

**ANALYSIS OF CREDIT CARD BUSINESS OF COMMERCIAL
BANKS IN NEPAL**

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RECOMMENDATION

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DECLARATION

I hereby declare that the work reported in this thesis entitled "**ANALYSIS OF CREDIT CARD BUSINESS OF COMMERCIAL BANKS IN NEPAL**" submitted to Office of the Dean, Faculty of Management, Tribhuvan University (TU) is my original work conducted in the form of partial fulfillment of the requirement for the degree of Master of Business Studies (MBS) under the supervision of respected supervisor **Lecturer Bhoj Raj Ojha** of Shanker Dev Campus, T.U.

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ABBREVIATIONS

A.D.	:	Anno Domini
ATM	:	Automated Teller Machine
ATS	:	Alpine Travel Services
BIN	:	Bank Identification Number
B.S.	:	Bikram Sambat
CV	:	Coefficient of Variation
e.g.	:	Example
e.t.c.	:	Excetera
F/Y	:	Fiscal year
HBL	:	Himalayan Bank Ltd.
i.e.	:	That is
Ltd.	:	Limited
NABIL	:	Nabil Bank Ltd.
NGBL	:	Nepal Grindlays Bank Ltd.
NPR	:	Nepalese Currency
NRB	:	Nepal Rastra Bank
POS	:	Point of Sale
Pvt.	:	Private
SCBNL	:	Standard Chartered Bank Nepal Ltd.
SD	:	Standard Deviation
TU	:	Tribhuvan University
USD	:	US Dollars

CHAPTER-I

INTRODUCTION

1.1 General Background

Nepal needs to prioritize banking among its citizens in the modern era. In this century, banking, business transactions, and personal finance have become advanced in Nepal as well. To facilitate business transactions, various types of equipment and new techniques have been introduced. Consequently, banking sectors and financial institutions now offer non-banking services alongside traditional banking services as part of their modernization efforts. Historically, people used a barter system, exchanging goods to obtain necessities. However, this system made it difficult to measure value and conduct transactions. Thus, money was introduced to simplify exchanges. Despite its benefits, money can be inconvenient, particularly when carrying large sums to pay significant bills, as it poses risks of theft and other issues. This is why modern payment systems have emerged, especially following the revolution in information technology.

Before the advent of banking, cash in the form of notes and coins was the primary method of payment. With the rise of banking, paper instruments like cheques and credit transfers have become integral parts of the payment system. Modern banking technologies and electronic devices have streamlined both cash and non-cash payments, making them more efficient. The introduction of Automated Teller Machines (ATMs) and plastic cards has enabled customers to access banking services 24/7.

Typically, banks issue credit cards to their customers under an agreement. A credit card, approximately 8.5 cm by 5.5 cm in size with a magnetic stripe, allows the holder to purchase goods or services on credit. The card features the holder's name, account number, and other essential details embossed on its surface, along with an expiration date and a specimen signature panel on the back. The issuing bank usually requires the cardholder to sign the specimen panel in their presence before handing over the card. Additionally, the cardholder is informed of a monthly purchase limit, known as the card limit.

A credit card offers a convenient method of making purchases on credit without the need to carry cash. The process works as follows: the cardholder uses their credit card to buy goods, and the issuing bank pays the bill to the merchant on behalf of the cardholder. In return, the bank charges the merchant a certain percentage as a processing fee, transferring the purchase amount minus the bank's commission to the merchant's account. The modern credit card evolved from various merchant credit schemes. It was first utilized in the United States during the 1920s to facilitate fuel sales to the increasing number of automobile owners. By 1938, multiple companies began accepting each other's cards. Western Union started issuing charge cards to its frequent customers as early as 1914. Initially, some charge cards were printed on paper card stock, but these were easily counterfeited (www.wikipedia.org).

1.1.1 Profile of NABIL, HBL, and SCBNL Banks.

Commercial banks are businesses established with the goal of earning a profit. They gather dispersed funds and allocate them to productive uses. There are various types of commercial banks, including deposit banks, savings banks, and industrial banks, mixed banks, and exam banks, among others, each offering a range of services. Without commercial banks, fulfilling the financial needs of a country would be impossible. According to the Commercial Bank Act of 1994, "A commercial bank is a bank that deals in exchanging currency, accepting deposits, providing loans, and conducting commercial transactions."

Nepal Bank Ltd, founded in 1937 A.D. (30th Kartik 1994), is the first and oldest bank in Nepal's modern banking history, with 51% government equity capital. In 1956 B.S., Nepal Rastra Bank (NRB) was established under the Nepal Rastra Bank Act 1955 B.S. as the central bank of Nepal, providing a regulatory framework for other banks and financial institutions. Rastriya Banijya Bank (RBB), the second commercial bank in Nepal, was established in 1995 A.D. to promote the industrial and commercial sectors.

With the government's focus on economic liberalization, joint venture and other commercial banks were established, with Nepal Arab Bank (NABIL Bank Ltd.) being the first joint venture commercial bank. Today, 20 commercial banks operate in Nepal. The role and importance of commercial banks are significant, as they contribute to the economic development of the country. They are considered the backbone of the financial

system, as they accept deposits from a large number of individuals and business units and make funds available to borrowers, both individuals and businesses. They maintain economic confidence across various segments and extend credit to the populace (www.wikipedia.org).

1. Himalayan Bank Limited (HBL): Founded in 1993, Himalayan Bank Limited emerged in collaboration with Habib Bank Limited of Pakistan. It stands as Nepal's first commercial bank predominantly owned by the Nepalese private sector. In addition to its commercial banking services, HBL also engages in industrial and merchant banking. The bank is dedicated to delivering top-notch service, treating all customers with the utmost respect and catering to their specific needs with tailored facilities. HBL consistently aims to provide dependable and efficient services to its esteemed clients (www.himalayanbank.com).

2. Standard Chartered Bank Nepal Limited (SCBNL): Originally known as Nepal Grindlays Bank, Standard Chartered Bank Nepal Limited was established in 1987 as the second foreign joint venture bank under the Company Act. Standard Chartered Bank holds 75% of the shares, with the remaining 25% held by local investors. The bank focuses on projects benefiting underprivileged children, particularly in education and environmental sectors. Leveraging its extensive domestic and international network, SCBNL offers comprehensive corporate and consumer banking services. It serves a diverse clientele, including individuals, local corporations, multinationals, public sector companies, embassies, aid agencies, airlines, hotels, and government entities. The bank has significantly contributed to Nepal's development by providing loans to industrial projects and priority sectors (www.sc.com/np).

3. Nabil Bank Limited: Established as Nepal's first foreign joint venture bank, Nabil Bank Limited began operations in July 1984. Nabil Bank offers a wide range of commercial banking services through its 51 branches across the country and collaborates with over 170 reputable correspondent banks worldwide. The bank's ownership structure includes 50% held by N.B. International Ltd, 30% by the public, 10% by other institutional investors, 6.15% by the Nepal Industrial Development Corporation Ltd, and the remaining 3.85% by other promoters (www.nabilbank.com).

Role of the commercial banks.

Commercial banks play several crucial roles, including:

1. **Mobilizing Savings for Capital Formation:** Commercial banks facilitate the mobilization of savings through an extensive network of branches. Despite low incomes in developing countries, banks encourage savings by offering a variety of deposit schemes tailored to individual needs. They also collect idle savings from the wealthy. By mobilizing these savings, banks direct them towards productive investments, thereby aiding in the capital formation of developing countries.
2. **Financing Industry:** Commercial banks support the industrial sector through various types of loans—short-term, medium-term, and long-term. In countries like Guatemala, banks provide medium-term loans for one to three years, while in Korea, they also offer long-term loans to the industry. These banks finance small-scale industries with short-term and medium-term loans and provide hire-purchase financing. Additionally, they underwrite shares and debentures of large-scale industries, thereby not only providing finance but also contributing to the development of capital markets in such countries.

Commercial banks also support both internal and external trade by offering loans to retailers and wholesalers to maintain stock. They facilitate the movement of goods by providing services such as discounting and accepting bills of exchange, offering overdraft facilities, and issuing drafts. Moreover, they support exports and imports by providing foreign exchange facilities to traders.

3. **Financing Agriculture:** Commercial banks assist the agricultural sector in developing countries through various means. They extend loans to traders in agricultural commodities and establish branches in rural areas to provide agricultural credit. These banks finance farmers directly for marketing their produce, modernizing and mechanizing farms, improving irrigation facilities, and developing land. They also provide financial support for animal husbandry, dairy farming, sheep breeding, poultry farming, and horticulture. Small and marginal farmers, landless agricultural workers, artisans, and small shopkeepers in rural areas receive financial assistance through regional rural banks in Nepal, which

operate under commercial banks. Thus, commercial banks meet the credit needs of all types of people in the agricultural sector.

4. **Financing Consumer Activities:** In underdeveloped countries, where people often have low incomes and lack sufficient financial resources, commercial banks provide loans for purchasing durable consumer goods like houses, scooters, fans, and refrigerators. By offering these loans, banks help improve the standard of living in developing countries.
5. **Financing Employment Generating Activities:** Commercial banks finance activities that generate employment. They provide loans for education in engineering, medicine, and other vocational institutes of higher learning. Banks also offer loans to entrepreneurs, graduates in technical fields, and other trained individuals to help them establish their own businesses. These loan facilities are available from several commercial banks in Nepal. Thus, banks contribute to human capital formation and foster entrepreneurial activities in various countries.
(www.google.com.np)

1.2 Focus of the Study

This study examines the status and trends of credit card usage in Nepal, as the concept is relatively new to both the financial and business sectors. While the adoption of credit cards is gradually increasing, this research aims to provide an overview of the current market landscape and general information about the card business. It also identifies strengths and weaknesses in various credit card transactions and offers recommendations for improving credit card usage in Nepal. To streamline the study, a sampling method was employed, selecting three banks: NABIL Bank Ltd, Standard Chartered Bank Nepal Limited (SCBNL), and Himalayan Bank Limited (HBL) out of the 20 commercial banks in Nepal.

1.3 Statement of the Problem

The first bank credit card appeared in 1951 at Franklin National Bank in New York, exclusively for loan customers. Within a few years, nearly 100 other banks in the U.S. were issuing credit cards. In Nepal, however, credit card usage began much later, in 1985, initiated by Alpine Travel Service. Himalayan Bank Limited (HBL) and NABIL Bank

Ltd both launched credit card services in 1993, offering domestic credit cards and MasterCard, respectively. While credit cards have become synonymous with currency notes in many foreign countries, where cash-free zones are prevalent, Nepal faces challenges in achieving such widespread adoption. The credit card business in Nepal has been inconsistent, heavily influenced by tourism, which is sensitive to political changes. Consequently, banks have sought to expand their domestic user base.

This study focuses on the following issues:

- What is the status of the credit card business of sample banks?
- What is the status among credit card usage of sample banks in the Nepalese market?
- What are the advantages and disadvantages of credit cards as perceived by cardholders, banks, and merchants?
- What problems are associated with various credit card transactions?

1.4 Objectives of the Study

Given that the credit card business is relatively new in Nepal, this study aims to raise awareness among the general public, particularly through business students, and provide banks with insights into the current market scenario, underlying issues, and challenges. The study seeks to trace the evolution of credit card operations, examine the existing structure and operations, and achieve the following specific objectives:

- To assess the status of credit card business in sample banks.
- To assess the status among merchants, credit cardholders and the credit card business of the sample banks.
- To analyze the advantages and disadvantages of credit cards as viewed by cardholders, banks, and merchants.
- To examine the problems associated with various credit card transactions.

1.5 Significance of the Study

The growth of the financial and banking sectors relies on the provision of reliable services. Previously, banks focused solely on traditional banking services, but now they also offer non-banking services due to customer demand. With non-performing credits increasing annually, and the Nepal Rastra Bank (NRB) updating its directives on credit loss provision, this study is significant for several reasons:

- It provides a clear picture of credit card management in commercial banks in Nepal.
- It offers insights into the status and trends of credit card usage in Nepal.
- It identifies strengths and weaknesses in the credit card business within the Nepalese economy.
- It suggests ways to address weaknesses in the credit card business in Nepalese commercial banks.

1.6 Limitations of the Study

The study has several limitations:

- It relies on both primary and secondary data.
- Only three out of 20 banks were selected for the research, and most banks have only offered credit card facilities.
- The study covers a period of 10 years, from 2014 to 2023, with data on card user trends and merchant trends gathered from the bank staff.
- Inactive card users or lapsed cards were not accounted for; the research is based on active credit card users only.
- The study focuses exclusively on Himalayan Bank Limited, Standard Chartered Bank Nepal Limited, and Nabil Bank Limited.

Additionally, there are other limitations, such as the time required and the reliability of statistical tools, which may affect the generalizability of the findings. Therefore, the study's conclusions should be used cautiously and judiciously, considering these limitations.

1.7 Organization of the Study

The study is systematically divided into five comprehensive chapters, each addressing distinct aspects of the research:

Introduction: This chapter sets the stage for the study by providing a detailed introduction. It covers the background of the research, a brief history of banks, the global and local history of credit cards, the focus of the study, the statement of the problem, the objectives of the study, the significance of the study, and its limitations. The introduction aims to familiarize the reader with the context and scope of the research, highlighting the importance and relevance of examining credit card usage in Nepal.

Review of Literature: In this chapter, the study delves into the conceptual and theoretical framework of the credit card business and its trends. It involves a thorough review of various articles, past studies, and relevant literature on credit card usage, particularly in the Nepalese market. This review will help to establish a foundation for understanding the key components and dynamics of the credit card business. The chapter also presents the research history of credit card usage, summarizing major related studies to provide context and depth to the current research.

Research Methodology: This chapter outlines the research methodology employed in the study. It details the sample selection, sources of data, data processing procedures, and the tools and techniques used for analysis. The chapter explains how the data related to the credit card business and its trends among the sampled banks were collected and processed. It provides a clear roadmap of the research design, ensuring transparency and reliability of the study.

Data Presentation and Analysis: This chapter focuses on the presentation, analysis, and interpretation of the collected data. Using various financial management, accounting, and statistical tools and techniques, the chapter presents the results of the study. It offers an in-depth analysis of the data to uncover trends, patterns, and insights related to the credit card business in the sampled banks. This chapter aims to provide a comprehensive understanding of the current state and performance of credit card usage in Nepal.

Summary, Conclusion, and Recommendations: The final chapter brings together the findings of the study. It includes a summary of the key points from the previous chapters, drawing conclusions based on the analysis. The chapter also offers practical recommendations aimed at improving the future performance of the three banks under review. It suggests strategies for enhancing the credit card business in Nepal, addressing identified issues, and leveraging opportunities for growth.

CHAPTER-II

REVIEW OF LITERATURE

2.1 Conceptual Review

2.1.1 Concept of Credit Card Business

Banks originated with the primary objective of collecting idle funds and channeling them into productive sectors, thereby fostering overall economic development. Bankers bear the responsibility of safeguarding the interests of depositors, shareholders, and the society they serve. Historically, banks have offered a wide range of loans for various purposes, including purchasing automobiles, financing home improvements, funding vacations, and supporting educational pursuits. They also provide loans for constructing homes and office buildings.

The types of loans offered by banks can be categorized into real estate loans, financial institutional loans, agricultural loans, commercial and industrial loans, personal loans, miscellaneous loans, and lease financing receivables. As leading financial intermediaries, banks operate with a leverage model that significantly differs from ordinary firms. While conventional commercial firms typically have a debt-equity ratio of around 0.5-0.6, banks often have debt liabilities that are many times greater than their equity, sometimes by a factor of nine or more (Credit Card Accountability Responsibility and Disclosure Act of 2005).

A commercial bank is a business organization that accepts and holds deposits from individuals and organizations, provides loans and credits, and facilitates fund transfers through various financial instruments. According to The Commercial Bank Act, 2008, a commercial bank deals with currency exchange, deposit acceptance, loan issuance, and commercial transactions. The American Institute of banking (1972) defines a commercial bank as a corporation that accepts demand deposits subject to check and makes short-term loans to businesses, irrespective of its other services.

The two principal functions of commercial banks are accepting deposits and lending funds. To effectively carry out lending activities, banks must establish sound investment policies. These policies help create an optimal investment portfolio, balancing risk and

return. Banks can be likened to financial supermarkets, providing a comprehensive array of monetary services essential for industrialization and economic development (www.wikipedia.org).

2.1.2 Historical Background of Credit Cards in Nepal

Credit card usage in Nepal has an intriguing history, primarily associated with Alpine Travel Services (ATS) Private Limited rather than a financial institution or bank. In 1985, ATS obtained a license from VISA and MasterCard International, representing the Chase Manhattan Bank, NA Singapore. Initially, ATS facilitated the acceptance of credit card services from over 2000 merchants across Nepal. Over time, the credit card business in Nepal evolved significantly.

Following ATS, Nepal Grindlays Bank Limited (later renamed Standard Chartered Bank Limited) entered the credit card market in 1989, acquiring Visa and later MasterCard. NABIL Bank Limited began its credit card business around the same time, issuing MasterCard. By 1993, both Himalayan Bank Limited (HBL) and NABIL Bank Limited had launched their credit card services. HBL introduced Nepal's first domestic credit card, the "HBL Regular," while NABIL issued MasterCard.

The introduction of international credit cards followed, with HBL acquiring the capability to issue international Visa cards in 1996. Similarly, Standard Chartered Bank began issuing Visa and MasterCard in 1997 and 1998, respectively. This competitive landscape in Nepal's credit card market led to a reduction in high commission charges and improved service quality.

Despite these advancements, credit card usage in Nepal remains relatively limited to small-value personal transactions and the tourism sector. Today, several banks, including Himalayan Bank, Nabil Bank, Standard Chartered Bank Nepal Limited, Nepal Investment Bank Limited, Laxmi Sunrise Bank, and more recently, Prime Bank, Prabhu Bank, Sanima Bank, and Global IME Bank, provide credit card services as both issuers and acquirers. However, the credit card market in Nepal is still in its nascent stage, facing several challenges.

One significant challenge is the lack of awareness among the general public regarding the benefits of credit cards. Many people are only familiar with the basic banking services and do not understand how credit cards operate, their advantages, or the overall system. This lack of awareness, coupled with the substantial investment required to start a credit card business and the relatively low returns due to the small market size, has hindered the growth of the credit card sector.

The primary aim of this study is to analyze and evaluate the credit card business in Nepal, particularly focusing on Himalayan Bank Limited, Nabil Bank Limited, and Standard Chartered Bank Nepal Limited. This analysis will provide insights into the current state of the credit card market, the challenges faced, and potential strategies for growth and improvement (www.wikipedia.org).

2.1.3 Types of Credit Cards

Credit cards come in various types, each serving different needs and purposes:

Secured Credit Cards: Secured cards require a deposit from the cardholder as collateral, ensuring payment of outstanding balances in case of default. These are commonly used by individuals new to banking or those rebuilding their credit history. Regular payments are still required, and the issuer can use the deposit to cover unpaid balances. Secured cards often report to major credit bureaus, helping users build positive credit histories.

Bank Cards: Issued by banks like Visa and MasterCard, these plastic cards provide access to funds from the cardholder's bank account or credit line. They can also function as smart cards, offering multiple financial services.

Travel and Entertainment (T&E) Cards: Examples include American Express, Diners Club, and Carte Blanche. These cards are tailored for travel, entertainment, and related expenses, offering consistent terms and conditions worldwide.

House Cards: Limited to specific chain stores, house cards are local or national retail cards that can only be used within designated stores.

Standard Credit Cards: These are general-purpose cards with revolving credit lines, targeted at individuals meeting financial institutions' credit criteria. No deposits are required, and the credit limit is set by the issuer.

Reward Cards: Many credit cards offer rewards such as cash back, points, or discounts based on spending. These rewards can be redeemed for various benefits like hotel stays, merchandise, air travel, or car rentals. Reward cards are ideal for users who pay off their

balances monthly to maximize benefits, though they often come with complex rules and potential fees (Mishra, 2012).

2.1.4 Components of Credit Cards

Credit cards consist of several key components:

Unique Card Number: Embossed on the card, this number includes a Bank Identification Number (BIN), the account number, and a validity check code. The BIN identifies the issuing bank, with MasterCard starting with '5' and Visa with '4'.

Name of Cardholder: Also embossed on the card, it identifies the cardholder associated with the account.

Validity Date: Embossed to indicate the expiration date of the card, specifying the month and year when the card expires. Some cards may include additional codes like issue numbers or security codes.

Issuing Bank: The name of the bank issuing the credit card is printed on the card, such as Nabil Bank Ltd, Himalayan Bank Ltd, or NIC Asia.

Brand Name: Indicates the card brand associated with the issuing bank, such as MasterCard, Visa, or JCB.

Magnetic Stripes: Located on the card's back, these stripes store all card-related data, readable by specific machines.

Photo of the Holder: Some cards may include a photo of the cardholder on the back, depending on the issuing bank's policy. For instance, a Visa card issued by Himalayan Bank Limited may feature a photo, while a MasterCard from Nabil Bank Ltd may not.

These components collectively define the functionality and security features of credit cards, catering to diverse consumer needs and banking requirements (Limbu, 2013).

2.2 Transaction Process

Credit card transactions involve several steps from initiation to settlement, ensuring smooth processing between cardholders, merchants, and financial:

Issuance: Credit cards are issued to approve applicants by credit providers. Cardholders can use these cards at merchants that accept them for purchases.

Authorization: When a cardholder makes a purchase, the merchant submits the transaction details to their acquiring bank (acquirer). The acquirer verifies the card details, transaction amount, and type with the card-issuing bank (issuer). This process reserves

the transaction amount from the cardholder's credit limit. Upon approval, an authorization code is generated and stored by the merchant.

Batching: Authorized transactions are grouped into "batches" and sent to the acquirer typically at the end of each business day. Transactions not included in the batch may remain authorized for a period set by the issuer before the reserved amount is released back to the cardholder's available credit. Some transactions may be processed without prior authorization, such as those under the merchant's floor limit or unsuccessful authorized attempts.

Clearing and Settlement: The acquirer sends batched transactions through a credit card association, which debits the issuers for payment and credits the acquirers. This step essentially involves the issuer paying the acquirer for the transaction.

Funding: After settlement, the acquirer disburses funds to the merchant, totaling the batch amount minus a "discount rate," which is the fee paid by the merchant to the acquirer for processing transactions.

Chargeback's: A chargeback occurs when a cardholder disputes a transaction, resulting in funds being temporarily held from the merchant's account. Chargeback's are typically initiated by the cardholder, and the issuer returns the disputed transaction to the acquirer for resolution (Gautam, 2008).

This structured process ensures that credit card transactions are securely processed, benefiting both cardholders and merchants while maintaining financial integrity throughout the transaction lifecycle.

2.2.1 Credit Cards

A credit card is a payment tool used for purchasing goods and services instead of using cash or checks, with the option to repay the amount over time. Credit cards are issued by banks and financial institutions affiliated with international payment associations like Visa or MasterCard. When a cardholder makes a purchase, the issuing bank pays the merchant on behalf of the card user. In return, the merchant pays a transaction fee to the bank. If the cardholder does not repay the amount within the grace period, typically around 45 days, interest charges apply according to the bank's policies.

Credit cards offer various advantages

- **Safe and Secure:** More secure than carrying cash; transactions are protected against theft or loss.

- **Convenience:** Convenient to carry and use compared to cash.
- **Wide Acceptance:** Accepted globally at a wide range of merchants.
- **Replacement:** Easily replaceable if lost or damaged.
- **Emergency Funds:** Can be used for cash advances during emergencies, though fees may apply.
- **Interest-Free Period:** Allows for interest-free borrowing if the balance is paid within the grace period.
- **Revolving Credit:** Option to make minimum payments and carry forward the balance (Sharma,2009).

2.2.2 Debit Cards

A debit card acts as a convenient and secure alternative to carrying cash. It's a rectangular plastic card linked to your checking account, allowing you to make purchases and withdraw funds electronically. Unlike a credit card, a debit card doesn't extend credit – you can only spend the money currently available in your account. When you use your debit card at a store or ATM, the transaction amount is deducted directly from your account balance.

Here's a breakdown of how debit cards work:

- **Activation:** Upon opening a checking account, your bank typically issues a debit card. You'll need to activate it by setting a Personal Identification Number (PIN) – a secret code you enter during transactions.
- **Making Purchases:** At stores, you can either swipe your card through a reader or use contactless payment (depending on the terminal). If using a PIN, you'll be prompted to enter it to verify the transaction. The purchase amount is then deducted from your account balance.
- **ATM Withdrawals:** Inserting your debit card into an ATM and entering your PIN allows you to withdraw cash directly from your account. There may be fees associated with using ATMs outside your bank's network.

Debit cards offer several advantages:

- **Convenience:** Eliminate the need to carry large amounts of cash.

- **Security:** PIN verification and transaction records provide an added layer of security compared to cash.
- **Budgeting Tool:** Spending is directly tied to your account balance, encouraging responsible budgeting.
- **Transaction Tracking:** Debit card statements provide a clear record of your spending, aiding in expense management.

However, there are also some limitations to consider:

- **No Building Credit:** Unlike credit cards, debit card use doesn't typically contribute to building your credit score.
- **Potential for Overdrafts:** If you attempt to spend more than what's available in your account, you may incur overdraft fees.
- **Limited Fraud Protection:** Debit card fraud protection may be less robust compared to credit cards. It's crucial to monitor your account statements and report any suspicious activity immediately.

Overall, debit cards offer a secure and convenient way to manage your finances. Understanding their functionalities and limitations can help you make informed financial decisions and leverage their benefits for everyday transactions (www.wikipedia.org).

2.2.3 Advantages and Disadvantages of the Credit Cards

Credit cards are a popular financial tool offering convenience and potential benefits, but they also come with drawbacks that require careful consideration. Here's a breakdown of the advantages (Cardholder and Merchants) and disadvantages of using credit cards:

Advantages for Cardholders:

- Secure and convenient payment method.
- Accepted widely across merchants.
- Replacement in case of loss or damage.
- Emergency cash access.
- Interest-free period and revolving credit options.

Advantages for Merchants:

- Guaranteed payment from the bank.

- Increased sales due to customer convenience.
- Secure transactions compared to other payment methods.

Disadvantages of Credit Cards

Despite their benefits, credit cards have drawbacks:

- Disputes over unauthorized transactions.
- Errors in processing transactions.
- Vulnerability to fraud and theft.
- Potential for accumulating debt (www.paytm.com).

2.2.4 Basic Eligibility Criteria for Credit Card Holders

To qualify for a credit card in Nepal, applicants typically need to:

- Be at least 18 years old.
- Have a regular income exceeding a certain threshold (e.g., NPR 150,000 annually).
- Maintain an account with the issuing bank.

2.2.5 Documents Required for Credit Card Application

When applying for a credit card, applicants usually need to submit:

- Proof of income (e.g., salary certificate).
- Identification documents (e.g., citizenship certificate, passport).
- Passport-size photographs (www.himalaynbank.com).

2.2.6 Application processing.

Application processing is a critical stage where the issuing bank carefully evaluates the data provided by the applicant to mitigate risks. For merchants applying for a membership, mandatory incorporation documents are required. An officer conducts on-site visits to assess the business. Based on this analysis and the merchant's history, a merchant number is assigned, and equipment like imprinters or electronic terminals are provided based on transaction volume.

Similarly, card applications undergo thorough scrutiny. Each application form is meticulously reviewed to ensure all necessary information is provided. Supporting documents are required to validate the application. The issuer assesses factors such as financial profile, income level, employment history, and creditworthiness. Opening an

account with the bank is also mandatory for cardholders. After comprehensive analysis, cards are issued based on the applicant's ability to repay and their creditworthiness (www.forbes.com).

2.2.7 Risk and fraud in card business

Risk and fraud are inherent in the credit card business, despite its profitability. Fraud, particularly through unauthorized use of lost or stolen cards, poses significant financial risks. Cardholders are advised to report lost or stolen cards immediately to the nearest police station and notify the bank promptly, providing a copy of the police report. Issuers must quickly update their authorization files to block such cards and decline unauthorized transactions.

Magnetic stripe fraud, also known as skimming, is a sophisticated technique where card information is copied onto counterfeit cards. This often involves dishonest employees or external devices placed on ATMs to capture card data and PINs. Recent incidents in Nepal involved foreign gangs exploiting ATMs and debit cards.

Cardholder fraud, including instances where a cardholder falsely reports a lost card but continues using it, presents challenges for issuers. Soft fraud occurs when cardholders intend never to repay debts, posing risks to credit card companies.

Fraudulent practices by merchants, such as splitting transactions or altering sales amounts, also contribute to financial losses. Signature forgery on lost or stolen cards is another form of fraud where forged signatures are used for transactions.

Criminal syndicates globally engage in counterfeit transactions using valid Bank Identification Numbers (BINs) to manufacture fake cards. This counterfeit activity poses significant challenges to card networks.

Expired cards pose risks when merchants fail to verify card validity, potentially leading to declined transactions or financial losses for merchants. In some cases, transactions are processed on trust basis pending issuer verification (www.forbes.com).

2.2.8 Minimization of risk.

Risk minimization strategies involve vigilant monitoring of high-value transactions by both issuers and cardholders. Issuers must adopt risk management practices, including

thorough screening of cardholder applications, monitoring card usage patterns, and responsive actions to mitigate fraud losses. Immediate reporting of lost or stolen cards by cardholders is critical to minimize risks.

Credit card fraud prevention tips recommended by experts include safeguarding card information, avoiding phishing scams, and monitoring card statements for unauthorized transactions. Cardholders are advised to sign their cards upon receipt, shred credit card applications, and refrain from sharing PINs or writing them on cards (www.quora.com).

2.2.9 Procedures following disputes

Dispute resolution procedures involve a chargeback cycle initiated when errors occur during transaction processing or when cardholders dispute transactions. Chargeback's shift financial liability from issuers to acquirers and ultimately to merchants. Merchants may contest chargeback's if they believe transactions were legitimate.

The chargeback process begins with a retrieval request where issuers seek transaction copies from acquirers to verify disputed transactions. Acquirers fulfill these requests by providing transaction slips through established networks like MasterCard or Visa. If disputes persist, chargeback's are initiated, and acquirers may represent the transactions with supporting evidence. Subsequent chargeback's and arbitration may follow if disputes remain unresolved, where card networks like Visa or MasterCard make final rulings based on submitted documents.

Compliance procedures address breaches of Visa operating regulations, resolving disputes where chargeback rights are not applicable. T&E (Travel and Entertainment) resolutions handle disputes involving hotel reservations or special vehicle services, providing a framework for resolving disagreements between cardholders and merchants.

Overall, these processes and strategies aim to protect stakeholders in the credit card ecosystem from financial losses due to fraud and disputes, emphasizing proactive measures and swift responses to mitigate risks effectively (Connel, 2024).

2.3 Review of Related Studies

This section discusses the concepts and findings from previous scholarly works in the field under study. It serves to connect this study with existing research, advancing

knowledge in the related field. The following review examines various articles published in economic journals, bulletins, magazines, and newspapers.

Gautam (2008) conducted the significance of credit cards in modern daily life, noting their substantial growth over the past two decades. He emphasized the importance of credit scoring techniques, such as neural networks and genetic algorithms, in evaluating creditworthiness for loans and credit cards. Highlighted the significant growth of credit cards over the past two decades and their importance in modern daily life. The study emphasized the critical role of advanced credit scoring techniques, such as neural networks and genetic algorithms, in accurately evaluating creditworthiness for loans and credit cards, thereby improving financial decision-making and risk management.

Sharma (2009) examine on the prevalence of credit card-based payment systems in international internet trade, highlighting their role in facilitating transactions and the evolving security measures associated with online payments. The main objective aimed to examine the widespread adoption of credit card-based payment systems in international internet trade, focusing on their facilitation of seamless transactions and the integration of evolving security measures. The major finding of the study underscored that credit card-based payment systems play a pivotal role in enabling efficient and secure transactions in international internet trade. It emphasized the continuous evolution of security measures to mitigate risks associated with online payments, ensuring reliability and trustworthiness in global e-commerce transactions.

Barron (2013) argued the usage patterns of college student credit cards in the US, comparing behaviors across different types of accounts opened through various marketing channels. This study provided insights into the financial behaviors of young adults and their interaction with credit card systems. The development of smart cards represents a significant advancement in payment technology, integrating computer chips for secure data processing across various sectors such as telecommunications, transportation, and government services. This innovation underscores the evolving landscape of payment solutions beyond traditional credit cards. Main objectives aimed to analyze the usage patterns of college student credit cards in the US, examining differences in behaviors across various types of accounts opened through different marketing channels. The study sought to provide insights into the financial behaviors of young adults and their

interactions with credit card systems. Major finding is the development of smart cards, incorporating computer chips for secure data processing, represents a significant advancement in payment technology. This innovation extends beyond traditional credit cards, integrating into sectors such as telecommunications, transportation, and government services. It underscores a broader evolution in payment solutions towards enhanced security and versatility in digital transactions.

Ghimire (2013) discussed the rapid growth of credit card transactions globally and examined the economic models surrounding credit card networks. The study highlighted the regulatory scrutiny and economic implications of credit card operations. Main objectives aimed to explore the rapid growth of credit card transactions on a global scale and analyze the economic models that underpin credit card networks. The study focused on examining regulatory scrutiny and understanding the broader economic implications associated with the operations of credit card networks. Major finding of the study found that the rapid expansion of credit card transactions globally has significant economic implications, influencing consumer spending patterns and financial flows. It highlighted the regulatory challenges faced by credit card networks and underscored the importance of effective oversight in maintaining financial stability and consumer protection within the credit card industry.

Shrestha (2014) emphasized the strategic importance of promoting credit card services in Nepal, suggesting initiatives such as providing credit cards to national delegates attending international events to enhance public awareness and support for banking institutions. Main objectives aimed to emphasize the strategic importance of promoting credit card services in Nepal. The study proposed initiatives like issuing credit cards to national delegates attending international events to increase public awareness and bolster support for banking institutions. Major finding of the study highlighted that promoting credit card services through strategic initiatives, such as targeting national delegates at international events, can effectively enhance public awareness and support for banking institutions in Nepal. Such efforts are crucial for expanding the adoption and utility of credit cards in the country's financial landscape.

Regmi (2015) concluded a study on credit card operations in Nepalese banks, emphasizing the need for competitive service fees while considering customer retention

strategies in fee structuring. Main Objectives aimed to assess credit card operations in Nepalese banks with a focus on competitive service fees and customer retention strategies in fee structuring. Major finding of the study concluded that maintaining competitive service fees is crucial for Nepalese banks to retain customers in their credit card operations. It emphasized that strategic fee structuring aligned with customer retention strategies is essential for sustaining and growing credit card business in the Nepalese banking sector.

Gross and Souleles (2022) conducted among the first study to use micro data to investigate this issue. The data is a nationally representative sample of credit card accounts assembled from some of the largest credit card companies in 2000. They analyzed the duration model for default and assessed the relative importance of two popular explanations for the increasing trend of default - change in risk composition versus the demand effect. The objective was to investigate credit card default trends using a nationally representative sample of credit card accounts from 2000. The study analyzed the duration model for default to assess the importance of changes in risk composition versus demand effect. Findings highlighted the relative significance of these two factors in explaining the increasing trend of defaults.

Zinman (2023) examine theoretical literature on payment cards mainly focus on the distribution of payment card costs in the network of card issuers, merchants and cardholders. The general implication from these models provide support for the existence of reward programs: in order to increase card adoption and usage, card issuers may charge fees to merchants and extend incentives to cardholders. The theoretical literature on payment cards examines how costs are distributed among card issuers, merchants, and cardholders. It generally supports the existence of reward programs by suggesting that card issuers charge fees to merchants to fund incentives for cardholders, thereby promoting card adoption and usage. The main objective is to understand the cost dynamics and the strategic behaviors of stakeholders in the payment card network. Findings indicate that reward programs play a crucial role in increasing the use and acceptance of payment cards.

Connel (2024) concluded that occupation type, marital status and type of card has no association whereas annual income has direct impact on frequency of use of credit card. The major finding of this analysis reveals that a person's annual income directly impacts how often they use their credit card. However, factors like occupation type, marital status,

and the specific type of credit card they hold do not seem to be associated with credit card usage frequency. The objectives this analysis likely aimed to identify factors influencing credit card usage frequency. The findings suggest that income may be a key driver, while factors like occupation, marital status, and credit card type might not be significant influences.

This review of related studies provides a comprehensive overview of the scholarly discussions and findings relevant to credit card management and operations, illustrating the evolving role of credit cards in global and regional financial landscapes.

2.4 Research Gap

While numerous studies have explored the credit card business globally, it remains a less explored area in Nepal, primarily due to limited awareness and understanding of credit card management. Existing studies also fail to provide a comprehensive understanding of the meaning and significance of credit card usage in the Nepalese context. This research aims to fill this gap by employing both primary and secondary data to investigate the current landscape of the credit card business in Nepal and its impact on modern life, unlike previous studies.

The profitability of the credit card business in Nepal is noteworthy despite its relatively slow adoption compared to other forms of payment. There is a growing banking culture, evident in the expanding debit card market facilitated by employers encouraging banking habits through salary payments into bank accounts. This trend benefits both employees and organizations alike. Furthermore, infrastructure development, including the increasing number of POS machines, supports the growth of electronic payments.

Although credit card operations in Nepal have been ongoing for several years, their expansion has been modest. Nevertheless, the growth rate remains satisfactory considering the country's unique circumstances and challenges.

CHAPTER-III

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is the foundation of any solid research project. It's the blueprint that guides researchers through the entire process, from posing a question to reaching well-supported conclusions. The main purpose of this chapter is to discuss the research methodology such as research design, population and sample, data collection techniques and analytical tools of the research study.

3.2 Research Design

Research design is the specific plan that outlines how a researcher will address their research question. It encompasses the type of study (experiment, survey, etc.), data collection methods (surveys, interviews, etc.), and analysis techniques. For researchers, a well-crafted design is critical. It ensures they gather the right data to answer their question, minimizes bias, and allows for efficient use of resources. Think of it as a roadmap to reliable findings. The research can also be taken as a development trend of credit card business in Nepal. This research shows trend of credit card business in Nepal.

3.3 Population and Sample

There are 20 commercial banks operating in Nepal at present. Population refers to the target group on whom we have conducted our research. Currently there are few banks providing credit card facility likes as HBL, SCBNL, Global IME, Laxmi Sunrise Bank, Prabhu Bank, Sanima Bank, NIMB and NABIL bank etc. The commercial banks for study as judgmental sample are HBL, SCBNL and NABIL.

3.4 Sampling Procedure

The sampling procedure within a research design is like casting a net to capture a specific set of fish from a vast ocean. It determines who (or what) will be included in the study – the sample – representing the larger population of interest. Choosing the right sampling method is crucial. Probability sampling, where everyone has a chance of being selected, allows for generalizing the findings to the whole population. Non-probability methods, while faster and cheaper, may not be representative and limit the reach of the conclusions.

Therefore, a well-designed sampling procedure ensures the research captures the most relevant data and avoids misleading interpretations. The sample banks for this study are HBL, SCBNL and NABIL bank.

3.5 Nature and Sources of Data

The data collected through your research design is the lifeblood of the project. It's the raw material that'll analyze the research questions. But data comes in many forms, and choosing the right source is vital for success. By understanding the nature and sources of data, researchers can make informed decisions about their research design, ensuring they gather the most relevant and reliable information to answer their research question effectively.

Data for this study has been collected from basic two sources: Primary data and Secondary data.

3.5.1 Primary data

This is original data collected by the researcher specifically for the study. Examples include surveys, interviews, experiments, and observations conducted by the researcher. As the primary sources of data, it has used the direct questionnaire method (50 questions for 100 Credit Cardholder & 30 questions for 50 merchant) for collecting information from credit card users and service provider institutions like departmental store, travels agencies, Movie hall, hospitality sector etc (Gautam,2008).

3.5.2 Secondary data

This is existing data collected by someone else for another purpose. Examples include government reports, academic journals, and existing datasets from public sources. Secondary data are those data that has already been generated by others. Secondary data was obtained directly from concerned staffs in the credit card center of the concerned banks.

3.6 Data Collection Procedure

Both primary & secondary data were used in preparing these researches. And secondary data was obtained directly from the concerned banks. Previous theses were also consulted for the consolidated data record from Nepal card member forum. As mentioned above little information was also taken from the card department head of concerned Banks.

3.7 Analysis of Data

Data analysis is the detective work of research design. Here, researchers take the collected data and put it under a microscope. The goal is to identify patterns, trends, and relationships within the data that shed light on the research question. This might involve statistical analysis for quantitative data, uncovering themes through qualitative coding, or a combination of both approaches. Ultimately, statistical tools such as Mean, Standard Deviation, and Growth analysis are used in this study. Similarly some financial tools such as trend analysis have also been used for financial analysis.

3.7.1 Statistical tools

The following statistical tools are used to evaluate the working performance of credit Card business in Nepal.

Mean: In statistical tools, the mean refers to one specific way to summarize a set of data by finding its average value. It's often referred to as the "arithmetic average" because it's calculated by adding all the values in the data set and then dividing by the total number of values.

The mean is a useful tool for getting a general sense of what a typical value in the data set is. However, it's important to remember that the mean can be misleading depending on the data. For example, if you have a data set with a few very high or low values, the mean may not accurately represent the majority of the data points. It is calculated by,

$$= \frac{\sum X}{n}$$

Standard Deviation: Standard deviation is a widely used tool in various fields. For instance, in education, it might be used to understand how spread out student scores is on an exam. In finance, it can help assess the risk associated with an investment. By understanding standard deviation, researchers can gain valuable insights into the variability within their data and draw more informed conclusions. Karl Pearson introduced the concept of standard deviation in 1823 and denoted it by small Greek letter σ called sigma. It is calculated by,

$$\sigma = \sqrt{\frac{1}{N} \sum_{i=1}^N (x_i - \bar{x})^2}$$

Market Share Analysis: Market share refers to the percentage of a particular market's that a specific company captures. It's a key metric used to compare a company's size and performance relative to its competitors within an industry.

Market share is calculated as follow:

$$\text{Market Share (\%)} = \frac{\text{Company's Share or Value}}{\text{Total Market Share or Value}} \times 100$$

Breakdown:

- **Company's Share:** This represents the total value generated by the company in question within a defined time period (e.g., a year, quarter). This data might come from the company's financial statements.
- **Total Market Share:** This represents the total value generated by the entire industry or selected section within the same defined time period. This data can be trickier to obtain and often comes from industry reports, market research firms, or trade associations.

Growth analysis: Growth analysis involves the systematic examination of how specific metrics, such as revenues, profits, or market size, change over time. It aims to understand the rate and direction of growth or decline in these metrics and often employs quantitative methods like percentage change or compound annual growth rate (CAGR). By analyzing growth, businesses, economists, and policymakers can assess the health and trajectory of an entity or economy. This analysis is crucial for making informed decisions, identifying trends, forecasting future performance, and evaluating the effectiveness of strategies aimed at fostering growth or mitigating decline. Additionally, growth analysis provides insights into competitive dynamics, market opportunities, and potential risks, helping stakeholders adapt and plan for the future effectively. It can be calculated by,

$$\text{Growth/ Decline} = \left(\frac{\text{New Value} - \text{Old Value}}{\text{Old Value}} \right) \times 100\%$$

3.7.2 Trend analysis/time series.

Trend analysis is an analysis of financial ratio over time used to determine the improvement of deterioration of financial situation. This helps in forecasting future values and understanding long-term changes within the data. Using the least square method, the projection for ten years is done.

For estimation of linear trend line, following formulas have been used.

$$Y = a + bx \dots \dots \dots (i)$$

Where,

Y = dependent variable

a = y-intercept

b = slope of the trend line

x = independent variable

$$a = \frac{\Sigma X}{n} \quad b = \frac{\Sigma X^2}{\Sigma XY}$$

Where, ΣX = Sum of observations in series Y

ΣXY = Sum of observations in series X and Y

ΣX^2 = Sum of the square of the observation in series x

CHAPTER-IV

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter deals with the analysis and interpretation of the data collected from various sources and research methodology. After meticulously collecting information, this stage transforms raw numbers and observations into clear visuals and insightful interpretations. Through effective presentation techniques like charts, graphs and tables, we can communicate trends, patterns, and relationships within the data. Data has been analyzed by using financial and statistical tools.

4.2 User status of Credit Card Business

The credit card business in Nepal's banking sector has seen significant growth, driven by factors like rising disposable incomes and a shift towards a credit-based economy. Banks compete by offering various credit cards with features like reward programs, cash back options, and travel benefits. However, challenges remain, such as high interest rates and a need to expand financial inclusion to reach a wider population in Nepal. The following table shows the number of credit card users of the sample banks i.e. NABIL, HBL and SCBNL for the past 10 years.

Table 4.1

User status of Credit Card Business of NABIL, HBL and SCBNL

Fiscal Year	NABIL	HBL	SCBNL
2013/14	3550	1725	5250
2014/15	3970	2300	5735
2015/16	4420	3100	6230
2016/17	4910	4088	6777
2017/18	5450	5683	7454
2018/19	5940	7388	8200
2019/20	7200	8852	9020
2020/21	7500	10249	9364
2021/22	8250	12800	10110
2022/23	9100	16000	10930
Average (\bar{X})	6029	7218	7907
Growth	11.10%	28.27%	8.50%
Standard Deviation($\bar{\sigma}$)	1802	4512.5	1830.6

(Source: Appendix-A)

The 4.1 table show the user status of credit cards users of NABIL, HBL and SCBNL banks over the 10 years (2013/14 to 2022/23)

The average users of different banks i.e. NABIL, HBL, SCBNL are 6029, 7218 and 7907 respectively. This indicates that on average SCBNL has the highest average number of cardholders followed by HBL and NABIL. Similarly annual growth rate of sample banks NABIL, HBL and SCBNL are 11.10%, 28.27% and 8.5 % respectively. HBL has experienced highest growth rate among the three sample banks and SCBNL has the lowest growth rate.

Standard Deviation shows the volatility of the user trend. From the above data standard deviation of NABIL, HBL and SCBNL are 1802, 4512.5 and 1830.6 respectively. The HBL SD is 4,512.5, which is significantly higher than Nabil's. This reflects greater fluctuations in HBL's cardholder base over time.

SCBNL Bank has the highest average number of cardholders, while HBL has experienced the most significant growth. Overall, the Nepali credit card market shows promise with increasing cardholders.

4.3 Merchant status of Credit Cards Business

The acceptance infrastructure plays vital role in boosting the card business. It encourages people to use the card and facilitates payments without immediate cash. The following table shows the merchant trend of credit card business.

Table 4.2*Merchant status of Credit Card Business of Joint Venture Commercial Bank*

Fiscal Year	NABIL	HBL	SCBNL
2013/14	400	450	500
2014/15	500	500	590
2015/16	650	550	635
2016/17	750	620	693
2017/18	900	708	762
2018/19	1050	750	838
2019/20	1200	777	922
2020/21	1250	925	1005
2021/22	1450	1020	1090
2022/23	1700	1130	1180
Average (\bar{X})	985	743	822
Growth	17.63%	10.85%	10.05%
Standard Deviation($\bar{\sigma}$)	400	214.32	213.65

(Source: Appendix-A)

The 4.2 table show the Merchant status of Credit Card Business for Nabil Bank, HBL Bank, and SCBNL Bank in Nepal:

Average Credit Card Merchant (In numbers):

- All three banks have witnessed an increase in the number of credit card merchants over the given period (2013/14 - 2022/23).
- NABIL Bank has the highest average number of merchants (985), followed by SCBNL (822) and HBL Bank (743).

Growth Rate:

- Nabil Bank shows the highest average growth rate (17.63%) in credit card merchants.
- SCBNL Bank's growth rate is 10.05%, while HBL Bank's growth rate is 10.85%.

Standard Deviation (SD):

- SCBNL Bank has the lowest standard deviation (SD) of 213, indicating a relatively stable growth pattern in the number of merchants.

- NABIL Bank has a higher SD (400) this reflects greater fluctuations in NABIL's cardholder base over time.

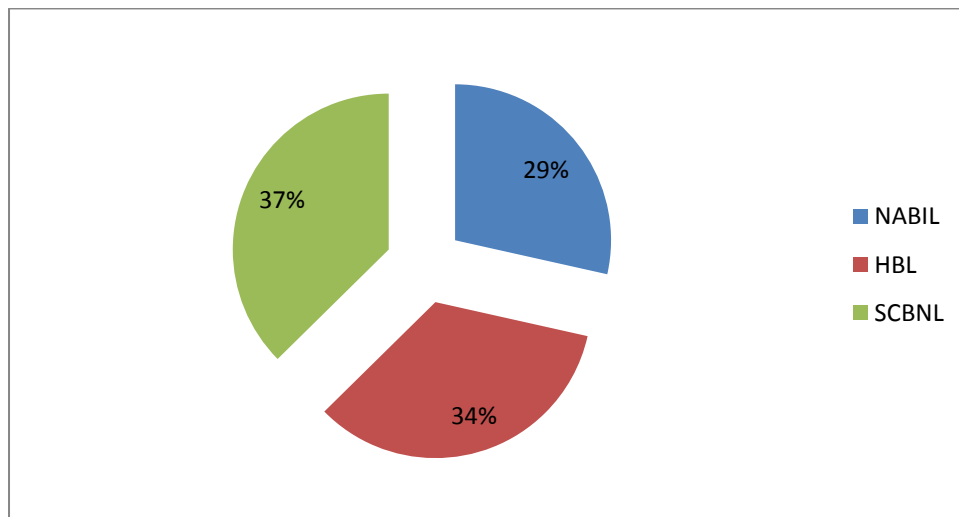
Nabil Bank stands out for its consistent growth, while SCBNL Bank maintains a leading position in terms of the average number of merchants. HBL Bank, though showing promising growth, exhibits more year-to-year variation.

4.4 Present Market Share Held by Different Banks

In context of Nepalese credit cards business NABIL, HBL, SCBNL and NIBL Bank as well are involved. Since, we are considering only three banks NABIL, HBL, and SCBNL, in the following Figure, market share of sampled banks are presented in case of number of cardholders and merchant.

Figure 4.1

Market share of banks in terms of number of credit cardholders



(Source: Appendix A)

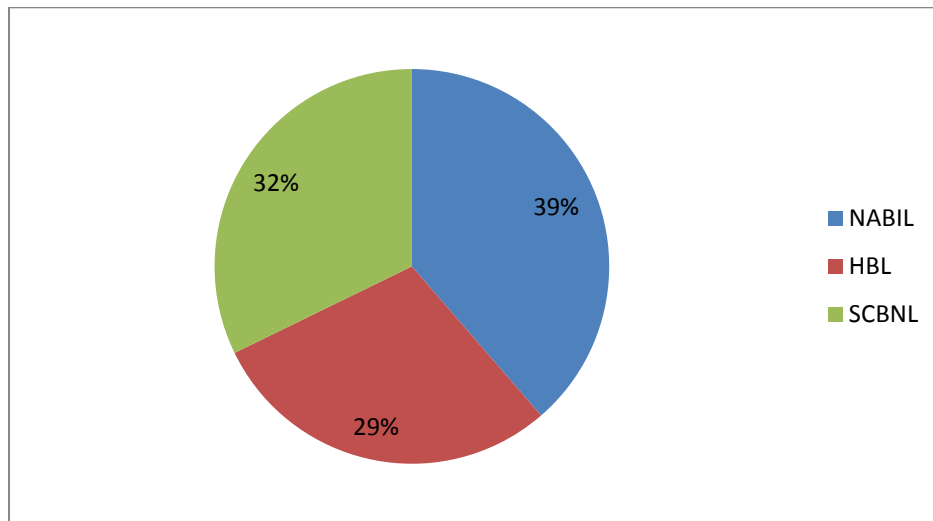
The 4.1 Figure show the present market share held by different banks for credit cardholders in Nepal:

The data reveals that SCBNL Bank holds the largest market share with 79,070 credit cardholders, constituting roughly 37% of the total market. HBL Bank comes in second with capturing approximately 34% of the market share. NABIL Bank follows closely behind with representing a market share 29%.

The credit card market in Nepal appears to be competitive, with three major players holding significant shares. SCBNL Bank currently leads the pack, followed by HBL Bank and NABIL Bank in a close race.

Figure 4.2

Market share of banks in terms of Merchant hold



(Source: Appendix A)

The figure 4.2 shows the market share of number of merchant hold by banks in credit card business. The data reveals that NABIL Bank holds the largest market share with constituting roughly 39% of the total market. SCBNL Bank comes in second with capturing approximately 32% of the market share. HBL Bank follows closely behind with representing a market share 29%. NABIL Bank currently leads the pack, followed by SCBNL Bank and HBL Bank in a close race.

4.5 Growth Analysis

Growth analysis involves the systematic examination of how specific metrics, such as revenues, profits, or market size, change over time. It aims to understand the rate and direction of growth or decline in these metrics and often employs quantitative methods like percentage change or compound annual growth rate (CAGR). By analyzing growth, businesses, economists, and policymakers can assess the health and trajectory of an entity or economy. The following table shows the growth analysis of cardholders and merchant status of credit card business.

Table 4.3*Growth Analysis of Different Banks*

Tools	NABIL	HBL	SCBNL
No. of cardholder	11.10%	28.27%	8.50%
No. of merchant	17.63%	10.85%	10.05%

(Source: Appendix-A)

The table 4.3 shows the growth for year of 2013/14-2022/23 according to table, the growth of number of cardholder and merchants of NABIL over the period is 10.10% and 17.53% respectively. Similarly, growth in number of cardholder of HBL is 28.27% and merchant is 10.85%, and SCBNL's growth of cardholder and merchant is 8.50% and 10.05%. HBL growth in No of cardholders is higher and SCBNL is lower. Similarly, NABIL growth in No of cardholders is higher and SCBNL is lower

Additionally, growth analysis provides insights into competitive dynamics, market opportunities, and potential risks, helping stakeholders adapt and plan for the future effectively.

4.6 Trend Analysis

Trend analysis is an analysis of financial ratio over time used to determine the improvement of deterioration of financial situation. This helps in forecasting future values and understanding long-term changes within the data. Using the least square method, the projection for ten years is done. In this analysis for predicting the future value of new number of cardholder and number of merchant for present year 2024/25, least square method is used and the summarized values are as follows:

Table 4.4*Trend Analysis of Different Banks for the Year 2024/25*

Tools	NABIL	HBL	SCBNL
No. of cardholder	7275	12558	8666
No. of merchant	1367	882	940

(Source: Appendix-A)

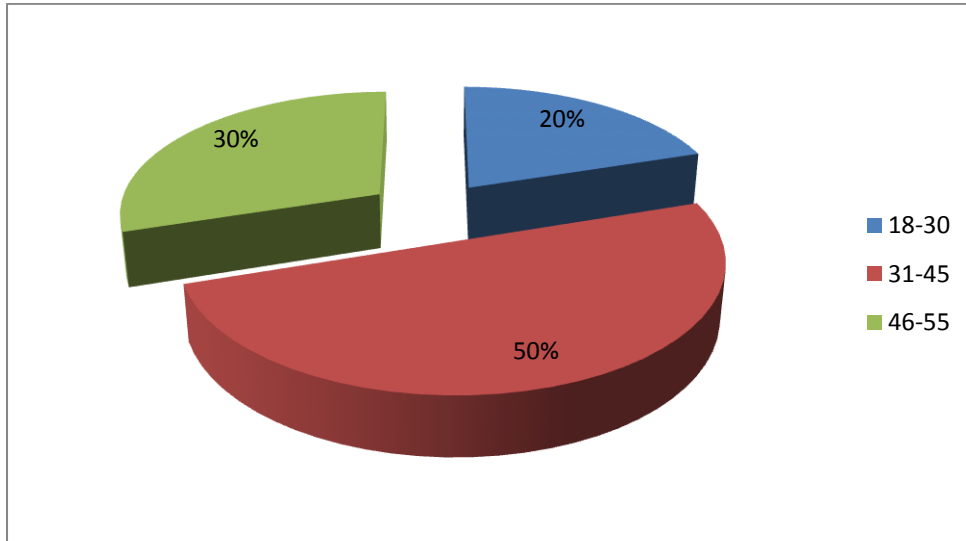
The table 4.4 shows the projected data for year of 2024/2025 according to table, the number of cardholder and number of merchants of NABIL in 2025 is 7275 and 1367 respectively. Similarly, number of cardholder of HBL in 2025 is 12558 and merchant is 882 and SCBNL's number of cardholder and merchant for 2025 is 8666 and 940.

4.7 Primary Data

4.7.1 Result section of questionnaire

Figure 4.3

Age Distributions of Customers

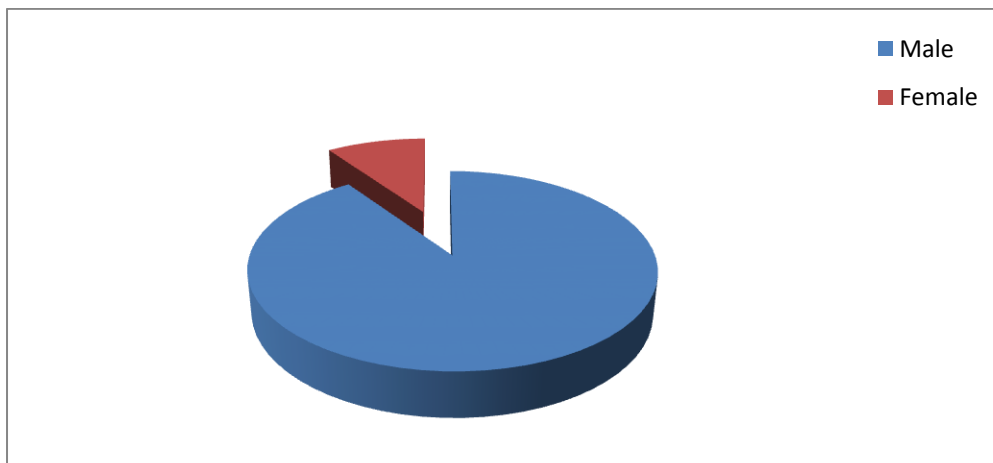


(Source: Field Survey with Questionnaire)

As per Figure 4.3, out of 100 respondents (credit cardholding customers), 50% (25) at age of 31-45 years, 30% (15) at age of 46-55 years and 20% (10) were at age of 18-30 years old.

Figure 4.4

Gender Distributions of Customers

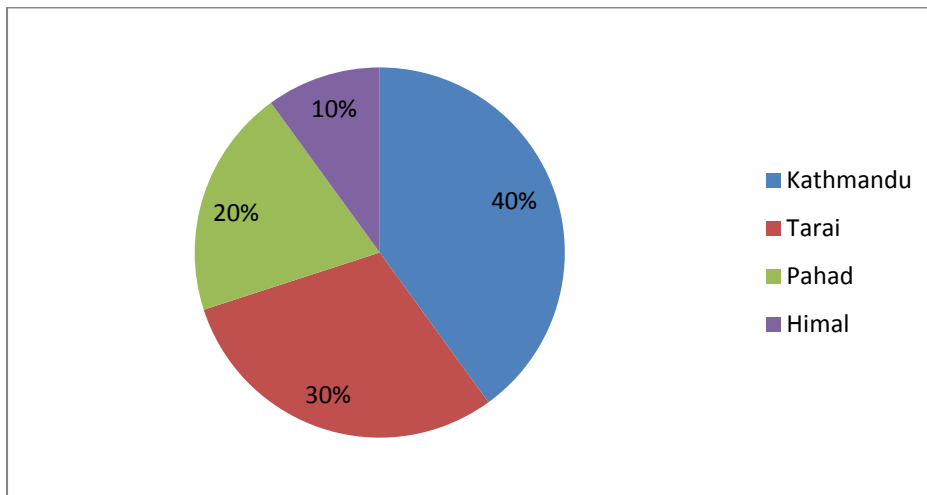


(Source: Field Survey with Questionnaire)

As per Figure 4.4, out of 100 respondents (credit cardholding customers), 60% (30) were Male and 40% (20) Female.

Figure 4.5

Area for the Resident

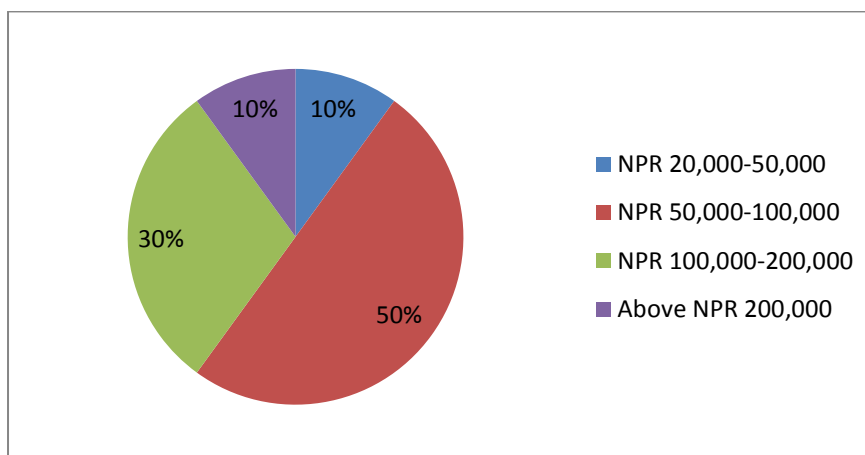


(Source: Field Survey with Questionnaire)

As per Figure 4.5, out of 100 respondents (credit cardholding customers), 40% (20) were from Kathmandu followed by 30% (15) from Tarai, 20% (10) from Pahad and 10% (5) from Himal.

Figure 4.6

Income Level of Cardholders

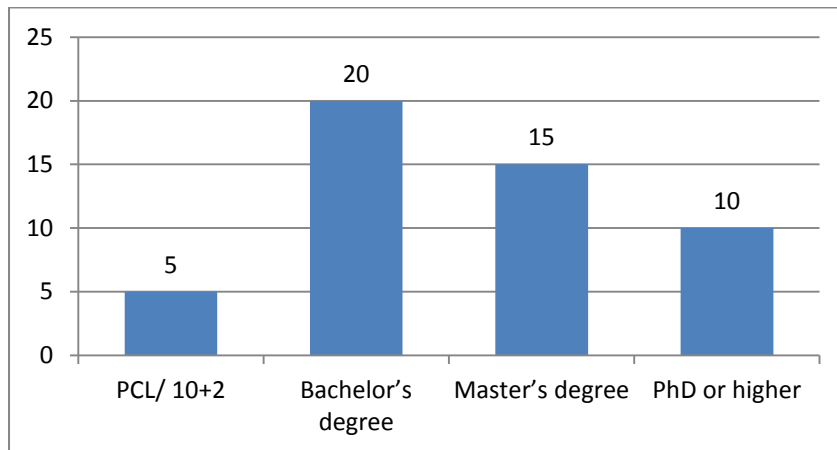


(Source: Field Survey with Questionnaire)

As per Figure 4.6, out of 100 respondents (credit cardholding customers), 20% (10) having Rs20000-50000 per month income. 50% (25) having Rs50000-100000, 20% having 100000-200000 and 10% (5) having more than Rs200000 per month income.

Figure 4.7

Level of Education

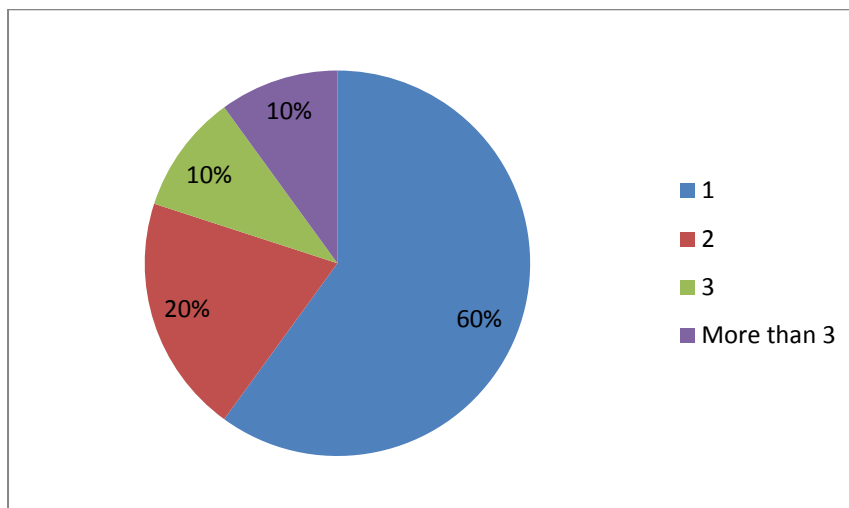


(Source: Field Survey with Questionnaire)

As per Figure of 4.7, out of 100 respondents (credit cardholding customers), 10% (5) education level is PCL. 20% (10) having Bachelor, 30% having Master's degree and 20% were PhD level.

Figure 4.8

No of Credit card holding by banks

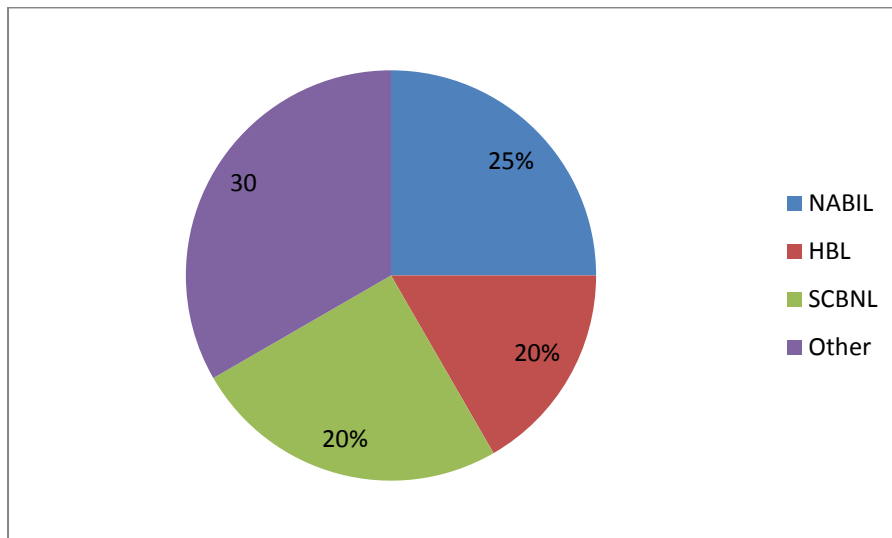


(Source: Field Survey with Questionnaire)

As per Figure of 4.8, out of 100 respondents (credit cardholding customers), 60% (30) holding one Bank Credit card, 20% (10) having two bank's credit card, 10% (5) having 3 bank's credit card and 10% (5) is holding more than 3 bank's credit card.

Figure 4.9

Cards Acquired of Different Banks

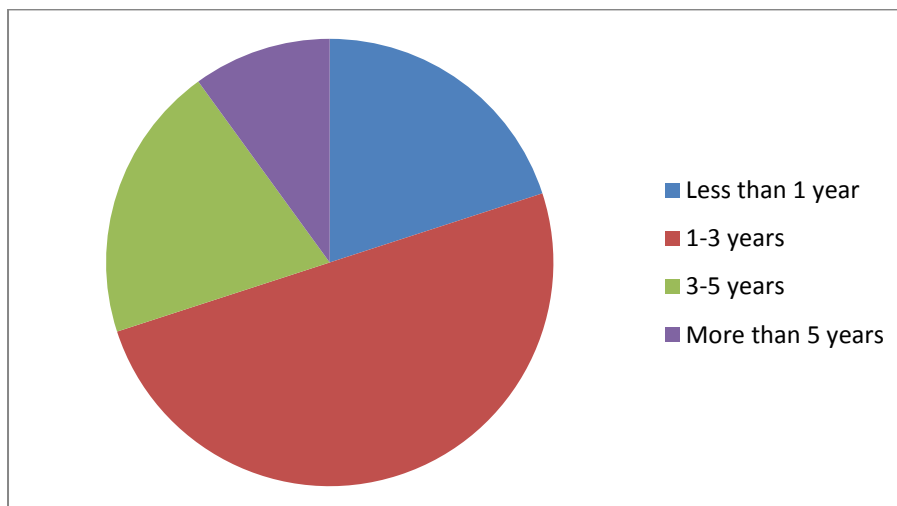


(Source: Field Survey with Questionnaire)

As per Figure of 4.9, out of 100 respondents (credit cardholding customers), 30% (15) holding NABIL Bank Credit card, 20% (10) HBL, 20% (10) and 30% (15) were holding other bank's credit card.

Figure 4.10

Period of card using

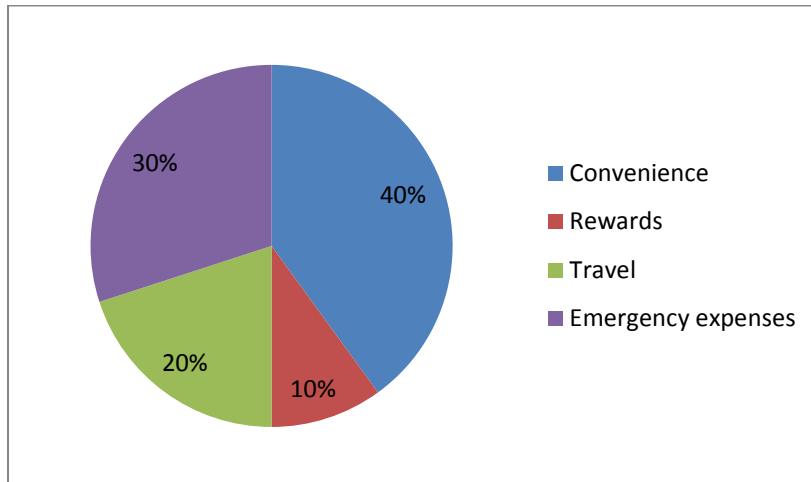


(Source: Field Survey with Questionnaire)

As per Figure of 4.10, out of 100 respondents (credit cardholding customers), 20% (10) holding Bank Credit card less than 1 year, 50% (25) were 1-3 year, 20% (10) were 3-5 years and 10% (5) were holding more than 5 years.

Figure 4.11

Reason for using credit card

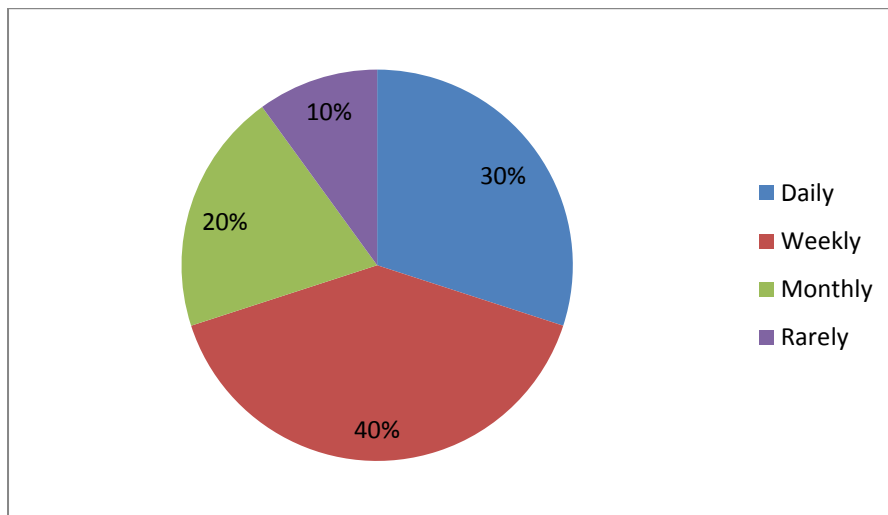


(Source: Field Survey with Questionnaire)

As per Figure of 4.11, out of 100 respondents (credit cardholding customers), 40% (10) reason for holding Bank Credit card were Convenience, 10% (5) were for Rewards, 20% (10) for travel and 30% (15) were using for the Emergency expenses.

Figure 4.12

Uses of the card

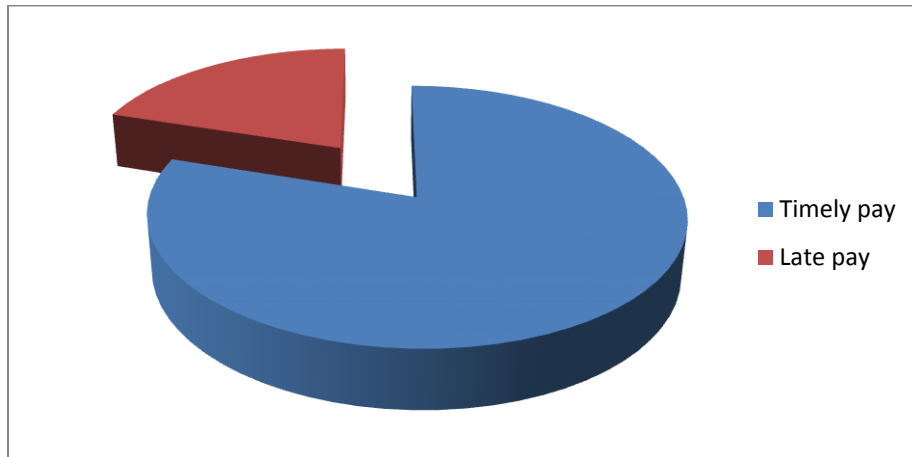


(Source: Field Survey with Questionnaire)

As per Figure of 4.12, out of 100 respondents (credit cardholding customers), 30% (15) using card daily, 30% weekly, 30% monthly and 10% rarely.

Figure 4.13

Late payment of bills

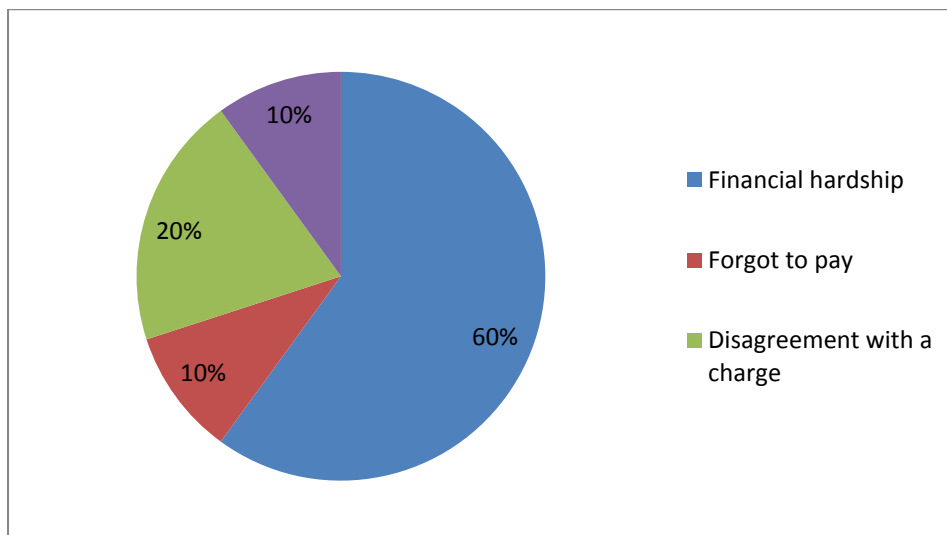


(Source: Field Survey with Questionnaire)

As per the Figure of 4.13, out of 100 respondents (credit cardholding customers), 80% (40) persons paid bills on the time and 20% (10) peoples paying late credit card bills.

Figure 4.14

Reason for the late payment

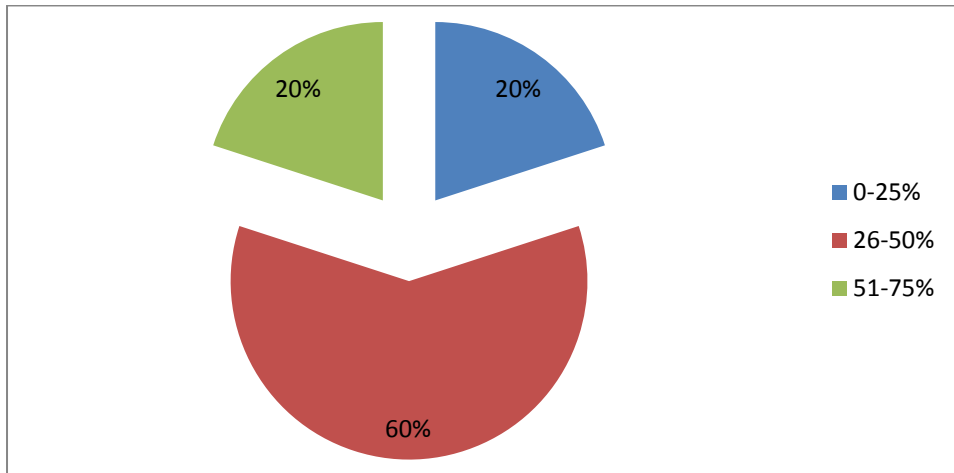


(Source: Field Survey with Questionnaire)

As per the Figure of 4.14, out of 100 respondents (credit cardholding customers), 30% (15) fail to pay credit card bills due to Financial hardship, 10% (5) forget to pay, 20% (10) were disagree with charge and 10% (5) were other reason.

Figure 4.15

Average monthly expenses by using Credit card

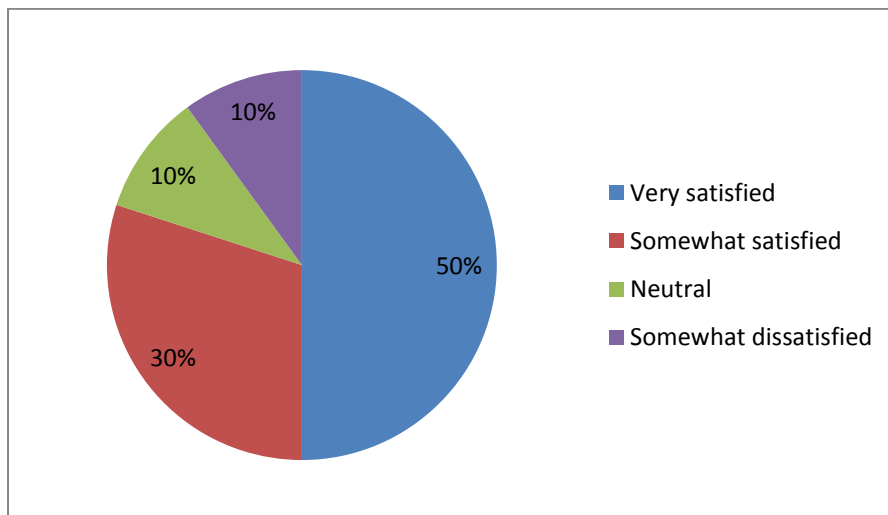


(Source: Field Survey with Questionnaire)

As per the Figure of 4.15, out of 100 respondents (credit cardholding customers), Average monthly expenses by using Credit card 0-25% were 20% (10). Similarly , 26-50% were 60% (30) and 51-75% were 20% (10).

Figure of 4.16

Level of the satisfaction with card

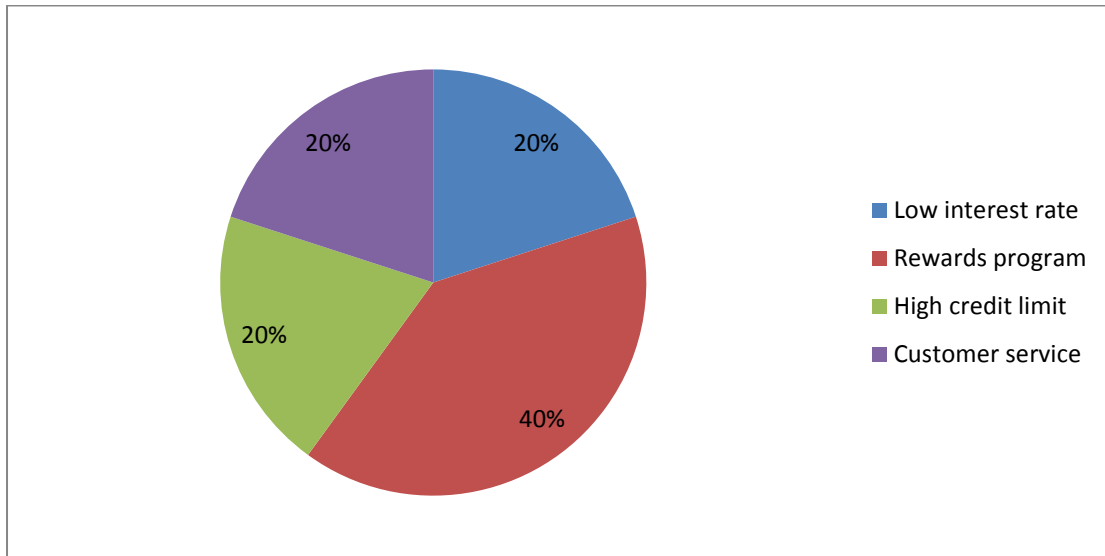


(Source: Field Survey with Questionnaire)

As per the Figure of 4.16, out of 100 respondents (credit cardholding customers), 50% (25) were very satisfy.

Figure 4.17

Advantages for using Credit cards

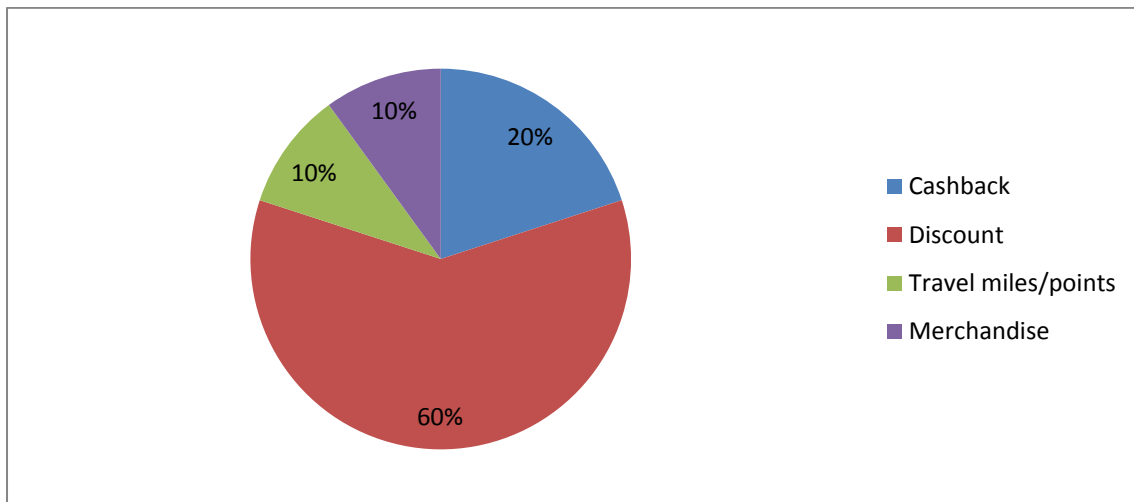


(Source: Field Survey with Questionnaire)

As per the Figure of 4.17, out of 100 respondents (credit cardholding customers). The advantages for using Credit cards were 20% (10) Low interest rate, 40% (20) were Rewards program, 20% were High credit limit and 20% were Customer service.

Figure 4.18

Prefer types of Rewards

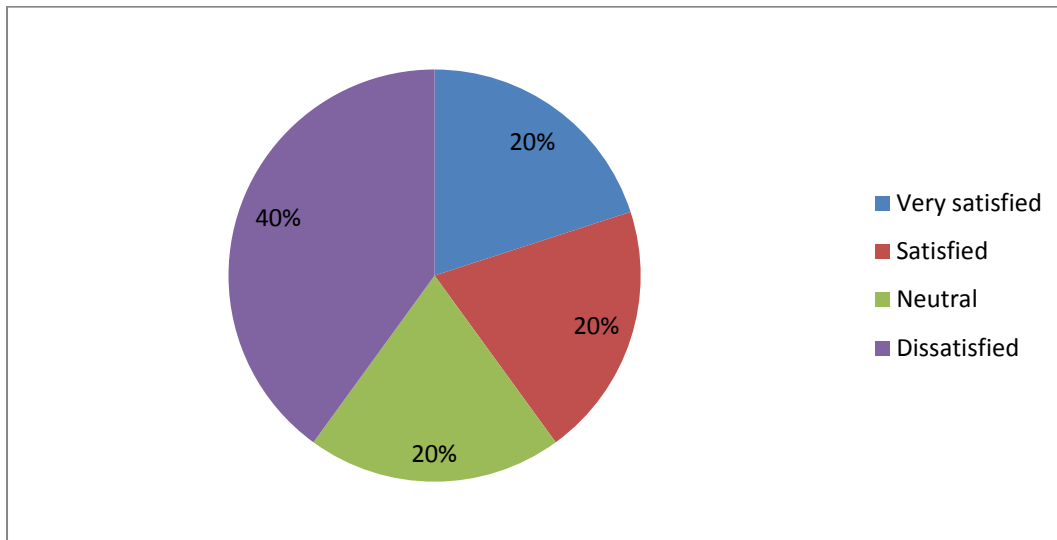


(Source: Field Survey with Questionnaire)

As per the Figure of 4.18, out of 100 respondents (credit cardholding customers) the Prefer types of Rewards. 20% (10) prefer Cash back, 60% Discount, 10% Travel miles/points and 10% prefer the free Merchandise

Figure 4.19

Satisfied with the interest rates of credit card

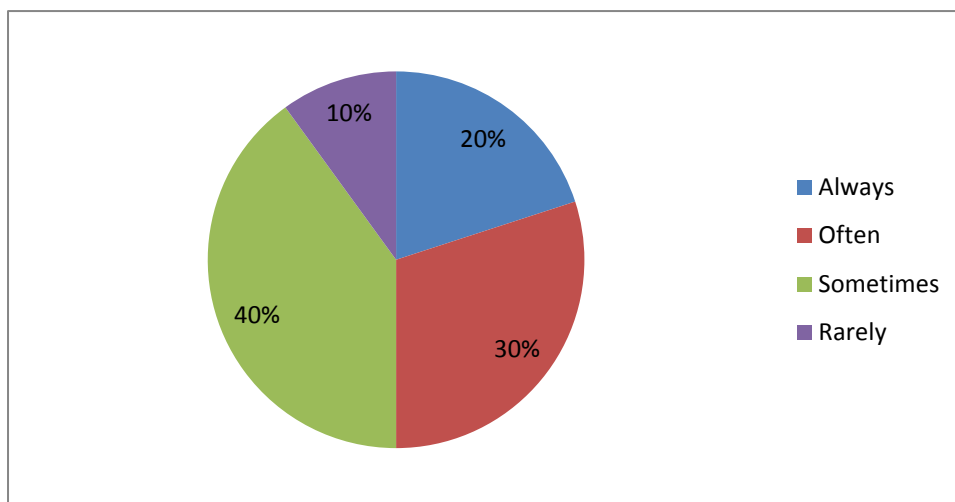


(Source: Field Survey with Questionnaire)

From the Figure of 4.19, out of 100 respondents (credit cardholding customers) the satisfied with the interest rates of credit card. 20% (10) were very satisfied, 20% were satisfied, 20% were neutral and 40% (20%) were dissatisfied

Figure 4.20

Online Payment

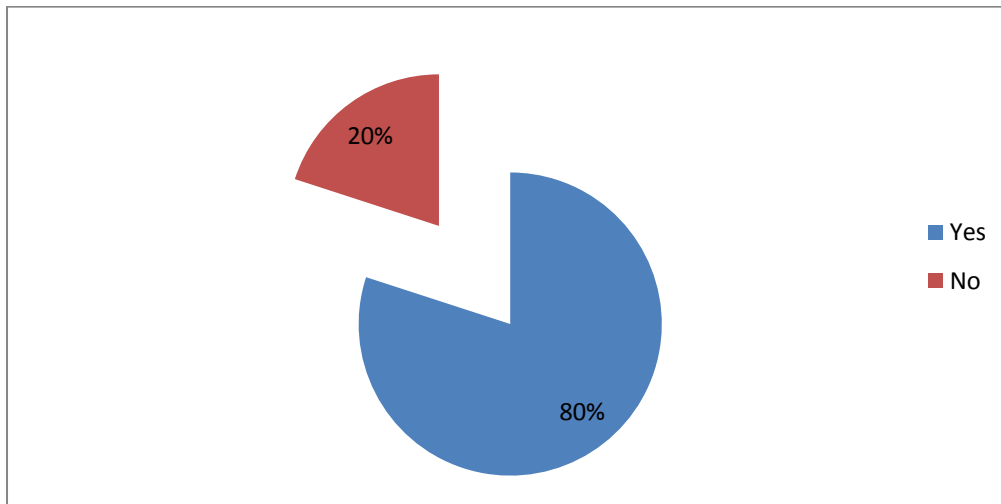


(Source: Field Survey with Questionnaire)

From the Figure of 4.20, out of 100 respondents (credit cardholding customers), 20% (10) were uses cards always for the online payment, 30% often, 40% sometimes and 10% were rarely.

Figure 4.21

Issue with card transaction

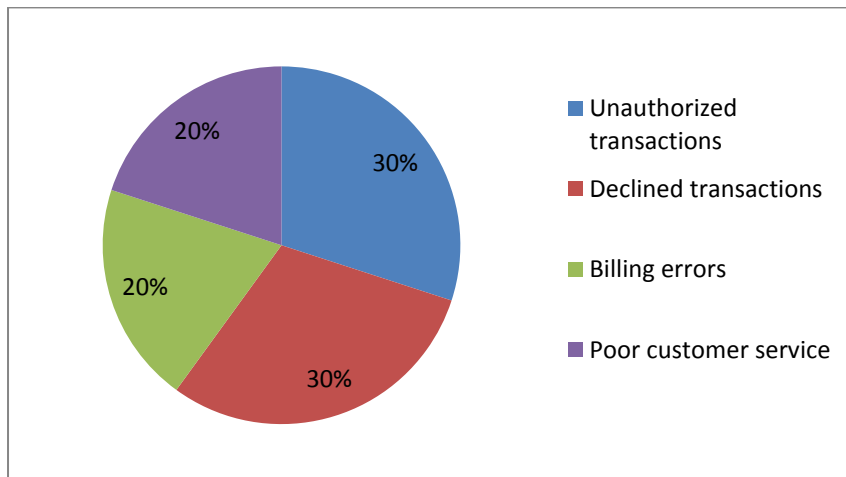


(Source: Field Survey with Questionnaire)

From the Figure of 4.21, out of 100 respondents (credit cardholding customers), 80% (40) persons face Issue with card transaction and 20% (10) did not face it.

Figure 4.22

Type of Issue with card transaction

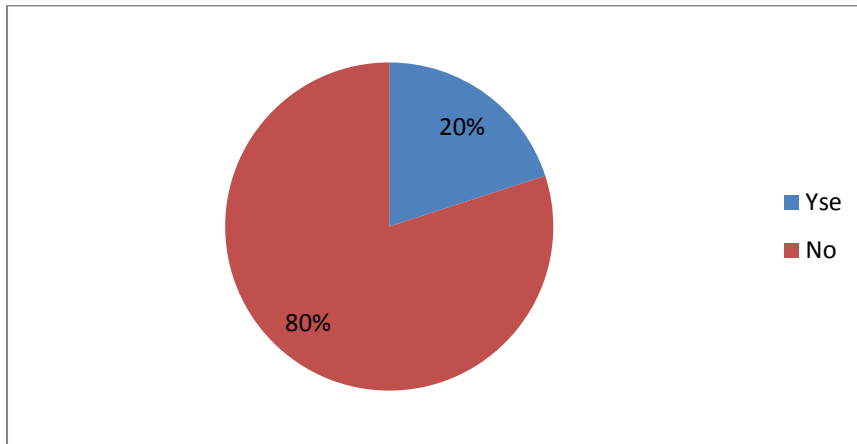


(Source: Field Survey with Questionnaire)

From the Figure of 4.22, out of 100 respondents (credit cardholding customers), 20% (10) persons faced unauthorized transactions, 50% decline, 20% billing errors and 10% poor customer service.

Figure 4.23

User awareness for cardholders

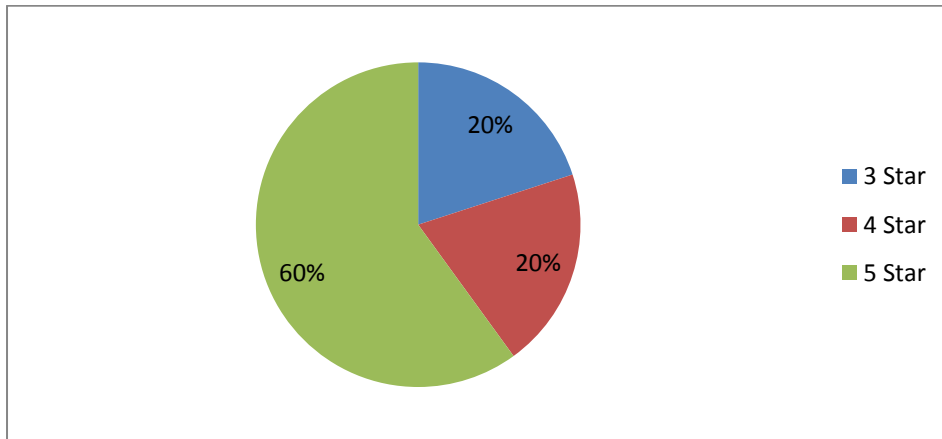


(Source: Field Survey with Questionnaire)

From the Figure of 4.23, out of 100 respondents (credit cardholding customers), 80% (40) said No on credit card usage awareness is sufficient in Nepal and 20% (10) were Yes.

Figure 4.24

Rating of Existing credit card company



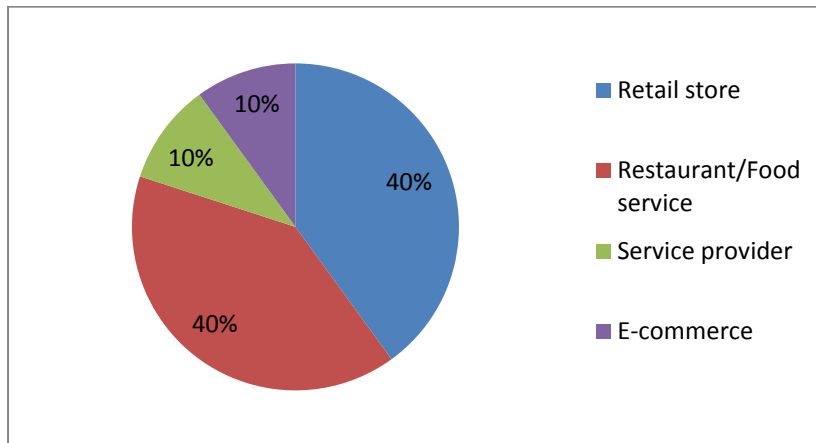
(Source: Field Survey with Questionnaire)

From the Figure of 4.24, out of 100 respondents (credit cardholding customers) regarding rating of existing credit card company. 20% (10) were rated 3 Star, 20% (10) rated 4 Star and 60% (30) rated at 5 Star for their existing credit card company.

Questionnaire with Merchants:

Figure 4.25

Type of Business

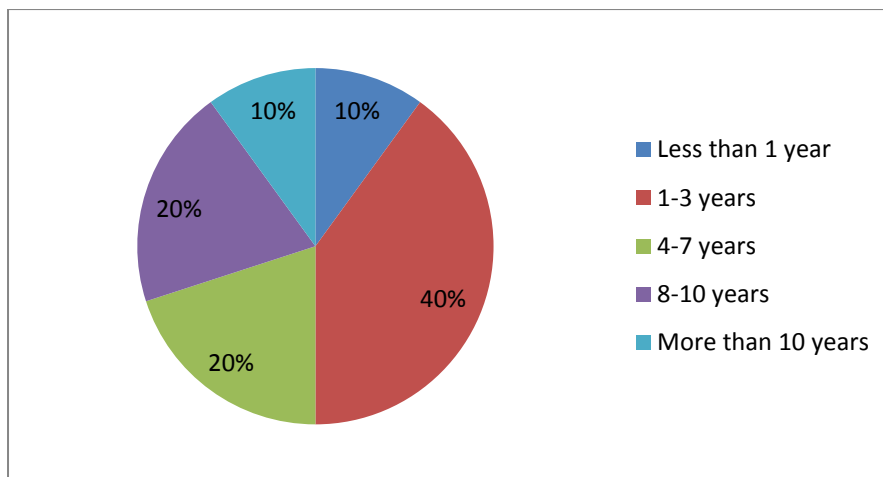


(Source: Field Survey with Questionnaire)

From the Figure of 4.25, out of 50 respondents (credit card Merchants), 40% (20) were operating Retail Store, 40% (20) were Food service, 10% (5) were Service provider and 10% (5) were E-commerce.

Figure 4.26

Period of running Business

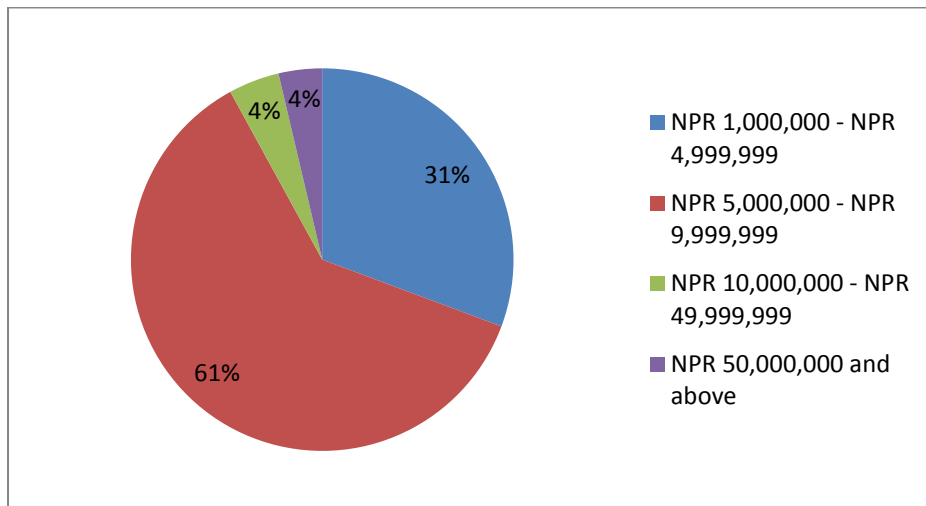


(Source: Field Survey with Questionnaire)

From the Figure of 4.26, out of 50 respondents (credit card Merchants), 10% (5) Merchant were running their business Less than 1 year, similarly 40% (20) were 1-3 years, 20%(10) were 4-7 years, 20% (10) 8-10 years and 10% (5) were more than 10 years.

Figure 4.27

Estimated annual sales revenue

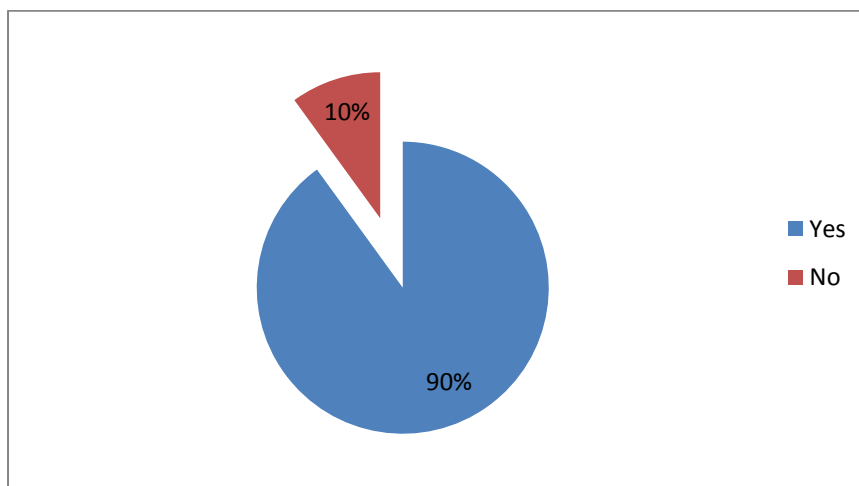


(Source: Field Survey with Questionnaire)

From the Figure of 4.27, out of 50 respondents (credit card Merchants), 20% (10) having annual sales revenue Approx. NPR 1,000,000 - NPR 4,999,999. Similarly, 40% (20) were NPR 5,000,000 - NPR 9,999,999, 30% (15) were NPR 10,000,000 - NPR 49,999,999 and 10% (5) were NPR 50,000,000 and above.

Figure 4.28

Acceptance of cards

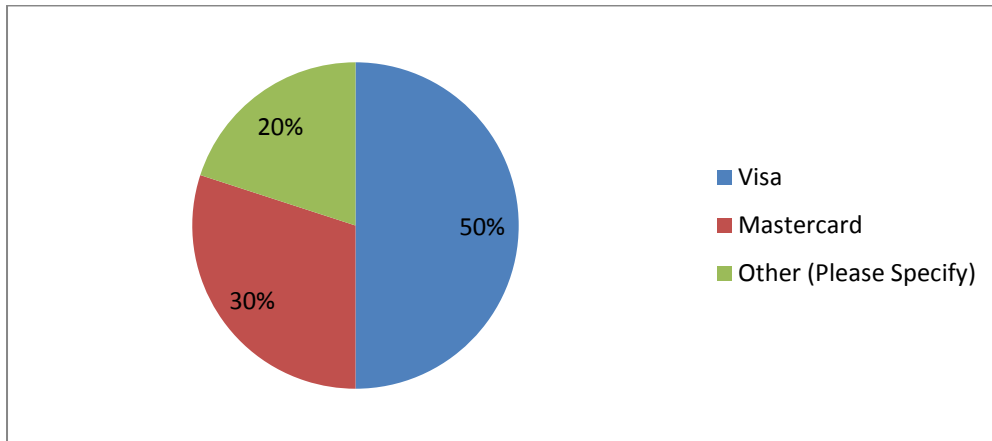


(Source: Field Survey with Questionnaire)

From the Figure of 4.28, out of 50 respondents (credit card Merchants), 90% (45) were saying they will accept card as payment and 10% (5) were said sometimes no.

Figure 4.29

Credit card processors

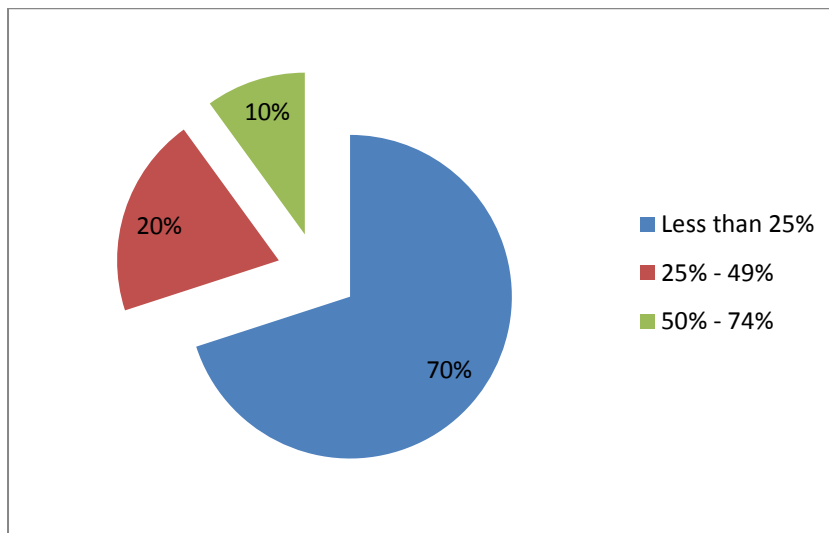


(Source: Field Survey with Questionnaire)

From the Figure of 4.29, out of 50 respondents (credit card Merchants) for the using of credit card network. 50% (25) were using Visa, 30% (15) using Mastercard and 20% (10) were using other network.

Figure 4.30

Percentage of your sales transactions paid by card

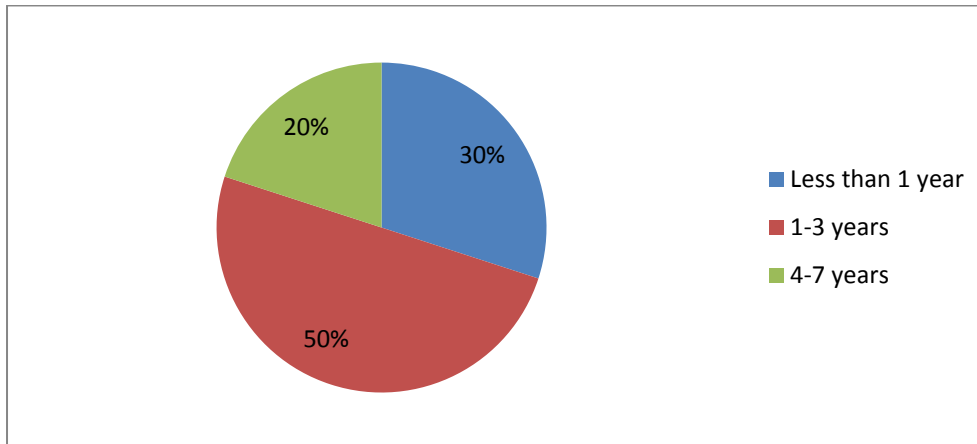


(Source: Field Survey with Questionnaire)

From the Figure of 4.30, out of 50 respondents (credit card Merchants), 70% (35) were Percentage of your sales transactions paid by card were Less than 25%,20% were 25% - 49%and 10% were 50% - 74%.

Figure 4.31

Period of credit card using

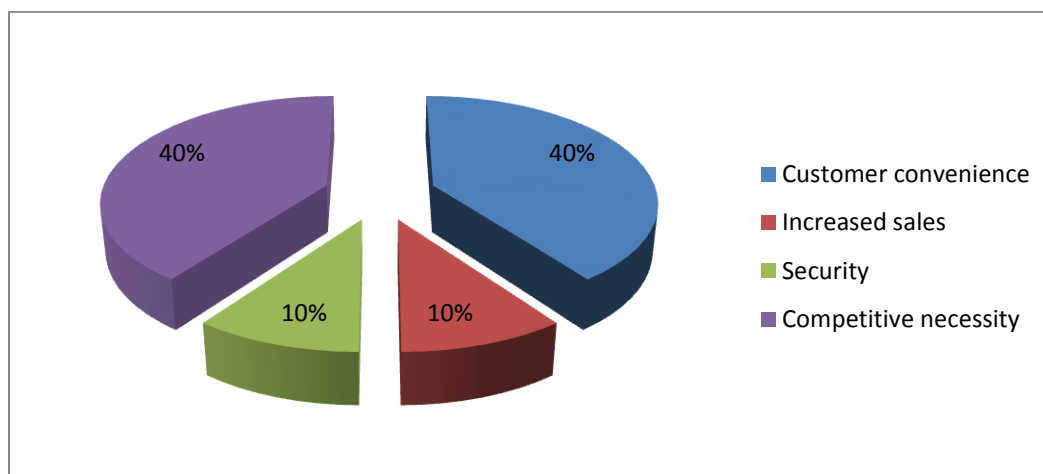


(Source: Field Survey with Questionnaire)

From the Figure of 4.31, asked about since how long they were accepting credit card. Out of 50 respondents (credit card Merchants), 30% (15) were using less than 1 year, 50% (25) using 1-3 years and 20% (10) were using 4-7 years.

Figure 4.32

Primary reason for accepting credit card

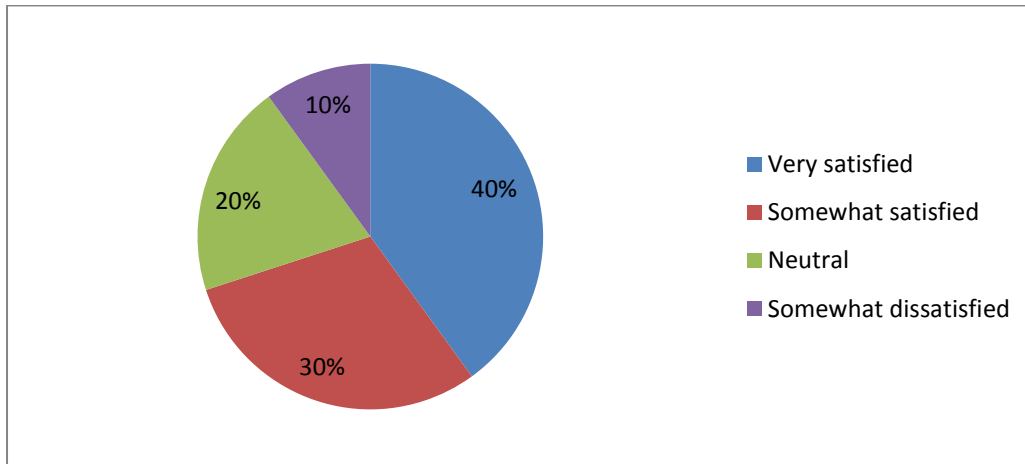


(Source: Field Survey with Questionnaire)

From the Figure of 4.32, asked about primary reason for accepting credit card payments. Out of 50 respondents (credit card Merchants) 40% (20) started accepting due to customer convenience, 10% (5) increase in sales, 10% (5) security and 40% (20) competitive necessity.

Figure 4.33

Satisfaction with existing Credit Card Company

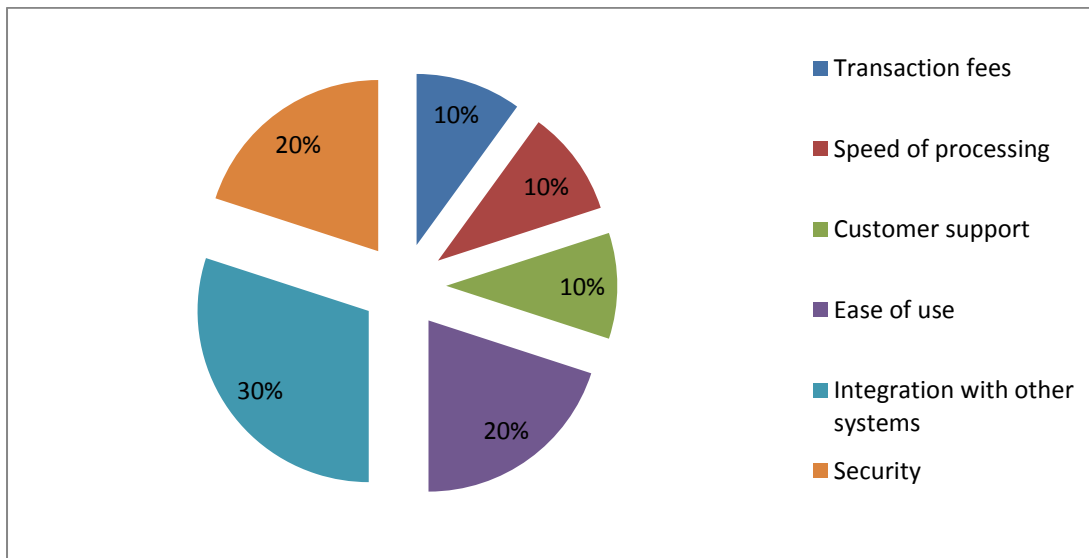


(Source: Field Survey with Questionnaire)

From the Figure of 4.33, asked about the Satisfaction with existing Credit Card Company. Out of 50 respondents (credit card Merchants) 40% (20) were very satisfied, 30% (15) somewhat satisfied, 20% (10) neutral and 10% (5) somewhat dissatisfied.

Figure 4.34

Biggest advantages of using your current credit card

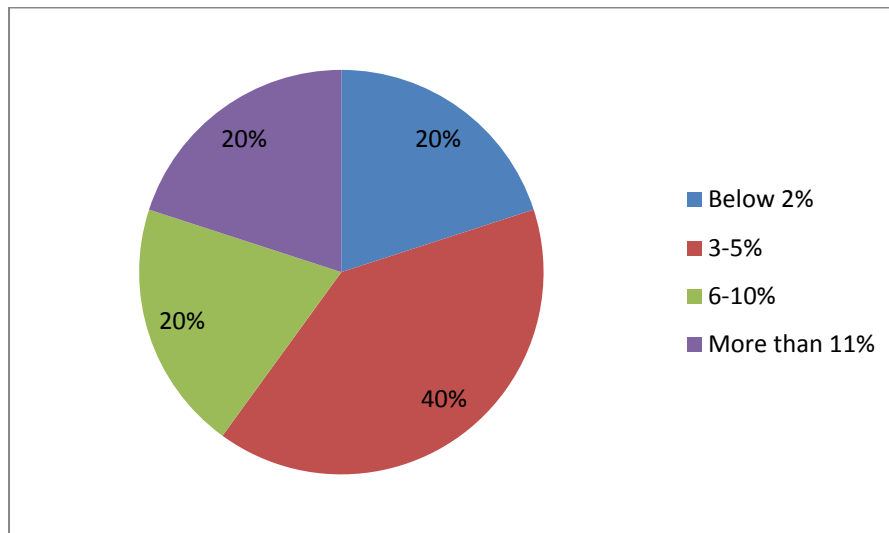


(Source: Field Survey with Questionnaire)

From the Figure of 4.34, asked about the biggest advantages of using your current credit card. Out of 50 respondents (credit card Merchants) 10% (5) werw transaction fees, 10% speed of processing, 10% customer support, 20% ease of use, 30% integration with other system and 20% security.

Figure 4.35

Merchant Discount Rate (MDR)



(Source: Field Survey with Questionnaire)

From the Figure of 4.35, out of 50 respondents (credit card Merchants), 20% (10) MDR were below 2%, 40% (20) merchants giving discount on MDR were 3-5%, 20% (10) were 6-10% and 20% (10) were more than 11%.

4.8 Major Findings of the Study

The main findings of the study have been derived on the basis of questionnaire and financial data:

1. Credit cardholders:

- SCBNL has the highest Average number of cardholders, while HBL has experienced the most significant Growth. HBL has higher Standard Deviation this reflects greater fluctuations in HBL's cardholder base over time.
- The credit card Market Share in Nepal appears to be competitive, with three major players holding significant shares. SCBNL Bank currently leads the pack (37%), followed by HBL Bank (34) and NABIL Bank (29) in a close race.
- Trend analysis projected data for year of 2024/2025; NABIL bank in 2025 will be 7275. Similarly, HBL and SCBNL number of cardholder will be 12558 and 8666. It indicates that HBL bank will have more credit cardholders in 2025.

2. Credit card Merchants:

- NABIL Bank has the highest Average number of merchants it indicates a huge market captured by NABIL. Also Nabil Bank shows the highest average Growth rate in credit card. Similarly, SCBNL bank has the lowest Standard Deviation, indicating a relatively stable growth pattern in the number of merchants.
 - The data reveals that NABIL Bank holds the largest Market Share with 39% of the total market. SCBNL Bank comes in second with capturing approximately 32% and HBL Bank follows closely behind with representing a market share 29%. NABIL Bank currently leads the pack, followed by SCBNL Bank and HBL Bank in a close race.
 - Trend analysis projected data for year of 2024/2025; NABIL bank in 2025 will be 1367. Similarly, HBL and SCBNL number of Merchants will be 882 and 940. It indicates that NABIL bank will have more networks of Merchants in 2025.
3. Similarly, on the basis of level of educational out of 100 respondents (Credit cardholding customers). 10% (5) education level is PCL. 20% (10) having Bachelor, 30% having Master's degree and 20% were PhD level.
 4. From out of 100 respondents (Credit cardholding customers), 60% were male and 40% female and on the basis of age group, 50% (25) at age of 31-45 years, 30% (15) at age of 46-55 years and 20% (10) were at age of 18-30 years old.
 5. Income Level of Cardholders, 20% (10) having Rs 20000-50000 per month income. 50% (25) having Rs 50000-100000, 20% having 100000-200000 and 10% (5) having more than Rs 200000 per month income and 30 % (15) full time employee, 10% (5) self employed, 20 % (10) retired and this was followed by others at 10 %.
 6. Most of the customers have acquired credit card of NABIL. Out of 100 respondents, 30 % cardholders acquired card of NABIL bank, 20 % acquired card of SCBNL, 20 % acquired card of HBL and 30% from others
 7. No of Credit card holding banks, out of 100 respondents (credit cardholding customers), 60% (30) holding one Bank Credit card, 20% (10) having two bank's credit card, 10% (5) having 3 bank's credit card and 10% (5) is holding more than 3 bank's credit card..

8. Reason for using credit card, out of 100 respondents (credit cardholding customers), 40% (10) reason for holding Bank Credit card were Convenience, 10% (5) were for Rewards, 20% (10) for travel and 30% (15) were using for the Emergency expenses.
9. It was found that, out of 100 respondents (credit cardholding customers), 30% (15) using card daily, 30% weekly, 30% monthly and 10% rarely.
10. Late payment of bills out of 100 respondents (credit cardholding customers), 80% (40) persons paid bills on the time and 20% (10) peoples paying late credit card bills. Reason for the late payment were 30% (15) fail to pay credit card bills due to Financial hardship, 10% (5) forget to pay, 20% (10) were disagree with charge and 10% (5) were other reason.
11. Area for the Resident, out of 100 respondents (credit cardholding customers), 40% (20) was from Kathmandu followed by 30% (15) from Tarai, 20% (10) from Pahad and 10% (5) from Himal. Majority was from Kathmandu people is holding credit card.
12. Period of card holding, out of 100 respondents (credit cardholding customers). 20% (10) holding Bank Credit card less than 1 year, 50% (25) were 1-3 year, 20% (10) were 3-5 years and 10% (5) were holding more than 5 years.
13. Level of the satisfaction with card holders, out of 100 respondents (credit cardholding customers), 50% (25) were very satisfy.
14. Uses of card for online purchase, out of 100 respondents (credit cardholding customers), 20% (10) were uses cards always for the online payment, 30% often, 40% sometimes and 10% were rarely.
15. Among those who encountered problems with their credit card, out of 100 respondents (credit cardholding customers), 80% (40) persons face Issue with card transaction and 20% (10) did not face it. Out of that 20% (10) persons faced unauthorized transactions, 50% decline, 20% billing errors and 10% poor customer service.
16. Percentage of monthly expenses pays with a credit card, out of 100. 20% (10) cardholders were using 0-25% of their income. Similarly, 60% (30) were 26-50% and 20% (10) were 51-75%.
17. Satisfied with the credit card(s), out of 100. 50% (25) were very satisfied, 30% (15) were somewhat satisfied, 10% (5) were Neutral and 10% were somewhat dissatisfied.
18. Biggest advantages of using credit cards, out of 100. 20% (10) were because of low interest rate, 40% (20) were rewards program, 20% due to high credit limit and 20% due to customer service

19. Type of rewards prefer by card holders, out of 100. 20% (10) were prefer cash back, 60% (30) were discount, 10% were travel miles/points, and 10% prefer due to free Merchandise.
20. Experienced fraud or unauthorized charges on your credit card, out of 100. 80% (40) were said yes and 20% said no. Service which they get after the fraud from Bank 30% were very satisfied, 30% were satisfied, 20% neutral and 20% were dissatisfied.
21. From the security point of view, out of 100 card holders. 30% (15) were regularly changed their PIN, 50% (25) use secure websites for online transactions and 20% (10) enable transaction alerts.
22. Out of 100 card holders in the security of credit card information were 70% (35) extremely important, 20% very important and 10% moderately important
23. Out of 100 cardholders factors influence decision to choose a new credit card. 40% (20) were go if interest rate will be lower than existing, 20% were rewards program, 10% Sign-up bonus, 20% credit limit and 10% customer service.
24. Out of 100 cardholders they rated their bank as per their service was. 20% (10) given 3 star, 20% (10) 4 star and 60% (30) were rated by star.

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

Credit cards play a vital role in modern economies, fostering convenient cashless transactions for both cardholders and merchants. Cardholders benefit from the security and ease of use credit cards offer, allowing for online purchases, building credit history, and often earning rewards points or cash back. Merchants gain access to a wider customer base, experience faster transaction processing compared to cash, and benefit from increased sales due to impulse purchases enabled by credit. However, there are considerations for both parties. Cardholders must manage their spending responsibly to avoid debt, be aware of interest rates and fees, and prioritize timely repayments. Merchants pay interchanges fees for each transaction, need to invest in secure card readers, and may face fraudulent chargeback's.

The Nepali market offers an interesting perspective on credit cards. While credit card penetration is lower compared to developed economies, it's steadily increasing. Major Nepali banks like Nabil, Himalayan Bank (HBL), and Standard Chartered Nepal (SCB) are key players, with HBL holding the largest cardholder base but Nabil boasting the most extensive merchant network. This highlights the importance of merchant acceptance for banks to attract cardholders. Additionally, fees can be a barrier to entry for some Nepalis, so competitive pricing strategies are crucial for wider adoption. Overall, the credit card market in Nepal is poised for significant growth, offering benefits for both cardholders and merchants as the ecosystem expands and matures.

The status of cardholders in Nepal is booming these days. The average users of different banks i.e. NABIL, HBL, SCBNL are 6029, 7218 and 7907 respectively. This indicates that on average SCBNL has the highest average number of cardholders followed by HBL and NABIL. Similarly annual growth rate of sample banks NABIL, HBL and SCBNL are 11.10%, 28.27% and 8.5 % respectively. HBL has experienced highest growth rate among the three sample banks and SCBNL has the lowest growth rate.

Trend analysis is an analysis of financial ratio over time used to determine the improvement or deterioration of financial situation. This helps in forecasting future values and understanding long-term changes within the data. Using the least square method, the projection for ten years is done. In this analysis for predicting the future value of new number of cardholder and number of merchant for present year 2024/25 by using least square method. Where projected cardholders of NABIL, HBL and SCBNL were 7272, 12558 and 8666. It indicated that coming year (2025) HBL will be the market leader, where as SCBNL is market leader (2024) in terms No of cardholders.

Standard deviation shows the volatility of the user trend. Standard deviation of NABIL, HBL and SCBNL are 1802, 4512.5 and 1830.6 respectively. The HBL SD is 4,512.5, which is significantly higher than Nabil's. This reflects greater fluctuations in HBL's cardholder base over time.

SCBNL has the highest average number of cardholders, while HBL has experienced the most significant growth. Overall, the Nepali credit card market shows promise with increasing cardholders. In coming year the Trend shows the HBL will be the market leader in terms No of cardholders and NABIL will have high Merchants networks.

Similarly for the Merchants,

Average Credit Card Merchant:

- All three banks have witnessed an increase in the number of credit card merchants over the given period (2013/14 - 2022/23).
- NABIL Bank has the highest average number of merchants (985), followed by SCBNL (822) and HBL Bank (743).

Growth Rate:

- Nabil Bank shows the highest average growth rate (17.63%) in credit card merchants.
- SCBNL Bank's growth rate is 10.05%, while HBL Bank's growth rate is 10.85%.

Trend Analysis:

- NABIL, HBL and SCBNL are 1367, 882 and 940.
- It shows the NABIL bank will have high Merchants networks in future.

Standard Deviation (SD):

- SCBNL Bank has the lowest Standard Deviation (S.D.) of 213, indicating a relatively stable growth pattern in the number of merchants.
- NABIL Bank has a higher S.D. (400), it indicates that greater fluctuations in NABIL's Merchants base over time.

NABIL Bank has the highest Average number of merchants it indicates a huge market captured by NABIL. Also NABIL Bank shows the highest average Growth rate in credit card merchants. Similarly, SCBNL bank has the lowest Standard Deviation, indicating a relatively stable growth pattern in the number of merchants

5.2 Conclusions

Credit cards, with their ability to facilitate cashless transactions and offer a range of benefits, have become an integral part of modern economies. Nepal, while showcasing a lower credit card penetration rate compared to developed nations, presents a fascinating case study of this financial instrument's potential and ongoing development. This concluding paragraph delves into the intricate relationship between credit cards, cardholders, merchants, and the evolving landscape of the Nepali market.

For Nepali cardholders, credit cards offer a multitude of advantages. Security and convenience are paramount. Unlike cash, which can be lost or stolen, cards provide peace of mind. Online purchases, a growing trend in Nepal, become effortless with credit cards. Additionally, responsible credit card use fosters a positive credit history, crucial for securing loans in the future. Many cards offer reward programs, incentivizing cardholders with points redeemable for travel, merchandise, or cash back. These features enhance the overall value proposition of credit cards.

However, responsible financial management remains paramount. Cardholders must be aware of interest rates and fees associated with credit card use. Impulse purchases fueled by the ease of credit can lead to debt spirals if not managed carefully. Timely repayments are essential to avoid late fees and maintain a good credit score. Financial literacy campaigns can empower Nepali cardholders to leverage the benefits of credit cards while mitigating potential risks.

Merchants in Nepal also stand to gain significantly from embracing credit cards. By accepting cards, they unlock access to a wider customer base, particularly those who

prefer cashless transactions. Faster transaction processing compared to cash translates into improved operational efficiency. Moreover, credit cards can stimulate sales by enabling impulse purchases, a phenomenon particularly relevant in the online shopping domain.

Challenges for Nepali merchants also exist. Interchange fees, levied for each transaction processed through a card network, can eat into profit margins. Investing in secure Point-of-Sale (POS) terminals is necessary to safeguard against fraudulent transactions. Chargeback's, where a cardholder disputes a transaction and receives a refund, can pose additional financial risks for merchants. Robust fraud detection systems and clear communication with customers can help mitigate these challenges.

The Nepali credit card market presents a unique picture. Data from the Nepal Rastra Bank (NRB) indicates a credit card penetration rate of around 1.87% in 2021, significantly lower than developed economies. However, this figure is steadily increasing, reflecting growing consumer awareness and acceptance of cashless transactions. Key players in the market include major Nepali banks like Nabil Bank, Himalayan Bank (HBL), and Standard Chartered Nepal (SCB). Interestingly, HBL boasts the largest cardholder base, while Nabil has the most extensive merchant network. This highlights the crucial role of merchant acceptance in attracting cardholders and fostering a robust credit card ecosystem.

Several factors can propel the growth of the Nepali credit card market. Firstly, competitive pricing strategies are crucial to broaden the user base. Currently, fees associated with credit cards can be a barrier to entry for some segments of the Nepali population. Banks offering lower fees and interest rates can attract new cardholders and stimulate market expansion.

Secondly, financial literacy initiatives play a vital role in fostering responsible credit card use. Educating cardholders about responsible spending habits, interest rates, and fees empowers them to make informed financial decisions. Additionally, promoting the benefits of credit cards, such as building credit history and earning rewards, can further incentivize card adoption.

Technological advancements can also accelerate growth. The integration of digital wallets with credit cards can enhance convenience and security. Mobile Point-of-Sale (mPOS) solutions can pave the way for wider merchant acceptance, particularly in remote areas. Additionally, robust e-commerce platforms can unlock Nepal's online shopping potential, further driving credit card usage.

The NRB plays a vital role in regulating the credit card market for the benefit of both cardholders and merchants. Transparency in fees and interest rates is essential. Regulations aimed at mitigating fraud and ensuring data security are crucial for building trust in the system. Furthermore, encouraging competition among banks can foster innovation and lead to more attractive products and services for both cardholders and merchants.

The future of credit cards in Nepal is promising. As the market matures, cardholders will enjoy a wider range of products and benefits tailored to their needs. Merchants will benefit from increased sales opportunities and improved operational efficiency. Continued collaboration among banks, regulatory bodies, and technology providers will be critical in unlocking the full potential of credit cards in Nepal. By fostering responsible use, expanding merchant acceptance, and leveraging technological advancements, the credit card industry can become a powerful driver of financial inclusion and economic growth in Nepal.

5.3 Recommendation

By fostering responsible use, expanding merchant acceptance, and leveraging technology, Nepal's credit card industry can become a powerful driver of financial inclusion and economic growth. While studying the credit card business in commercial banks in Nepal. Divided into three for Bank, for card holders and for Merchants which has traces out the following Implications:

For Banks (Credit Card Issuers):

- **Competitive Pricing:** Offer tiered credit card options with varying fees and interest rates to cater to different customer segments. This can attract new cardholders who might be hesitant due to high initial costs.
- **Reward Programs:** Develop innovative reward programs that cater to the spending habits and preferences of Nepali consumers. This could include cash back, travel miles, discounts at local merchants, or loyalty points redeemable for various products and services.
- **Financial Literacy Initiatives:** Partner with educational institutions and financial NGOs to conduct workshops and campaigns that educate Nepalis about responsible credit card use, building credit history, and managing finances effectively.
- **Focus on Security:** Invest in robust fraud detection and prevention systems to safeguard cardholder data and minimize fraudulent transactions.
- **Digital Wallet Integration:** Partner with mobile wallet providers to offer seamless integration of credit cards with digital wallets, enhancing user convenience and security.
- **Co-branded Cards:** Collaborate with prominent Nepali businesses to offer co-branded cards that provide exclusive benefits and discounts to cardholders at partner establishments.
- **Focus on Regional Needs:** Develop credit card products tailored to the specific needs and preferences of cardholders in different regions of Nepal.
- **Mobile App Enhancements:** Create user-friendly mobile apps that allow cardholders to easily manage their accounts, track spending, make payments, and access customer support.
- **Prepaid Card Options:** Offer prepaid cards as an entry point for those hesitant about credit cards. This allows individuals to experience the benefits of cashless transactions while managing spending more easily.
- **Customer Service:** Provide excellent customer service with dedicated credit card support lines and knowledgeable representatives to address inquiries and concerns promptly.

For Cardholders:

- **Responsible Use:** Manage credit card spending responsibly to avoid debt accumulation. Develop a budget and stick to it, prioritizing timely repayments to maintain a good credit score.
- **Interest Rates and Fees:** Be aware of the interest rates and fees associated with your credit card. Choose a card with competitive rates and fees that suit your spending habits.
- **Compare Offers:** Research and compare credit card offerings from different banks before applying. Consider factors like interest rates, annual fees, reward programs, and acceptance network.
- **Read the Fine Print:** Before applying for a credit card, carefully read and understand all terms and conditions, including fees, interest rates, grace periods, and minimum payment requirements.
- **Secure Your Card:** Safeguard your credit card information. Never share your PIN or card details with anyone. Report lost or stolen cards immediately.
- **Monitor Statements:** Regularly review your credit card statements to identify any unauthorized transactions or errors. Report discrepancies to the bank promptly.
- **Benefits Utilization:** Take advantage of the benefits offered by your credit card, such as reward programs, travel insurance, or purchase protection plans.
- **Multiple Cards:** Consider having multiple credit cards to maximize your rewards based on spending categories. However, ensure you can manage them responsibly to avoid overspending.
- **Clear Outstanding Balances:** Aim to clear your credit card balance in full each month to avoid accruing interest charges.
- **Debt Management Plan:** If struggling with credit card debt, consider creating a debt management plan or seeking help from a financial counselor.

For Merchants:

- **Point-of-Sale (POS) Terminals:** Invest in secure POS terminals to accept credit card payments efficiently and reduce the risk of fraud.
- **Merchant Fees:** Negotiate competitive interchange fees with banks to minimize the cost of accepting credit cards.
- **Customer Incentives:** Offer incentives like discounts or exclusive deals to customers who pay using credit cards. This can encourage credit card usage and increase sales.
- **Fraud Prevention:** Implement robust fraud prevention measures to protect yourselves from chargeback's. Partner with banks to identify and address potential fraudulent transactions.
- **Customer Service:** Train staff on credit card acceptance procedures to ensure a smooth and efficient checkout experience for customers.
- **Online Presence:** Consider establishing an online store or accepting online payments to attract customers who prefer digital shopping experiences. This can significantly expand your reach.
- **Mobile Payment Solutions:** Embrace mobile payment solutions to cater to the growing trend of contactless payments. This can enhance customer convenience and speed up transactions.
- **Data Security:** Prioritize data security by implementing appropriate measures to protect customer information collected during credit card transactions.
- **Promote Credit Card Usage:** Educate your customers about the benefits of using credit cards, such as security, convenience, and potential rewards

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Appendices

Appendix – A

A).Calculation of Mean of NABIL Bank

Year	No. of cardholders(X)
2013/14	3550
2014/15	3970
2015/16	4420
2016/17	4910
2017/18	5450
2018/19	5940
2019/20	7200
2020/21	7500
2021/22	8250
2022/23	9100
	$\sum x = 60290$

$$\bar{x} = \frac{\sum x}{n} = \frac{60290}{10} = 6029$$

B).Calculation of Mean of HBL Bank

Year	No. of cardholders(X)
2013/14	1725
2014/15	2300
2015/16	3100
2016/17	4088
2017/18	5683
2018/19	7388
2019/20	8852

2020/21	10249
2021/22	12800
2022/23	16000
	$\sum x = 72180$

$$\bar{x} = \frac{\sum x}{n} = \frac{72180}{10} = 7218$$

C).Calculation of Mean of SCBNL Bank

Year	No. of cardholders(X)
2013/14	5250
2014/15	5735
2015/16	6230
2016/17	6777
2017/18	7454
2018/19	8200
2019/20	9020
2020/21	9364
2021/22	10110
2022/23	10930
	$\sum x = 79070$

$$\bar{x} = \frac{\sum x}{n} = \frac{79070}{10} = 7907$$

D).Calculation of Standard Deviation of NABIL Bank

Year	No. of cardholders(X)	$(x - \bar{x})$	$(x - \bar{x})^2$
2013/14	3550	-2479	6145441
2014/15	3970	-2059	4239481
2015/16	4420	-1609	2588881

2016/17	4910	-1119	1252161
2017/18	5450	-579	335241
2018/19	5940	-89	7921
2019/20	7200	1171	1371241
2020/21	7500	1471	2163841
2021/22	8250	2221	4932841
2022/23	9100	3071	9431041

$$\sum(x - \bar{x})^2 = 32468090$$

$$\text{Standard Deviation}(\sigma) = \sqrt{\frac{\sum(x - \bar{x})^2}{n}} = \sqrt{\frac{32468090}{10}} = 1802$$

E).Calculation of Standard Deviation of HBL Bank

Year	No. of cardholders(X)	$(x - \bar{x})$	$(x - \bar{x})^2$
2013/14	1725	-5493.5	30178542
2014/15	2300	-4918.5	24191642
2015/16	3100	-4118.5	16962042
2016/17	4088	-3130.5	9800030.3
2017/18	5683	-1535.5	2357760.3
2018/19	7388	169.5	28730.25
2019/20	8852	1633.5	2668322.3
2020/21	10249	3030.5	9183930.3
2021/22	12800	5581.5	31153142
2022/23	16000	8781.5	77114742

$$\sum(x - \bar{x})^2 = 203638885$$

$$\sum x = 72180$$

$$\text{Standard Deviation} (\sigma) = \sqrt{\frac{\sum(x - \bar{x})^2}{n}} = \sqrt{\frac{203638885}{10}} = 4512.5$$

F).Calculation of Standard Deviation of SCBNL Bank

Year	No. of cardholders(X)	(x - \bar{x})	(x - \bar{x}) ²
2013/14	5250	-2657	7059649
2014/15	5735	-2172	4717584
2015/16	6230	-1677	2812329
2016/17	6777	-1130	1276900
2017/18	7454	-453	205209
2018/19	8200	293	85849
2019/20	9020	1113	1238769
2020/21	9364	1457	2122849
2021/22	10110	2203	4853209
2022/23	10930	3023	9138529

$$\sum x = 79070 \qquad \qquad \qquad \sum(x - \bar{x})^2 = 33510876$$

$$\text{Standard Deviation } (\sigma) = \sqrt{\frac{\sum(x - \bar{x})^2}{n}} = \sqrt{\frac{33510876}{10}} = 1830.6$$

G).Calculation of Standard Deviation of Merchant of NABIL Bank

Year	No. of Merchant(X)	(x - \bar{x})	(x - \bar{x}) ²
2013/14	400	-585	342225
2014/15	500	-485	235225
2015/16	650	-335	112225
2016/17	750	-235	55225
2017/18	900	-85	7225
2018/19	1050	65	4225
2019/20	1200	215	46225
2020/21	1250	265	70225
2021/22	1450	465	216225
2022/23	1700	715	511225

$$\sum x = 9850$$

$$\sum(x - \bar{x})^2 = 1600250$$

$$\text{Standard Deviation } (\sigma) = \sqrt{\frac{\sum(x - \bar{x})^2}{n}} = \sqrt{\frac{1600250}{10}} = 400$$

H). Calculation of Standard Deviation of Merchant of HBL Bank

Year	No. of Merchant(X)	(x - \bar{x})	(x - \bar{x}) ²
2013/14	450	-293	85849
2014/15	500	-243	59049
2015/16	550	-193	37249
2016/17	620	-123	15129
2017/18	708	-35	1225
2018/19	750	7	49
2019/20	777	34	1156
2020/21	925	182	33124
2021/22	1020	277	76729
2022/23	1130	387	149769
	$\sum x = 7430$		$\sum(x - \bar{x})^2 = 459328$

$$\text{Standard Deviation } (\sigma) = \sqrt{\frac{\sum(x - \bar{x})^2}{n}} = \sqrt{\frac{459328}{10}} = 214.32$$

I). Calculation of Standard Deviation of Merchant of SCBNL Bank

Year	No. of Merchant(X)	(x - \bar{x})	(x - \bar{x}) ²
2013/14	500	-321.5	103362.25
2014/15	590	-231.5	53592.25
2015/16	635	-186.5	34782.25
2016/17	693	-128.5	16512.25
2017/18	762	-59.5	3540.25
2018/19	838	16.5	272.25
2019/20	922	100.5	10100.25
2020/21	1005	183.5	33672.25

2021/22	1090	268.5	72092.25
2022/23	1180	358.5	128522.25

$$\sum x = 8215$$

$$\sum(x - \bar{x})^2 = 456448$$

$$\text{Standard Deviation } (\sigma) = \sqrt{\frac{\sum(x - \bar{x})^2}{n}} = \sqrt{\frac{456448}{10}} = 213.65$$

J) Growth Analysis for Cardholders and Merchants:

For the Cardholders

Year	No. of Cardholders			Growth		
	NABIL	HBL	SCBNL	NABIL	HBL	SCBNL
2013/14	3550	1725	5250	0.11831	0.333333	0.11830986
2014/15	3970	2300	5735	0.11335	0.347826	0.11335013
2015/16	4420	3100	6230	0.11086	0.31871	0.11085973
2016/17	4910	4088	6777	0.10998	0.390166	0.10997963
2017/18	5450	5683	7454	0.089908	0.300018	0.08990826
2018/19	5940	7388	8200	0.212121	0.198159	0.21212121
2019/20	7200	8852	9020	0.041667	0.157817	0.04166667
2020/21	7500	10249	9364	0.1	0.248902	0.1
2021/22	8250	12800	10110	0.10303	0.25	0.1030303
2022/23	9100	16000	10930			
Sum				0.999226	2.544931	0.99922579
GROWTH				11.102511	28.277011	11.1025087

For the Merchants

Year	No. of Merchants			Growth		
	NABIL	HBL	SCBNL	NABIL	HBL	SCBNL
2013/14	400	450	500	0.25	0.111111	0.18
2014/15	500	500	590	0.3	0.1	0.076271
2015/16	650	550	635	0.153846	0.127273	0.091339
2016/17	750	620	693	0.2	0.141935	0.099567
2017/18	900	708	762	0.166667	0.059322	0.099738
2018/19	1050	750	838	0.142857	0.036	0.100239
2019/20	1200	777	922	0.041667	0.190476	0.090022
2020/21	1250	925	1005	0.16	0.102703	0.084577
2021/22	1450	1020	1090	0.172414	0.107843	0.082569
2022/23	1700	1130	1180			
Sum				1.587451	0.976663	0.904322

GROWTH	17.638344	10.851811	10.0480222
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$$\text{Growth} = \left(\frac{\text{New Value} - \text{Old Value}}{\text{Old Value}} \right) \times 100\%$$

K) Calculation of Project values of the Cardholders and Merchant for the different Banks (Trend Analysis)

1).Calculation of projected value of cardholders for NABIL

Year	No. of Cardholder (y)	X=x-2019	X ²	XY
2014	3550	-5	25	-17750
2015	3970	-4	16	-15880
2016	4420	-3	9	-13260
2017	4910	-2	4	-9820
2018	5450	-1	1	-5450
2019	5940	0	0	0
2020	7200	1	1	7200
2021	7500	2	4	15000
2022	8250	3	9	24750
2023	9100	4	16	36400

$$\sum y = 60290 \quad \sum x = -5 \quad \sum x^2 = 85 \quad \sum xy = 21190$$

Since $\sum x = -5$,

$$\text{now } a = \frac{\sum y}{n} = \frac{60290}{10} = 6029$$

$$\text{and } b = \frac{\sum xy}{\sum x^2} = 249.29$$

Substituting the value of a and b in the required line then the equation is

$$a+bx = 6029 + 249.29x$$

When $X = 2024$, then $x = X - 2019 = 5$

$$Y \text{ For } 2024 = 6029 + 249.29 \times 5 = 7275$$

Hence the projected value for 2024 of NABIL is 7275

2). Calculation of projected value of cardholders for HBL

Year	No. of Cardholder (y)	X=x-2019	X ²	XY
2014	1725	-5	25	-8625
2015	2300	-4	16	-9200
2016	3100	-3	9	-9300
2017	4088	-2	4	-8176
2018	5683	-1	1	-5683
2019	7388	0	0	0
2020	8852	1	1	8852
2021	10249	2	4	20498
2022	12800	3	9	38400
2023	16000	4	16	64000

$$\sum y = 72185 \quad \sum x = -5 \quad \sum x^2 = 85 \quad \sum xy = 90766$$

$$\text{Since } \sum x = -5,$$

$$\text{now } a = \frac{\sum y}{n} = 7218$$

$$\text{and } b = \frac{\sum xy}{\sum x^2} = \frac{90766}{85} = 1067.8$$

Substituting the value of a and b in the required line then the equation is

$$a+bx = 7218 + 1067.8x$$

When $X = 2024$, then $x = X - 2019 = 5$

$$Y \text{ For } 2024 = 7218 + 1067.8 \times 5 = 12557.67$$

Hence the projected value for 2024 of HBL is 12558

3).Calculation of projected value of cardholders for SCBL

Year	No. of Cardholder (y)	X=x-2019	X ²	XY
2014	5250	-5	25	-26250
2015	5735	-4	16	-22940
2016	6230	-3	9	-18690
2017	6777	-2	4	-13554
2018	7454	-1	1	-7454
2019	8200	0	0	0
2020	9020	1	1	9020
2021	9364	2	4	18728
2022	10110	3	9	30330
2023	10930	4	16	43720

$$\sum y = 79070 \quad \sum x = -5 \quad \sum x^2 = 85 \quad \sum xy = 12910$$

Since $\sum x = -5$,

$$\text{now } a = \frac{\sum y}{n} = \frac{79070}{10} = 7907$$

$$\text{and } b = \frac{\sum xy}{\sum x^2} = 151.88$$

Substituting the value of a and b in the required line then the equation is

$$a+bx = 7907 + 151.88x$$

Hence the projected value for 2024 of SCBNL is 8666

4).Calculation of projected value of Merchants of NABIL

Year	No. of Cardholder (y)	X=x-2019	X ²	XY
2014	400	-5	25	-2000
2015	500	-4	16	-2000
2016	650	-3	9	-1950
2017	750	-2	4	-1500
2018	900	-1	1	-900
2019	1050	0	0	0
2020	1200	1	1	1200
2021	1250	2	4	2500
2022	1450	3	9	4350
2023	1700	4	16	6800

$$\sum y = 9850 \quad \sum x = -5 \quad \sum x^2 = 85 \quad \sum xy = 6500$$

$$\text{Since } \sum x = -5,$$

$$\text{now } a = \frac{\sum y}{n} = \frac{9850}{10} = 985$$

$$\text{and } b = \frac{\sum xy}{\sum x^2} = \frac{6500}{85} = 76.47$$

Substituting the value of a and b in the required line then the equation is

$$a+bx = 985 + 76.47x$$

When X =2024, then x=X-2019 =5

$$\text{For } 2024 = 985 + 76.47 \times 5 = 1367.35$$

Hence the projected value for 2024 of NABIL is 1367

5).Calculation of projected value of Merchants of HBL

Year	No. of Cardholder (y)	X=x-2019	X ²	XY
2014	450	-5	25	-2250
2015	500	-4	16	-2000
2016	550	-3	9	-1650
2017	620	-2	4	-1240
2018	708	-1	1	-708
2019	750	0	0	0
2020	777	1	1	777
2021	925	2	4	1850
2022	1020	3	9	3060
2023	1130	4	16	4520

$$\sum y = 7430 \quad \sum x = -5 \quad \sum x^2 = 85 \quad \sum xy = 2359$$

$$\text{Since } \sum x = -5,$$

$$\text{now } a = \frac{\sum y}{n} = 743$$

$$\text{and } b = \frac{\sum xy}{\sum x^2} = 27.75$$

Substituting the value of a and b in the required line then the equation is

$$a+bx = 743 + 27.75x$$

Hence the projected value for 2024 of HBL is 882

6).Calculation of projected value of Merchants of SCBNL

Year	No. of Cardholder (y)	X=x-2019	X ²	XY
2014	500	-5	25	-2500
2015	590	-4	16	-2360
2016	635	-3	9	-1905
2017	693	-2	4	-1386
2018	762	-1	1	-762
2019	838	0	0	0
2020	922	1	1	922
2021	1005	2	4	2010
2022	1090	3	9	3270
2023	1180	4	16	4720

$$\sum y = 8215$$

$$\sum x^2 = 85$$

$$\sum xy = 2009$$

Since $\sum x = -5$,

$$\text{now } a = \frac{\sum y}{n} = \frac{8215}{10} = 822$$

$$\text{and } b = \frac{\sum xy}{\sum x^2} = 23.64$$

Substituting the value of a and b in the required line then the equation is

$$a+bx = 822 + 23.64x$$

Hence the projected value for 2024 of SCBNL is 940.

L) Descriptions of all banks :

	BANKS		
	NABIL	HBL	SCBNL
Average:			
No. of Cardholders	6029	7218	7907
No. of Merchants	985	743	822
Growth:			
No. of Cardholders	11.10%	28.27%	8.50%
No. of Merchants	17.63%	10.85%	10.05%
Market Share			
No. of Cardholders	29%	34%	37%
No. of Merchants	39%	29%	32%
Trends			
No. of Cardholders	7275	12558	8666
No. of Merchants	1367	882	940
Standard Deviation			
No. of Cardholders	1802	4512	1830
No. of Merchants	400	214	213

Appendix B

Questionnaire No. 1

Dear cardholder,

I am the student of MBS is conducting a research on “*Analysis of credit card business of commercial banks*”. In this regard a humble request is made you to fill up the questionnaire and help me to analyze the trend of credit card for my research. The information provided will be kept confidential. Hope you will co-operate me in my attempt.

Please tick mark on the following question answers:

1. What is your age? (Age Group)
 - Below 18
 - 18-30
 - 31-45
 - 46-55
 - Above 55
2. What is your gender?
 - Male
 - Female
 - Other
3. Occupation:
 - Employed full-time
 - Employed part-time
 - Self-employed
 - Student
 - Retired
 - Other (Please Specify)
4. Area of resident
 - Kathmandu
 - Tarai
 - Pahad
 - Himal
5. What is your monthly household income?
 - Below NPR 20,000
 - NPR 20,000-50,000

- NPR 50,000-100,000
 - NPR 100,000-200,000
 - Above NPR 200,000
6. What is your highest level of education?
- No formal education
 - SLC
 - PCL/ 10+2
 - Bachelor's degree
 - Master's degree
 - PhD or higher
7. How many credit cards do you currently hold?
- 1
 - 2
 - 3
 - More than 3
8. Which bank(s) have issued your credit card(s)?
- NABIL
 - HBL
 - SCBNL
 - Other
9. How long have you been using a credit card?
- Less than 1 year
 - 1-3 years
 - 3-5 years
 - More than 5 years
10. What is your primary reason for using a credit card?
- Convenience
 - Rewards
 - Travel
 - Emergency expenses
 - Other (please specify)
11. On average, how often do you use your credit card?
- Daily
 - Weekly
 - Monthly
 - Rarely

12. Have you ever been late on a credit card payment?
- Yes
 - No
13. If you answered yes then, what were the reasons for the late payment(s)?
- Financial hardship
 - Forgot to pay
 - Disagreement with a charge
14. On average, what percentage of your monthly expenses do you pay with a credit card?
- 0-25%
 - 26-50%
 - 51-75%
 - 76-100%
15. How satisfied are you with the credit card(s) you currently use?
- Very satisfied
 - Somewhat satisfied
 - Neutral
 - Somewhat dissatisfied
 - Very dissatisfied
16. What are the biggest advantages of using credit cards?
- Low interest rate
 - Rewards program
 - No annual fee
 - High credit limit
 - Customer service
17. How likely are you to switch credit cards in the next year?
- Very likely
 - Somewhat likely
 - Neutral
 - Somewhat unlikely
 - Very unlikely
18. What type of rewards do you prefer?
- Cashback
 - Discount
 - Travel miles/points
 - Gift cards
 - Merchandise

19. How satisfied are you with the interest rates on your credit card?
- Very satisfied
 - Satisfied
 - Neutral
 - Dissatisfied
20. How often do you use your credit card for online purchases?
- Always
 - Often
 - Sometimes
 - Rarely
21. How satisfied are you with the credit limit provided?
- Very satisfied
 - Satisfied
 - Neutral
 - Dissatisfied
 - Very dissatisfied
22. Have you ever faced any issues with your credit card transactions?
- Yes
 - No
23. If yes, what kind of issues have you faced? (Multiple answers allowed)
- Unauthorized transactions
 - Declined transactions
 - Billing errors
 - Poor customer service
 - Other (please specify)
24. Have you ever experienced fraud or unauthorized charges on your credit card?
- Yes
 - No
25. How satisfied are you with the fraud protection services of your credit card provider?
- Very satisfied
 - Satisfied
 - Neutral
 - Dissatisfied
 - Very dissatisfied
26. What measures do you take to ensure the security of your credit card? (Multiple answers allowed)
- Regularly change PIN

- Use secure websites for online transactions
 - Enable transaction alerts
 - Other (please specify)
27. How important is the security of your credit card information to you?
- Extremely important
 - Very important
 - Moderately important
 - Slightly important
 - Not important at all
28. Do you feel confident using your credit card for international transactions?
- Yes
 - No
29. What is your preferred method for receiving credit card statements?
- Paper statements
 - Online statements
 - Email notifications
 - Mobile app notifications
30. How often do you contact customer service for your credit card?
- Frequently
 - Occasionally
 - Rarely
 - Never
31. How would you rate the customer service of your credit card provider?
- Excellent
 - Good
 - Average
 - Poor
 - Very poor
32. What is your preferred method of contacting customer service?
- Phone
 - Email
 - Live chat
 - Mobile app
 - Social media
33. Do you regularly check your credit card statements?
- Yes
 - No

34. How often do you review your credit score?
- Monthly
 - Quarterly
 - Annually
 - Never
35. Are you aware of the interest rate on your credit card?
- Yes
 - No
36. Do you understand all the fees associated with your credit card?
- Yes
 - No
37. Have you ever taken a cash advance on your credit card?
- Yes
 - No
38. Do you think credit card usage awareness is sufficient in Nepal?
- Yes
 - No
39. How can credit card issuers improve their services?
40. What factors would influence your decision to choose a new credit card?
- Interest rate
 - Rewards program
 - Sign-up bonus
 - Credit limit
 - Customer service
41. Would you recommend your credit card to others?
- Yes
 - No
42. Have you ever attended any financial literacy programs related to credit card usage?
- Yes
 - No
43. Rate your existing credit card company.
- 1 Star
 - 2 Star
 - 3 Star
 - 4 Star
 - 5 Star
44. Do you have any additional comments or suggestions about your credit card experience?

45. What made you choose your current credit card issuer over others?

46. Share a positive experience you've had with your credit card.

47. Share a negative experience you've had with your credit card and how it was resolved.

48. What are the biggest disadvantages of using credit cards?

49. In the future, what features or benefits would you find most appealing in a credit card?

50. What makes you happier with changes in credit card company?

“Thank you for your kind information”

Dear Merchant,

I am the student of MBS conducting a research on “*Analysis of credit card business of commercial banks*”. In this regard a humble request is made you to fill up the questionnaire and help me to analyze the trend of credit card for my research. The information provided will be kept confidential. Hope you will co-operate me in my attempt.

Please tick mark on the following question answers:

1. What type of business do you operate?
 - Retail store
 - Restaurant/Food service
 - Service provider
 - E-commerce
 - Other
2. How long have you been in business (in years)?
 - Less than 1 year
 - 1-3 years
 - 4-7 years
 - 8-10 years
 - More than 10 years
3. How many employees do you currently have?
 - 1-10
 - 11-50
 - 51-100
 - 101-500
 - More than 500
4. What is your estimated annual revenue?
 - Less than NPR 1,000,000
 - NPR 1,000,000 - NPR 4,999,999
 - NPR 5,000,000 - NPR 9,999,999
 - NPR 10,000,000 - NPR 49,999,999
 - NPR 50,000,000 and above
5. How many branches do you have at Business:
 - 1-5
 - 6-10
 - 11-20
 - 21-30

- More than 31
- 6. Do you accept credit cards as a form of payment?
 - Yes
 - No
- 7. With which credit card processors do you currently work? (Select all that apply):
 - Visa
 - Mastercard
 - American Express
 - Discover
 - Other (Please Specify)
- 8. What percentage of your sales transactions are paid by credit card?
 - Less than 25%
 - 25% - 49%
 - 50% - 74%
 - 75% - 100%
- 9. How long have you been accepting credit card payments?
 - Less than 1 year
 - 1-3 years
 - 4-7 years
 - 8-10 years
 - More than 10 years
- 10. What is your primary reason for accepting credit card payments?
 - Customer convenience
 - Increased sales
 - Security
 - Competitive necessity
 - Other (please specify)
- 11. How satisfied are you with your current credit card processor(s)?
 - Very satisfied
 - Somewhat satisfied
 - Neutral
 - Somewhat dissatisfied
 - Very dissatisfied
- 12. What are the biggest advantages of using your current credit card processor(s)?
 - Transaction fees
 - Speed of processing
 - Customer support

- Ease of use
 - Integration with other systems
 - Security
13. Have you ever switched payment processing providers?
- Yes
 - No
14. If yes, what was the primary reason for switching?
- Lower fees
 - Better features
 - Improved customer support
 - Faster processing times
 - Security concerns
 - Other (please specify)
15. How often do you experience technical problems with your credit card processing system?
- Never
 - Rarely
 - Occasionally
 - Frequently
 - Very frequently
16. How do you feel about the transaction fees charged by your payment processor?
- Very reasonable
 - Reasonable
 - Neutral
 - High
 - Very high
17. Do you feel that accepting credit card payments has increased your sales?
- Significantly
 - Moderately
 - Slightly
 - Not at all
18. Have you ever been the victim of credit card fraud?
- Yes
 - No
19. How often do you need to contact customer support for your payment processor?
- Frequently
 - Occasionally

- Rarely
 - Never
20. How would you rate the customer support of your payment processor?
- Excellent
 - Good
 - Average
 - Poor
 - Very poor
21. How likely are you to switch credit card processors in the next year?
- Very likely
 - Somewhat likely
 - Neutral
 - Somewhat unlikely
 - Very unlikely
22. What factors would most influence you to switch credit card processors?
- Lower fees
 - Improved security features
 - Better customer service
 - Integration with new technology (e.g., mobile wallets)
 - Other (Please Specify)
23. How important is it to you for your credit card processor to offer educational resources on credit card security and fraud prevention?
- Very important
 - Somewhat important
 - Neutral
 - Somewhat unimportant
 - Not important at all
24. Are you interested in offering contactless payment options (e.g., tap-to-pay) to your customers?
- Yes
 - No
 - Known about this services
25. Do you have any additional comments or suggestions regarding credit card processing?
- Lower fees
 - Faster processing times
 - Better customer support
 - Enhanced security

- More integration options
 - Other (please specify)
26. Overall, how satisfied are you with accepting credit card payments?
- Very satisfied
 - Satisfied
 - Neutral
 - Dissatisfied
 - Very dissatisfied
27. Do you plan to continue accepting credit card payments in the future?
- Yes
 - No
28. Would you recommend your current payment processor to other businesses?
- Yes
 - No
29. What is the average merchant discount rate (MDR) you pay on credit card transactions?
- Below 2%
 - 3-5%
 - 6-10%
 - More than 11%
30. Do you have any additional comments or suggestions about your experience with accepting credit card payments?
-
-

“Thank you for your kind information”

ANALYSIS OF CREDIT CARD BUSINESS OF COMMERCIAL ...

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Chapter-One Introduction 1.1 General Background

Nepal needs to prioritize **banking among its** citizens **in** the **modern era. In this century, banking, business** transactions, **and personal** finance **have become advanced in Nepal** as well. **To** facilitate **business** transactions, **various types of** equipment **and new techniques** have been **introduced**

. Consequently, banking sectors and financial institutions now offer non-banking services alongside traditional banking services as part of their modernization efforts. Historically, people used a barter system, exchanging goods to obtain necessities. However, this system made it difficult to measure value and conduct transactions. Thus, money was introduced to simplify exchanges. Despite its benefits, money can be inconvenient, particularly when carrying large sums to pay significant bills, as it poses risks of theft and other issues. This is why modern payment

systems have emerged, **especially** following **the revolution in information technology** . Before **the** advent **of** banking,

cash in the form of notes and coins **was the** primary **method of payment** . With **the** rise **of banking, paper** **instruments** like **cheques and credit** transfers **have become** integral parts **of the payment system**