

Satisfaction Level of Credit Card Holders in Khulna City of Bangladesh

Kajol Karmoker^{1*} Md. Enamul Haque² Sayed Azharul Islam¹ Prosenjit Tarafdar¹
1.Human Resource Management Discipline, Khulna University, PO Box 9208, Khulna, Bangladesh
2.Business Administration Discipline, Khulna University, PO Box 9208, Khulna, Bangladesh

Abstract

This study measures the satisfaction level of credit card users living in Khulna, Bangladesh. The study also examines the factors affecting their satisfaction level. Data have been collected from 50 credit card users living in Khulna city of Bangladesh through a self-administered questionnaire. After data collection, descriptive statistics (arithmetic mean, percentage) has been calculated to measure the factor-wise satisfaction level. It has been found that users are highly satisfied with the online shopping facility as well as its convenience to use. The weighted mean value of 64.16% indicates that the users are satisfied with the overall services provided by the issuers. After that Regression analysis has been used to analyze the relationship between satisfaction and the factors that affect the satisfaction. Regression statistics shows that 56.7% variation in the dependent variable (Satisfaction of the credit card users) can be explained by the independent variables used in this study whereas convenience, Online shopping facility, Benefits & rewards are found statistically significant in influencing the satisfaction of the credit card users. This research expects that the proper use of the study findings may help the credit card issuers to develop their services as well as increase customer satisfaction.

Keywords: Satisfaction, Credit Card Users, Khulna City, Bangladesh

1. Introduction

Banking is one of the fast growing service industries in formal sector of the financial system of Bangladesh which is led by Bangladesh Bank, central bank of the country (Bangladesh Bank, 2018). Most of the banks of the county are rendering ATM services to the clients through countrywide Automated Teller Machine (ATM) network. Bangladeshi banks provide both debit and ATM card services to the customers. In 2016, Bangladesh Bank recorded a total transaction volume of around Tk. 939.1 billion (Alam, 2017). This revolution has become possible due to the development of e-banking through which consumers' culture of using credit cards has become an essential part of life though Islam et al. (2015) find adverse effect on individual's financial life since it uses to increase expenditure. According to The New York Times (2017), the banks of USA are focusing on credit card business and currently there are around 171 million people in USA having at least one credit card (Seng, 2017) whereas there are around 1.0 million credit card and 11.9 million debit card holders in Bangladesh (Bangladesh Bank, 2018). In Bangladesh, we can do our transactions using digital or soft currency instead of paper currency. Even today, most of the inter-bank transactions are being performed digitally using soft currency. ATM and mobile banking services have added an extremely significant dimension in the digitalization of currency throughout the world. Moreover, the invention and use of credit card technology is playing a very significant role in digital payment and transaction system. There has been an increased trend of purchasing through credit cards because of its ease of use and access to multiple shopping outlets. A credit card is a system of payment named after the small plastic card issued to users of the system (Sudhagar, 2012). In case of credit cards, the issuer lends money to the consumer (or the user) which requires the balance to be paid in full each month at the cost of having interest charged (Berry, 1979). Most of the credit cards are of same shape and size, as specified by the ISO 7810 standard. There are multiple benefits of having a credit card (Manokari, 2012). Apart from being a convenient method of making payments for shopping, credit cards are safer to carry than cash. This can help especially when someone travels abroad or makes online transaction. Sometimes, 0% EMI (equated monthly installment), discounts or cash back incentives are offered by the issuer generally a bank. All of these benefits and features have attracted the consumers and helped promote the widespread holding and use of credit cards (Zhang, et al., 2006).

Like any other industries, the banking industry focuses on earning profit through ensuring expected level of customer satisfaction and retention. In order to do so, proper attention must be given to the service quality. Especially, considerable amount of service has to be provided to the credit card users since market of this particular product is very competitive. So to ensure sustainability in this competitive credit card market there is no alternative to satisfy the customers. Satisfied customers are supposed to be committed to the bank that is needed for smooth recovery of bill. So a bank must improve its strategies to fill up the demand of credit card users because if the users switch to another bank, the particular bank will lose some cash flow that will negatively affect the goal of the bank. So it is strongly recommended to measure the satisfaction level of credit card holders. Considering this importance, the current study aims at measuring the satisfaction level of credit card users in Khulna city of Bangladesh. This study also analyzes the relationship between satisfaction and

satisfaction affecting factors.

2. Review of Literature:

To explore the satisfaction level and the factors that affect the consumer attitude towards the plastic money, especially credit card many researchers have conducted studies. A study conducted by Khalid, et al. (2003) includes the factors which influence the customer satisfaction, adoption & usage of credit card. Those are Demographic, Awareness, Cost, Function and Socio Psycho Factors. According to their study cost has been classified into two categories. 1) Monetary Cost (like interest rate, annual fee, credit limit, type of transaction) and 2) Non- Monetary Cost (like low acceptability, long application approval time, shortly payment period, legal requirement complications and difficulties in paying bills). The rational consumers accept those mode of payment that incur minimum amount of costs (White, 1975). The effect of costs on the users' satisfaction was also identified by Gan et al. (2008) where they concluded that interest rate is an important factor in the credit card usage which influences it negatively. Alam (2016) argues that interest and other fees imposed on the credit card users in Bangladesh is much higher than other countries. He also finds that banks are not transparent in some cases while charging those interest and fees (Alam 2016). Brito & Hartley (1995) has said that using credit cards involves borrowings, paying high interest rate but it is attractive instrument in case of lowest transaction cost. Lunt (1992) has said that adoption criteria of credit card depend on high credit limit, quality customer services, fair fees and fair interest rates. Regarding annual fees Chan (1997) found in Hong Kong that active and inactive card holders demanded low annual fee and long interest free payment periods. Chirapanda and Yoopetch (2008) also indicated that bank marketers should adopt low annual fee for domestic as well as worldwide credit cards. Even Shannon and Yoopetch (2002) found negative relationship between the annual fee and card usage. In addition to annual fees and long interest free payment period Gan, et al. (2008) quoted that generous credit limit is one of the important variables that can increase the customer/ users satisfaction at the point of sale. Global acceptance is another issue that can increase the users' satisfaction. In one study Chirapanda and Yoopetch (2008) found that around 72.3% of respondents give importance to acceptability of their card at international level. They suggested that issuers of credit card are required to contact with different business that accepts their credit cards to increase the number of collection points. Chan (1997) found in Hong Kong that credit cards of inactive users are not widely accepted because of their unlimited usage rate. Acceptance of credit cards should be facilitated by merchants at their outlets. Another thing that can increase the users' satisfaction is long repayment period. Chan (1997) also found that active and inactive card holders demanded long interest free period. Chirapanda and Yoopetch (2008) suggested longer payback period to bank marketers to meet competition. Chan (1997) also suggested provision of ancillary functions meaning additional benefits like ATM services or Debit Card services that can influence the credit card users' satisfaction. Apart from the long repayment period, card issuing company should affectively manage and handle complaints of their card holders (Chan, 1997). Arthur and Dimitris (1994) found that security is an important attribute in influencing the satisfaction of credit cards users (Faruque, 2018). Security is in two senses, as protection against credit cards fraud or credit card lost/stolen ensuring accurate bills and balances. Apart from these, security of credit at POS (Point of Sales) is also associated to the customer satisfaction level (Rahman, 2017).

3. Objectives of the study:

The major objectives of this study were:

- To measure the satisfaction level of credit card holders in Khulna city of Bangladesh.
- To analyze the relationship between satisfaction and the factors that affects the satisfaction of credit card holders.

4. Methodology of the study:

A descriptive research study was conducted in order to measure the satisfaction level of credit card holders as well as to analyze the relationship between satisfaction and the factors that affect the satisfaction of credit card holders. Data were collected from 50 credit card users living in Khulna city of Bangladesh. Users were selected using quota sampling method: 10% users from the students, 20% from University teachers, 10% from Govt. service holder, 30% from private service holder and the rest 30% were from Business people. To collect data users were provided with self-administered questionnaire developed based on previous research studies. The questionnaire had two sections: one section designed with demographic variables such as age, education, occupation and income level and another section was designed with 36 statements on 12 independent factors including Convenience, Online shopping facility, Universal acceptance, Safety & security Credit limit, Benefits & rewards, Customer service, Free insurance coverage, Balance Transfer facility, Cash withdrawal facility, Interest charge and fees, Terms and condition. Dependent variable was credit card users' satisfaction. 5 point Likert-type scale ranging from highly dissatisfied (1) to highly satisfied (5) was used to express opinions on each statement. After data collection frequency distribution table was used to analyze the demographic characteristics

of the respondents. To find out the factor basis satisfaction descriptive statistics (arithmetic mean, percentage) was calculated. On the other hand, to find out overall satisfaction, weighted average satisfaction was calculated. After that Regression analysis was used to analyze the relationship between satisfaction and the factors that affect the satisfaction.

5. Data Analysis and Findings:

Descriptive statistics (Mean) shown in Table-1 (Appendix) was used to measure the factor-wise satisfaction level of the credit card users. It was found that users were highly satisfied with the online shopping facility as well as its convenience to use. Along with its online shopping facility and convenience, users were also satisfied with the universal acceptance, safety & security, credit limit, benefits & rewards, cash withdrawal facility, even with its customer service. But users were highly dissatisfied because of high interest charge and fees along with some hidden terms and conditions. After the factor-wise satisfaction measurement, weighted average satisfaction was calculated using the following formula.

$$\sum wi \times fi$$

$$\sum wi$$

Weighted average satisfaction = $\frac{\sum wi \times fi}{\sum wi}$ = or, fi = mean value in percentage of each factor.

id the weighted mean value for all the factors of satisfaction was 64.16%, which lies in (value =4) assuming that highly dissatisfied (1) = 0%-19%, dissatisfied (2) =20%-39%, neutral (3) =40%- 59%, satisfied (4) = 60%-79% and highly satisfied (5) = 80%-100%. So it was inferred that credit card users were satisfied with the overall services provided by the issuers.

Later to analyze the relationship between the satisfaction and the factors that affect the satisfaction of the credit card holders in Khulna city a regression analysis was done. As shown in the below Table-2, **R square** value of .567 indicates that 56.7% variation in the dependent variable (Satisfaction of the credit card users) can be explained by the independent variables used in this study. And the last column of below Table-3 shows the goodness of the model. The lower this number, the better it fits. As the significance here is .000 it can be said that the model used in this research fits the data well with F value 10.489. So the model is enough to predict the satisfaction of the credit card users.

Table-2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.753 ^a	.567	.513	.660

- Predictors: Convenience, Online shopping facility, Universal acceptance, Safety & security Credit limit, Benefits & rewards, Customer service, Free insurance coverage, Balance Transfer facility, Cash withdrawal facility, Interest charge and fees, Terms and conditions
- Dependent Variable: Satisfaction of the credit card users.

Table-3: ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	50.241	12	4.567	10.489	.000 ^b
Residual	38.319	37	.435		
Total	88.560	49			

Table-3: Coefficient

Independent variables	Beta	Sig.
Convenience	.748	.000*
Online shopping facility	.184	.023*
Universal acceptance	.089	.238
Safety & security	.035	.631
Credit limit	-.088	.248
Benefits & rewards	.277	.000*
Customer service	.025	.738
Free insurance coverage	-.050	.670
Balance Transfer facility	-.073	.372
Cash withdrawal facility	-.114	.518
Interest charge and fees	-.059	.715
Terms and condition	.032	.547

*P<.05

Standardized Beta shown in the above Table-4 of coefficients indicates which variable are positively or negatively related. The figure shows that most of the variables are positively related except Interest charge and fees, Credit limit, Balance Transfer facility, Free insurance coverage and Cash withdrawal facility. Beta also denotes the grading according to the weights. Here Convenience, Online shopping facility, Benefits & rewards have carried the highest weight. And in the last column of the table-4 Convenience, Online shopping facility, Benefits & rewards are found statistically significant in influencing the satisfaction of the credit card users as the corresponding p value is less than .05 (Significance Level).

6. Result Discussion and implications:

This study conducted with the basic purpose of measuring satisfaction level of credit card users in Khulna city of Bangladesh found 12 factors titled as Convenience, Online shopping facility, Universal acceptance, Safety & security, Credit limit, Benefits & rewards, Customer service, Free insurance coverage, Balance Transfer facility, Cash withdrawal facility, Interest charge and fees, Terms and conditions which directly or indirectly affect the satisfaction level of credit card users. The study found that the users in Khulna city of Bangladesh are highly interested in using this plastic money instead of hand cash due to its convenience to carry in addition to a risk free mode of payment. Even the Khulna city customers are not out of the e-commerce process. They also prefer to purchase sitting at home taking the advantage of online shopping facility of the credit card. Universal acceptance of credit card is another motivation of using credit card to the users of Khulna city. They enjoy it when making any payment for any purchase from Amazon.com or ebay.com, for ticket booking in 5 star hotels, sports, in any airlines, Journal, book or for any kind of purchase. But the users in Bangladesh are concerned with the safety and security issue, a big challenge of the credit card issuers. Because sometimes the users become victim of hackers, unauthorized use and even sometimes it is lost or stolen. People in Bangladesh are moderately satisfied with the credit limit as well as the benefits and rewards provided by the credit card issuers. Satisfaction increases when the users get bonuses for their good credit, get discounts at different outlets and earn points or cash back on the purchase. Customer service quality is another key motivator to make the credit card users satisfied providing 7 days and 24 hours customer service. Customer service point makes the users update of credit card services regularly and remind the due payment date in addition to providing solution to the users' problems. The users can also interact with the providers using mobile apps. Users in Khulna city of Bangladesh are satisfied with the cash withdrawal facility, an opportunity to meet the immediate financial needs. But the balance transfer facility needs to be made users friendly to increase the customer satisfaction (Jayasubramanian and Kumar, 2011). As a source of income the credit card providers charge different types of interest fees including Annual fees, Cash Withdrawal Fee, Credit Limit exceeding Charge, Interest charged on the purchase, Interest charged on due repayment. But users here in Bangladesh are highly dissatisfied with the high interest rates, hidden charges (not disclosed to the users), SMS fees, late fine for undue payment and annual fees. Dissatisfaction also works when the terms and conditions are not disclosed to users. The users here in Bangladesh don't have sound knowledge about the terms and conditions of using credit card.

7. Conclusions

Customer satisfaction is one of the key considerations in designing products and services. The competitiveness of a business depends on this customer satisfaction factor since gaining and retaining of market share are completely dependent on customer satisfaction. The equation is very simple here- the better the level of customer satisfaction, the better the market share. In Bangladesh, banking industry is significantly competitive as a good number of public, private, foreign and other types of commercial and specialized banks and financial institutions

are operating their businesses in this small country. Apart from that the developing nature of the economy has also made the competition tight. Moreover, some banks are using aggressive customer attraction and retention strategies for better competitive position in the industry. The credit card service market of this industry is more competitive than many other services because all customers are not eligible for credit card service rather a certain group can avail this service fulfilling certain requirements. That is why all the banks offering credit card service target a limited number of customers. Moreover, users face no or a very little product switching cost associated to credit cards that lead them to use new cards having better facilities. Even sometimes the users use credit cards of multiple banks at a time. Customers are used to share their service experience to each other. All of these things have made this market competitive and the banks should be more careful towards customer satisfaction factors. This study finds that the existing credit card users in Khulna City, Bangladesh are highly satisfied with two factors – convenience, and online shopping facility. So the banks may keep these factors unchanged. Analysis shows that the customers are satisfied with 5 factors such as universal acceptance, safety & security, credit limit, benefits & rewards, and customer service. So banks may target these factors to improve in order to make the customer highly satisfied. Customers are found dissatisfied on terms and conditions imposed by the banks whereas they are completely or highly dissatisfied on interest rate and fees charged on credit card service. This indicates that the customers expect less interest rate than the current one. This study proposes the banks to reduce interest rate and fees for obtaining and retaining better competitive position in credit card market in Khulna City, Bangladesh. However, this scenario might be same throughout the country but sufficient amount research is recommended to draw better conclusion. Finally, this study suggests the banks to be more careful towards the highly sensitive customer satisfaction factors like interest charge and fees, customer service, safety & security and so on to attract new customers and retain the existing ones.

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Appendix:

Factors	Mean	In percentage	Comments
Convenience	4.30	86%	Highly satisfied
Online shopping facility	4.60	92%	Highly satisfied
Universal acceptance	3.50	70%	Satisfied
Safety & security	3.15	63%	Satisfied
Credit limit	3.40	68%	Satisfied
Benefits & rewards	3.80	76%	Satisfied
Customer service	3.60	72%	Satisfied
Free insurance coverage	2.75	55%	Neutral
Balance Transfer facility	2.90	58%	Neutral
Cash withdrawal facility	3.95	79%	Satisfied
Interest charge and fees	.65	13%	Highly dissatisfied
Terms and condition.	1.90	38%	Dissatisfied

AUTHORS

- First Author – **kajol Karmoker** was born on October 20, 1990 at Khulna in Bangladesh. He is currently serving as a Lecturer of Human Resource Management (HRM) Discipline, Khulna University, Bangladesh. Mr. Karmoker has obtained both BBA (Marketing) and MBA (Marketing) degree from Khulna University. His research interest includes consumer behavior, Fast Moving Consumer Goods, Tourism.
- Second Author – **Md. Enamul Haque** was born on November 20, 1980 at Khulna in Bangladesh. He is currently serving as an Associate Professor, Business Administration Discipline, Khulna University. Mr. Haque has obtained both BBA (Marketing) and MBA (Marketing) from the University of Rajshahi. His research interest includes service marketing, consumer behavior, culture, ritual products.
- Third Author- **Sayed Azharul Islam** is a young academician and researcher in Bangladesh. He is working as a Lecturer of HRM Discipline at Khulna University. Some of his areas of interest are Sustainable Human Resource Management, HR Social Compliance and HR Analytics. Before joining in teaching, he served as HR professional in RMG and FMCG industry. He completed his BBA in Management and MBA in HRM from the Department of Management, University of Dhaka.
- Fourth Author— **Prosenjit Tarafdar** is serving as an Assistant Professor in Human Resource Management Discipline, Khulna University, Bangladesh. Mr. Tarafdar completed his BBA in Management and MBA in Human Resource Management from Department of Management, University of Dhaka. His major areas of interest are Strategic Human Resource Management (SHRM), Green HRM, Environmental Management and Financial Impacts of HR etc.