit of consumer after started accepting credit cards. We can see that no one was in favor of decreasing trend of buying habit of customer.

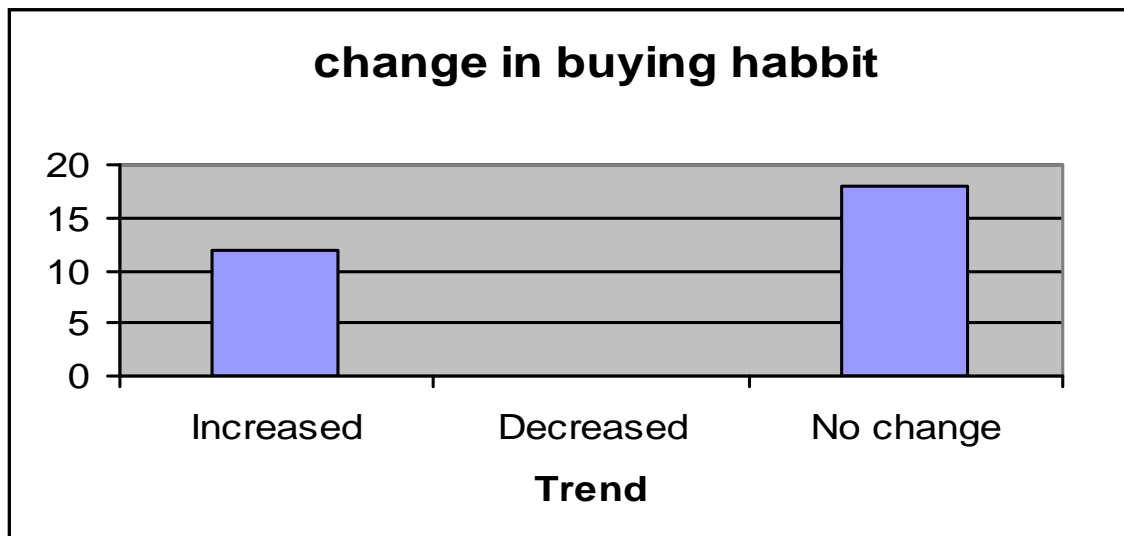


Chart 42: Change in buying habit

As per chart 43, 17% (5) of the departmental stores experienced a high level of satisfaction with the services of their respective banks, including those regarding credit cards 47 % (14) reported a moderate level of satisfaction, 30 % (9) were neutral, and 7 % (2) experienced a moderate level of dissatisfaction.

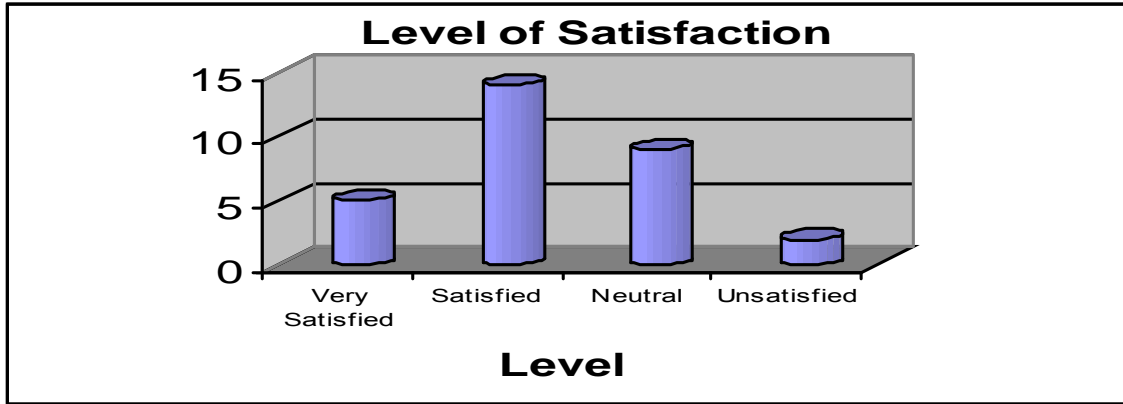


Chart 43: Level of satisfaction

As per chart 44, Out of 30 respondents, 73% (22) replies was in favor in POS machine of Standard Chartered Bank, 50% (15) possessed POS of Himalayan Bank, 43% (13) possessed POS of Nepal Investment Bank. And remaining 30% (9) possessed POS of Nabil Bbank.

Chart 44: No. Of POS machines

4.2.4 STAFFS

As per chart 45, Out of 14 staffs, 86% (12) had credit card, while 14% (2) had not credit card.

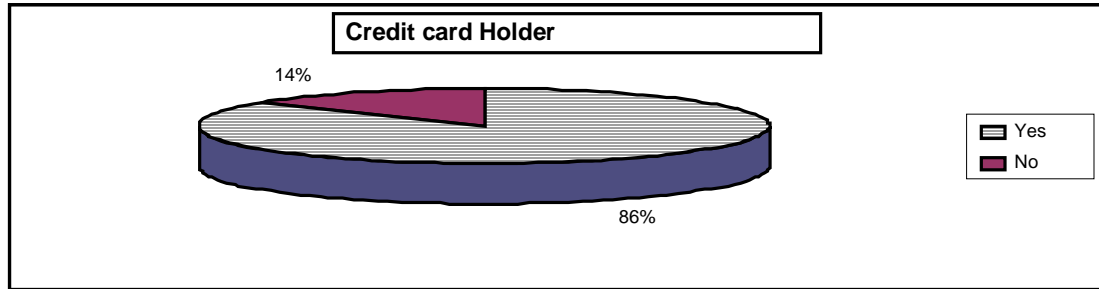


Chart 45: Staffs with Credit cards

As per chart 46, Out of 12 staffs having credit card, 92% (11) had credit card of Himalayan Bank Limited, while 8% (1) had not credit card of HBL.

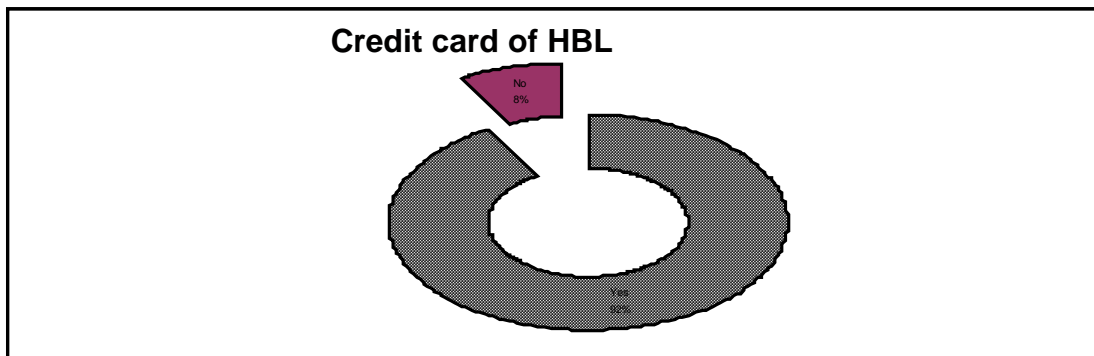


Chart 46: Credit card of HBL

As per chart 47, Out of 12 staffs having credit card, 17% (2) had credit card of other bank as well as HBL, while 83% (10) had credit card of HBL only.

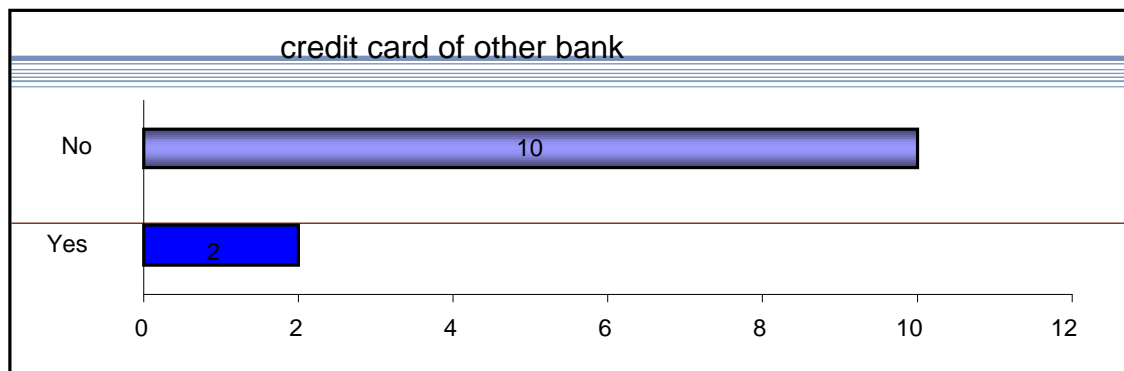


Chart 47: Card of other banks

As per chart 48, Out of 2 staffs having credit card of other bank, 50% (1) had credit card of all of the three banks, while 50% (1) had credit card of Standard chartered and Nabil only.

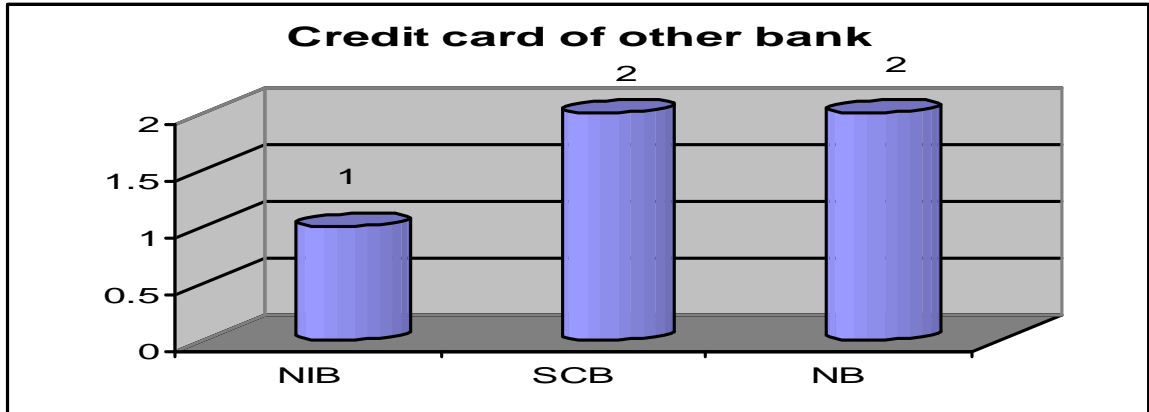


Chart 48: Cards of these banks

As per chart 49, Out of 23 replies from 14 staff, Majority of the customers worked in their own business. In fact, 57% (13) customers worked in their own business, which was followed by professionals at 26% (6) and students at 4% (1). And remaining 13 % (3) customers belonged to other category such as housewife, retired people etc

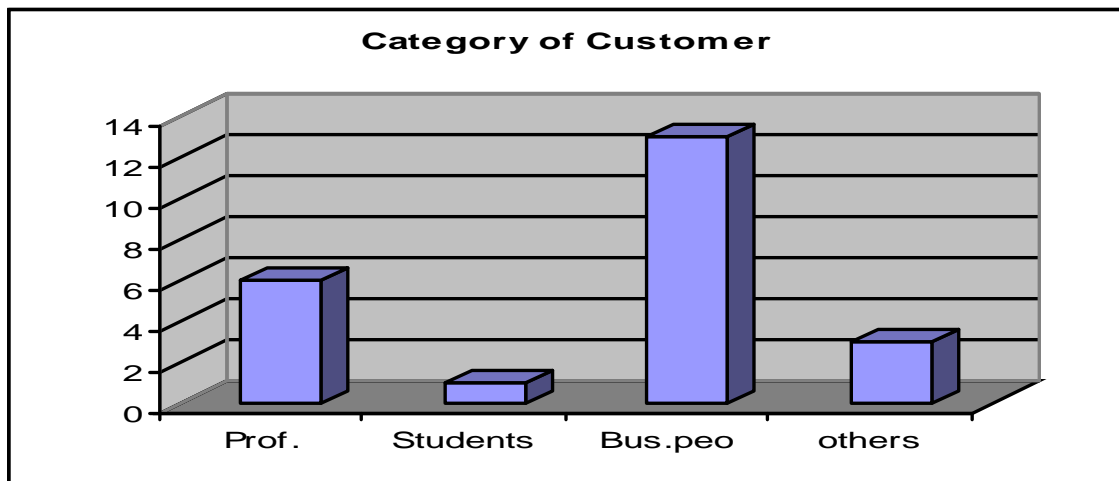


Chart 49: Category of customer

As per chart 50, according to the 18 replies received from 14 respondents, 22%(6) of the promotional efforts have been carried out through the print media for promotion of the credit card, while 45% (8)through electronic media, 22%(4) through Broad casting media.

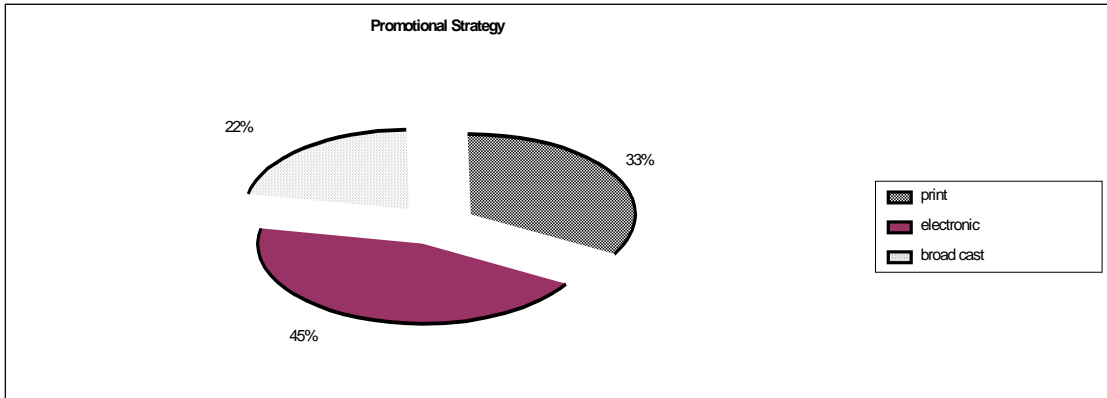


Chart 50: Promotional Strategy

As per chart 51, 14 staffs reported experiencing 6 different problems in relation to the credit cards. Out of these, 15% problems was lack of awareness while 15% problems was non-payment. And merchant fraud and card fraud both had 20% weightage. Similarly, there was 19% problem in weak law. And remaining 11% problem faced due to the small market.

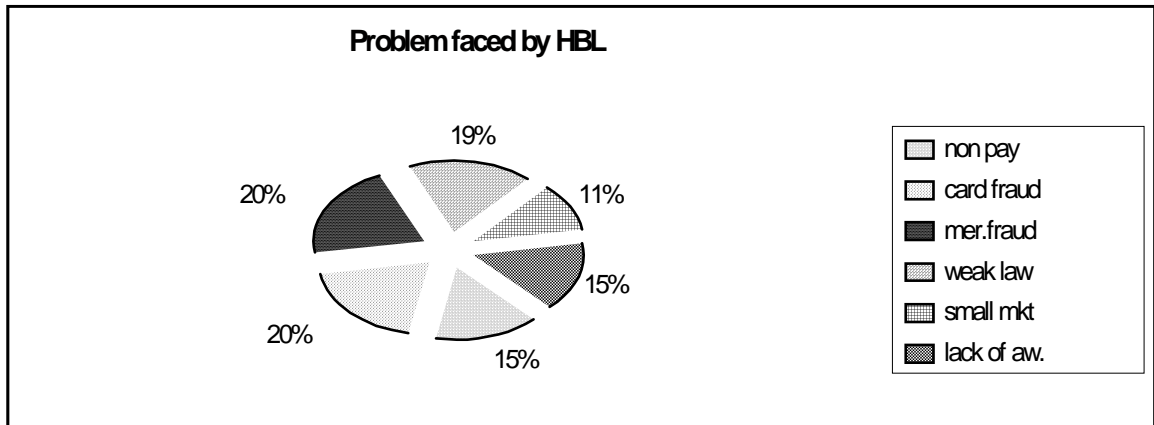


Chart 51: Problems being faced by HBL

As per chart 52, Out of 14 staffs, 100% (10) agreed that there was increasing trend in market for credit card of HBL.

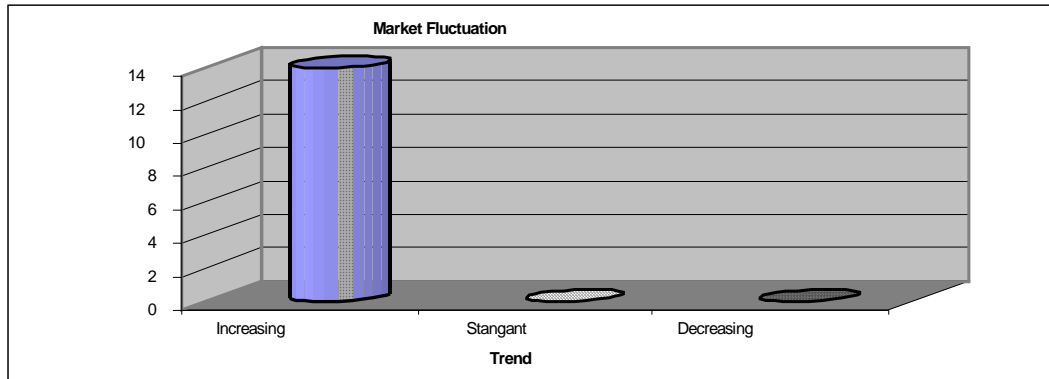


Chart 52: Market Trend

Not all credit cards are equal so when one compare credit card offers it can be challenging. Additionally, what is best for one person may not be best for another? When considering which credit card is best, one consider and look at several factors, such as: the membership fee, the fixed interest rate, annual fees, rewards programs, member benefits, and other card member services.

4.3 MAJOR FINDINGS

-) The main and major problem of the card business is lack of knowledge, awarness, conceptual framework and technique of using cards.
-) It is because of acceptance of cards only by the big business houses, departmental stores, readymade stores etc. and most of the Nepalese people are shopping in small retail shops where cards are not accepted.
-) Concept of the credit card has not been developed significantly in our nation.
-) Very minimal growth of the acquiring and merchant business in comparison to the growth in other nation.
-) Banks are giving certain percentage of discount on the usages of the credit card of their bank but the customers are not aware about these things.
-) Customers are only known about the disadvantages of using the card they don't know about the advantages of using the cards. And same as they only know the

risk on holding the card they don't have knowledge about safe handling of the cards and to minimize the risk.

CHAPTER V

Summary, Conclusion and Recommendation

5.1 SUMMARY

Even though Credit card has so many advantages, the card business in Nepal has not gained its momentum as it has in other nations. Credit card business prospers in a volume driven nation where consumer financing plays a vital role to boost the economy of the nation. As Nepalese populace have not yet developed their banking habit, they are mostly happy with hard cash and in most of the cases, even our highly educated ones, do not at all have the sagacity regarding credit cards. Another important factor, which has constrained card business in Nepal, is the acceptance infrastructure. Most of the merchants are departmental stores, travel agencies, big hotels, etc; most of which caters the needs of tourist and higher/ higher middle class people. Nepalese people are still scared of marketing in the sophisticated departmental stores, travel agencies, and big restaurants. Cards are not accepted at those places where most of the fixed income earners go for shopping such as Ason, fancy stores, our local grocery store (*kirana pasal*) etc. Again alike other nation's cards in Nepal cannot be used for making payments for regular expenses such as utility school fees, membership fees, etc. Hence, acceptance structure is an important factor and in Nepalese field, lack of adequate acceptance is one of the key factors, which has hindered the growth of card business.

Another key factor in Nepal is that the acquiring business is very much depended on the quality and quantity of tourist arrival in Nepal in the absence of adequate local market, which for the past few years has significantly slumped owing to happenings of many detrimental events such as the Royal massacre, the Hrithik roshan riot, the ever prolonged Maoist insurgency, dwindling law and order situation, regular shut downs (bandhs), Manpower riot political instability etc. Our economy is not being to generate enough business due to many factors. Tourists are not coming in and local people are not spending at all at the outset of such doldrums and hence, the card industry is not being able to generate enough income for them to boost their bottom line figure.

As per the analysis in chart 8 out of 300 customers 215 have taken the credit cards just being influenced by the advertisement only, moreover 80% of the expenses are made

through credit card by only 9% of the customers as shown in chart 14. Thus, we can say that 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 than 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 the concept of card in Nepal is in its budding stage.

The major problem in card business is the lack of conceptual knowledge among the people, the dwindling economic scenario and the huge cost associated with its operation. That is why, as shown in table 4.9, the number of merchants have increased from 591 to 631 only in 7 years. Even in the case of bank it has been found marginally overcapitalized. The return from the card business is less than its investment since they are not able to fully utilize its equipments.

In recent years the acquiring and the merchant business growth are not doing well as compared to earlier phase of the growth and in comparison to growth of other nations. The lengthy process and the strict policies adopted by the bank are the major weak points. Also, not much attractive schemes have been introduced for luring more customers and to assess the untapped segments.

CONCLUSION

By and large, a proper marketing plan, a better strategy and a smooth implementation are the basic ingredients of any successful business. So to operate any profitable business, lots of homework should be done. Since the future program of HBL, are quite good so delay should not be made. Many other banks are also interested in Credit Card Business due to the high profitability and if they came to the floor it will be difficult to achieve target for HBL so, HBL should move its step carefully. All these banks mainly concentrate themselves on financing foreign trade, commercial industry and other sector.

After accepting economic freedom and privatization policy in Nepal, HBL was established under the foundation of Nepali capitalists in 2049 B.S. in Joint Venture ship with Habib Bank Limited, Pakistan. HBL has been providing credit card facility since 1993. HBL issues and acquires Visa Card and Master Card.

Various studies reveal that Credit Card Business is very profitable and is scarred out in a very monitored and controllable manner. In spite of its high profitability, only four banks are involved in this business among lots of commercial banks running in the country. There is high prospective and growing market for credit card business especially acquiring business. Nowadays, 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 and/or financial institutions entering this field should not be ignored.

As far as HBL's performance in card business is concerned it is under performing owing to many factors – declining 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 others. Researcher 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.

RECOMMENDATION

-) Customers generally complain that their credit cards are not accepted which really have bad impact on the organization's goodwill, so HBL should make sure that consumers encounter such problems as less as possible, it can be done through proper technical arrangements in relation to cards and adopting security measures for avoidance of fraudulent cards.

-) HBL should try to create a unique image of its card in the Nepalese market. It needs to focus intensely on the local usage market. It should take all necessary steps to boost the local market by coming up with innovative and lucrative schemes so that local card usage gets more momentum. It needs to penetrate more in the local usage markets in the terms of merchant's induction, as it has to create more acceptance infrastructure for their cardholders. The bank can tie up with different financial and other institutions to provide better service to the customers.

-) If HBL is to capture the competitive market, it should focus more aggressively on its marketing efforts .In order for HBL to capture a wider market share, the information about the type of credit cards and their respective benefits needs to be communicated more effectively. The various forms of media such as Newspapers, Magazines, Television, and Radio etc can be utilized in order to increase awareness about the bank's credit cards.

-) HBL should regularly train its staffs of Credit Card Center to increase the potentiality of employees in order to minimize losses and to preserve its brand name for greater profitability. For this HBL should regularly provide *refreshment training* to its human resources. There should be regular training regarding the current events in the industry as well as smooth communication channels between the various branches.

-) HBL should make all possible and feasible effort to enhance the capitalization rate in order to make the effective and efficient use of its available resources. It should strive for all possible measures to cut the avoidable costs. It should ensure due prudence to

its receivable by initiating consistent and efficient recovery measure with a view to maintain the receivable portfolio at a satisfactory level.

) Moreover the bank can also add new facilities and features in the existing card to enhance the image of the card issued by HBL. In this competitive scenario Commercial banks cannot remain idle; it should come up with new ideas every now and then. Any new idea generated should go to the Planning Department of the bank that is involved in coming up with new products, services, branch expansion etc. The bank has a separate department allotted for coming out with new ideas, products and services etc. The Planning Department should generate idea after brain storming with the top management and the top management should carefully decide on steps to be undertaken. Thus the bank should give high priority to the idea generated by the department. It should also encourage it for coming out with more innovative idea by motivating its employees.

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- <http://www.visa.com>

Questionnaire No. 1
For the Card Members
Please tick in the following questions:
Q.1. Gender:

Male Female

Q.2. Occupation:

Student Personal Business Service in Public Sector
 Consultant Service in Private Sector
 Any other (*Please Specify*)

Q.3. Personal Monthly Income:

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

Q.4. What kinds of card do you possess?

VISA Master Card Dinners
 JCB Others (*Please Specify*)

Q.5. Of which Bank do you possess a Card?

Standard Chartered Bank Himalayan Bank Limited
 Nabil Bank Nepal Investment Bank

Q.6. Why did you choose to acquire a Credit Card?

Increasing trend Need for credit facility
 Convenience and safety Others (*Please Specify*)

Q.7. What was the primary reason for choosing the particular issuing bank/s specified above, apart from financial security?

Goodwill of the bank Low service fees
 Existence of bank account Location of the bank
 Wider acceptance of the card Marketing of the bank
 Personal relationship Others (*Please Specify*)

Q.8. Who influenced you to use credit card?

Family Friends Neighbours
 Celebrity Advertisement

Q.9. How often do you use credit card to purchase?

Once a week Twice a week Every Fortnight
 Every day Occassionally

Q.10. Of different cards you possess of different banks, which card do you use frequently?

Standard Chartered Bank Himalayan Bank Limited
 Nabil Bank Nepal Investment Bank

Q.11. Have you changed cards?

Yes No

- Q.12. If 'Yes', why did you choose to change your card?
 Lower fees Promotion of the bank
 Inadequate services in Previous bank Better services from current issuer
 Others (*Please Specify*)
- Q.13. Please specify the bank/s and card/s you switched to and from

	Switched From	Switched To
Bank		
Card		
- Q.14. Where do you usually use your credit card?
 Restaurant Hotel Department Stores
 Travel Agents Others
- Q.15. Of your expenses what percentage is done through credit card?
 < 20% 20%-40% 40%-60%
 60%-80% > 80%
- Q.16. Have you ever paid your unsettled accounts after the grace periods?
 Yes No
- Q.17. Have you ever encountered problems during the usage of yours credit card?
 Yes No
- Q.18. If "Yes", please check the type of problem/s encountered. (*You can check more than one option*)
 Credit card was lost Card was not accepted by Merchants
 Card was not accepted by machine
 Others (*Please Specify*)
- Q.19. How satisfied are you with the card you possess?
 Very satisfied Satisfied
 Neutral Unsatisfied
- Q.20. Do you have any idea about the fraud in Credit card? If yes then please tick mark the types of fraud known to you.
 Stolen Cards Counterfeit Cards No Card Account
 White Plastic Scheme Fraudulent
Application
 Others (*Please Specify*)

Q.21. Do you have any plans to terminate the usage of current card and / or acquire a different card from the same or different bank?

Yes

No

Q.22. If “Yes”, why would you choose to do so?

Low Service Fees

Wider Acceptance

Goodwill of the bank
the bank

Promotion on part of

Others (*Please Specify*)

Questionnaire No. 2

For the Merchants

Please tick in the following questions:

- Q.1. Type of Business:
 Departmental Stores Restaurant Hotels
 Travel Agency Others (*Please Specify*)
- Q.2. Do you have credit card facility?
 Yes No
(If "Yes" please go to question no 3 to 10 and if "No" please go to question no 11 to 18)
- Q.3. What kind of credit card do you possess?
 VISA Master Card
 Dinners JCB
- Q.4. What is acquiring bank?
 Standard Chartered Bank Himalayan Bank Limited
 Nabil Bank Nepal Investment Bank
- Q.5. Why have you chosen to acquire credit card facilities? (*You can check more than one option.*)
 Wider usage of credit cards Increasing demands for credit
 Protection from bad credit Others (*Please Specify*)
- Q.6. What were the reasons for selecting a particular bank? (*You can check more than one option.*)
 Goodwill or the good market position of the bank
 Broad acceptance of card associated with acquiring bank
 More existing transactions with the bank
 Good personal relationship with acquiring bank
 Others (*Please Specify*)
- Q.7. Who influenced you to provide credit card facility?
 Family
 Friends/Neighbors
 Other business
 Celebrity
 Advertisement
- Q.7. Please tick on the benefits that you have been receiving by providing the credit card facility. (*You can check more than one option*)
 Convenient Security Reliable
 Status More Customer Increasing
Transaction
- Q.8. What is the daily frequency of usage of credit cards?
 < 10 Customers 10-20 Customers

20-30 Customers >30 Customers

Q.9. Of different cards you possess of different banks which cards do you use frequently for making purchase?

Standard Chartered Bank Himalayan Bank Limited
 Nabil Bank Nepal Investment Bank

Q.10. Has the business grown after installing credit card facilities?

Yes No

Q.11. Why have you not chosen to provide credit card facilities? (*You can check more than one option*)

No or less demand for credit
 Small usage of credit cards
 Cost associated with commission and others charges
 Long and difficult process of acquiring credit card facilities
 Others (*Please Specify*)

Q.12. How often do customers request for credit?

Once in a week Twice a week
 Every fortnight Everyday
 Occasionally Never

Q.13. Does your business provide credit facility?

Yes No

(*If "Yes" please go to question no 14 to 15 and if "No" please go to 16*)

Q.14. What is the average time taken to recover the credits?

Q.15. What is the loss, if any, suffered by providing credit till now?

Q.16. What is the usual response of the customers?

Cash payment No purchase and go to another merchant
 Purchase in less amount Others (*Please Specify*)

Q.17. Do you have plans of providing credit card facilities?

Yes No

Q.18. If "Yes", what are the factors that motivate you to plan on doing so? (*You can check more than one option*)

Increasing demand for credit
 Broad usage of credit cards
 Protection from bad credits
 Others (*Please Specify*)

Questionnaire No. 3
For Department Stores
Please tick in the following questions:

Q.1. What kind of credit card you accept? Please tick mark on the ones you accept.

- VISA Master Card Dinners JCB
- Q.2. What kind of Credit Cards do your customers generally possess? Please tick mark on the ones you accept.
 VISA Master Card Dinners JCB
- Q.3. What is the acquiring Bank?
 Standard Chartered Bank Himalayan Bank Limited
 Nabil Bank Nepal Investment Bank
- Q.4. What were the reasons for selecting the particular Bank? (*You can check more than one option*)
 Goodwill or the good market position of the Bank
 Broad acceptance of card associated with acquiring bank
 More existing transactions with acquiring bank
 Location of the bank
 Good personal relationship with the bank
 Others (*Please Specify*)
- Q.5. Credit Cards of which bank do your customers generally possess? Please tick mark on the ones you accept.
 Standard Chartered Bank Himalayan Bank Limited
 Nabil Bank Nepal Investment Bank
- Q.6. Please put a tick mark on the benefits that you have been receiving by using the credit.
 Convenient Security Reliable
 Free Credit Tracking of Credit
 Round the clock service
- Q.7. Of your sales what percentage is done through credit card?
 <20% 20%-40% 40%-60%
 60%-80% >80%
- Q.8. How long have you been using Credit Cards?
 From about a month Less than six months
 From about a year More than a year
- Q.9. How has the buying habit of consumers changed after you started accepting credit card?
 Increased Decreased No change
- Q.10. How satisfied are you with the credit card facility?
 Very satisfied Satisfied Neutral
- Q.11. Do you have any idea about the fraud in credit card? If yes the please tick mark the types of fraud known to you

- Stolen Cards Counterfeit No Card Account
 White Plastic Scheme Fraudulent Application
 Others (*Please Specify*)

Q.12. You possess POS machine of...

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

Q.13. What are the problems generally being encountered by you regarding operations related to credit card?

Questionnaire No. 4

For the staff of Himalayan Bank Limited

Please tick in the following questions:

Q.1. Do you have credit card?

- () Yes () No
- Q.2. Do you have credit card of HBL?
 () Yes () No
- Q.3. Do you have credit card of another bank as well?
 () Yes () No
- Q.4. If yes, then of which banks.....
 () Standard Charted Bank () Himalayan Bank Limited
 () Nabil Bank () Nepal Investment Bank
- Q.5. What kind of customers generally come for credit card proposal?
 () Professionals () Student
 () Business People () Others (*Please Specify*)
- Q.6. How has been the strategy for promotion of credit card carried out?
 () Print media () Electronic Media
 () Broadcasting Media
- Q.7. What do you think are the main problems for the promotion of credit card by HBL?
- Q.8. What are the major problem being faced by HBL in relation to credit cards?
 (Please rank 1-6, 1 for the highest and 6 for the lowest)
 () Non payment () Card Fraud
 () Merchant Fraud () Weak Law
 () Small Market () Lack of Public Awareness
- Q.9. Are you aware of card fraud?
 () Yes () No
- Q.10. What kind of fraud of card you generally encounter?
 () Stolen Cards () Counterfeit Cards
 () White Plastic Cards () No Card Account
 () Fraudulent Application
- Q.11. If you encounter any problems regarding Credit Card operation, who do you generally refer to?
 () Immediate Supervisor () Credit Card Dept. Manager
 () Peers () Self
 () If others, Specify
- Q.12. Is there any other type of card that has been proposed of? If yes then which one?

- Q.13. Have you been provided any training regarding Credit Card operation?
 Yes No
(If "Yes" then please go to question no. 14 to 17)
- Q.14. How often you have been provided training?
 Every Fortnight Monthly Semi annually
 Annually Occasionally
- Q.15. What type of training is given?
 On the Job Off the Job
- Q.16. Who are the training providers?
 External Experts Internal Experts
- Q.17. Have the training been fruitful?
 Yes No
- Q.18. What do you think has been the trend of fluctuation in market for the credit card of HBL?
 Increasing Stagnant Decreasing
- Q.19. Do you make customers aware about the frauds related to credit cards?
 Yes No
- Q.20. If yes, how do you make customers aware about the frauds related to credit cards?