

# Credit Cards in India-Growth of Personal Finance

DR. V. MASULAMANI

*Lect. in Commerce, GDC, Pakala, Tirupati Dt, Andhra Pradesh.*

*Abstract— Credit card is financial instrument to a personal usage . It is a 45 to 50 days interest free card to user. Using a credit card is a simple way to repay debt. You can use it to shop for goods and services without needing credit or cash. It handles all of your expenses, including daily spending, expensive dining, supermarket shopping, Due to their convenient use and convenient repayment choices, credit cards have become an indispensable part of our life. When used responsibly, credit cards may be quite advantageous, offering discounts, benefits, and offers that are unmatched by other financial products. However, if used carelessly or if you overspend when it comes time to pay the bill, credit cards can turn into a source of spiraling debt. One sort of credit facility that banks offer their customers is a credit card, which lets them borrow money up to a predetermined credit limit. Customers are able to transact for goods and services with it. The credit card provider establishes the credit limit by taking into account various aspects, including income and credit score. Bonus tip: Check your score right now using the free credit score checker tool. The credit card number, cardholder name, expiration date, signature, CVC code, and other details are included in the credit card information. The fact that a credit card isn't connected to a bank account is its strongest feature. Therefore, the amount that is taken out of your bank account, not your credit card limit, is what happens when you swipe your card. It can be used to cover emergency services, other lifestyle items, food and clothing costs, as well as travel. This article highlights the growth of credit cards in India and advantages and disadvantages of credit cards.*

*Index Terms- Credit Card, Debit Card*

## I. INTRODUCTION

Demonetization caused a lack of monetary flow, therefore many started using cards to make their monthly purchases. The Reserve Bank of India reported that 36.2 million credit cards were in use in January 2018.

A credit card is a financial instrument that lets you borrow money from your bank to cover your essential costs, with the option to pay back the balance at a later time. You can use a credit line provided by a credit

card to cover required expenses. But as agreed upon between the bank and the cardholder, this sum needs to be returned to the bank on the due date. With a credit card, you can quickly get short-term credit anywhere, at any time, up to a pre-approved amount. Whether it's for a medical emergency or groceries during the final week of the month while you wait for your paycheck

With a credit card, you can borrow money up to the pre-approved credit limit that the bank has set, allowing you to make cashless purchases. The credit limit is determined by taking into account the credit card holder's debt, income, and credit score. Typically, plastic is used to make these cards. Credit can be used to make both physical and online purchases of products and services.

Purchasing a credit card, when utilized wisely, is a smart move. When you don't have enough savings for emergencies, credit cards come in quite handy. For the benefit of customers, they also provide a ton of discounts, reward points, and deals. Additionally, you may be able to obtain a bigger amount of personal loan if you have an excellent credit score.

A credit card statement, which provides a thorough account of all payments made, available credit, and outstanding balances on your card, is sent to you each month. This is really helpful for budgetary creation. The bank ensures that there is a record and a safeguard against theft by sending the card owner an SMS or email each time the card is swiped, making things easier to grasp.

## II. CREDIT CARD FEATURES THE FOLLOWING ARE SOME CRUCIAL CHARACTERISTICS OF A CREDIT CARD

- a) A bank-approved credit limit is attached to a credit card. This cap establishes the maximum amount that the creditor may use the card for purchases.

- b) On the due date, which is typically thirty days following the purchase date, the credit amount must be returned to the bank by the holder.
- c) Your bank determines the credit card limit based on your credit score and credit history.
- d) A credit card looks like a thin, rectangular, metal, plastic card that can be swiped to make purchases.
- e) There is a grace period on every credit card, which is the amount of time you have to pay back the bank the amount you borrowed over your credit card limit.
- f) You have an additional 15 to 20 days to make the payment between the time you receive your statement and the deadline.
- g) This is in addition to the grace period. Therefore, you have between 45 and 50 days to pay off your credit card.

### III. PAPERWORK IN ORDER TO APPLY FOR A CREDIT CARD

- a) ID Proof (Voter's ID, Passport, Aadhar Card, or PAN Card)
- b) Proof of address (such as an electricity bill, telephone bill, or Adhar card)
- c) Proof of income (pay stubs, employment letters, salary certificates, ITR statements, etc.)

### IV. DIFFERENT PLAYERS OF CREDIT CARD MARKET.

Among credit card issuers, HDFC Bank, SBI, ICICI Bank, and Axis Bank hold a dominant market share, accounting for 71 per cent of all credit cards. Catholic Syrian Bank Limited, South Indian Bank, and Federal Bank stand out as the most frequently used credit cards on average with around four spends per card per month. On the other hand, Karur Vysya, IndusInd, and CitiBank demonstrate the highest monthly spending per card, exceeding Rs. 27,000. While some government banks, such as Bank of Baroda, have saw a growth rate of 63 per cent, others like Bank of India, Bank of Maharashtra, and Canara Bank have cut back on their credit card offerings

#### 1. Travel Credit Card

If you're looking to compare credit cards and travel is one of your top objectives, travel credit cards can be your best option. You can get extra benefits with these cards when you make travel reservations. You can take

advantage of a number of privileges, like free access to airport lounges, concierge services, and savings on meals and other leisure activities, depending on the kind of travel credit card you use!

#### 2 Reward Credit Cards

You can earn reward points on your purchases with rewards credit cards. A set proportion of your purchase price is deducted from the number of points you receive. For instance, you might receive one reward point with a specific credit card for every Rs. 100 spent. The category your purchase falls within may affect the percentage value. The reward points you receive for buying groceries may not be the same as the points you receive for buying fashion accessories. When you reach a particular threshold of reward points, your card issuer will establish a catalogue where you may select how you wish to redeem your rewards.

#### 3. Secured Credit Card

For those attempting to establish credit or for those with a limited credit history, secured credit cards are a great choice. Because these cards are issued against fixed deposits, issuers frequently approve them promptly. With these cards, your credit limit is usually equal to 100% of what you deposit.

#### 4. Student Credit Card

This credit card is perfect if you take into account what a student needs. They can streamline their financial practices and begin constructing their credit score at an early age. The application process for these credit cards is not too complicated because they are designed with students in mind. Usually, these credit cards come with no annual fee.

#### 5. Premium Credit Card

These cards provide their customers with outstanding and superior benefits. These perks could take the kind of large savings at restaurants, spas, and other establishments. These credit cards do, however, come with an income criteria, and some are invite-only. In addition to income limitations, these credit cards have higher annual fees and require larger minimum purchases in order to be exempt from these costs.

#### 6. Co-branded Credit Card

. Card issuers provide co-branded credit cards in collaboration with leading brands from various

industries. These are the perfect cards for consumers who often buy specific brands. For brand devotees, the benefits of making these brand-related purchases can be quite profitable. Nevertheless, you can use the card to buy products from other companies in addition to the co-brand.

7. Shopping Credit Cards

Credit cards for internet purchasing are essential for ardent buyers. They open up amazing sales and discounts on a variety of online retailers, elevating the pleasure of every transaction.

8. Corporate Credit Card

If you want to keep a clear separation between your personal and company expenses, corporate credit cards are a terrific choice. These cards serve to assist business dealings and are principally utilised for reservations for travel, lodging, and transportation costs associated with business visits. Corporate credit cards offer higher reward rates than standard credit cards, typically in the form of cashback or airline miles.

9. Cashback Credit Card

If you would rather have a credit card that gives you instant money rather than reward points that you can spend at a later time, cashback credit cards are listed. Cashback, which is computed as a fixed percentage of the purchase price, is guaranteed with these cards.

V. OBJECTIVE OF STUDY

1. To know the meaning of credit card
2. To review the advantages and disadvantages of Credit cards in India.

VI. CREDIT CARD USERS IN INDIA

In the fiscal year 2022, India witnessed the issuance of approximately 73 million credit cards, reflecting a consistent upward trend in cumulative card numbers. Notably, the credit card market rebounded swiftly from the decline experienced during the lockdown from March to May 2020. The adoption of credit cards in India gained prominence following the market liberalisations of the 1990s and the subsequent diversification of the banking sector.

As of 2022, the financial landscape comprised around 78 banks, encompassing public, private, and foreign entities, alongside numerous smaller cooperative and

regional rural banks. It is noteworthy that India's credit card prevalence, as of 2020, ranked 11th globally in terms of the total number of cards in circulation. This contextualises the credit card future in India and underscores the impact of economic reforms and banking sector diversification on the proliferation of financial instruments.

Table-1  
Payment System Indicators – Annual Turnover (Volume Lakh)April-March)

Year	Credit CARD	Debit Card
2017-2018	14052	33434
2018-2019	17626	44143
2019-2020	21773	50611
2020-2021	17641	40146
2021-2022	22399	39387
2022-2023	29145	34199

Source: RBI Annual reports

Table-2  
Payment System Indicators – Annual Turnover (Value Crore)

Year	Credit CARD	Debit Card
2017-2018	458965	460070
2018-2019	603413	593475
2019-2020	730895	804870
2020-2021	630000	661000
2021-2022	972000	730000
2022-2023	1432000	720000

Source: RBI Annual reports

During 2019-20, the number of card payment transactions carried out through credit cards and debit cards increased by 23.5 per cent and 16.1 per cent, respectively, while the value increased by 21.1 per cent and 35.6 per cent to `7.3 lakh crore and `8.0 lakh crore, respectively. During 2021-22, payment transactions carried out through credit cards increased by 27.0 per cent and 54.3 per cent in terms of volume and value, respectively. Transactions through debit cards decreased by 1.9 per cent in terms of volume, though in terms of value, it increased by 10.4 per cent.

## VII. ADVANTAGES OF CREDIT CARDS

- a. The credit limit that a credit card holder is permitted to have is what draws the card in. Within that amount, you can purchase anything and pay later. It won't have an impact on your monthly budget even if you use credit to purchase expensive goods.
  - b. Provides safety, If you have a credit card, you don't need to carry a lot of cash.
  - c. Your monthly statements from net banking allow you to review your spending and schedule your repayments in advance.
  - d. If you have this card, you can travel anywhere without carrying a lot of cash. You can pay for anything using a credit card since it's the most widely recognized payment option.
  - e. A few credit cards let you take emergency cash up to a particular amount, and you won't be charged interest for 45 to 50 days.
  - f. As you use these cards, you'll accrue reward points. For example, IDFC FIRST Bank credit cards provide easily redeemed reward points that are both infinite and never expire.
  - g. One of the main advantages of credit cards that draw people in is that they offer both comprehensive travel insurance and personal injury coverage.
  - h. Credit cards play a significant role in travel. With IDFC FIRST Bank credit cards, you may enjoy exclusive benefits like priority check-in and free lounge access at Indian airports and train stations. In addition to these, you can get food savings at over 280 eateries.
- c) A credit card entails a number of unstated expenses, penalties, fines, and fees. Despite the system's seeming simplicity, there are other levies, including taxes and penalties for enrolling and making late payments, which drive up the costs.
  - d) Credit card interest rates are high, with banks charging an average of 3% monthly. Moreover, unpaid debts are carried over to the following month, and the cardholder is subject to penalties and fees.
  - e) It is quite simple to overspend when using a credit card, especially when you might have more than one. It can be tempting to spend more money than you make because you are unable to see the money being taken out of your bank account.

## CONCLUSION

A credit card is essentially a financial tool that allows you to borrow money from your bank to pay for necessities, with the opportunity to settle the debt at a later date. To pay for necessary bills, you can use the credit line that a credit card provides. However, as per the terms set forth by the bank and the cardholder.

## REFERENCES

- [1] Aithal, P. S (2021). Ideal Banking system & Its Realization opportunity. Srinivas Publication, 3(2), 296-318.
- [2] Aithal, P. S. (2016). A comparison of ideal banking model with mobile banking system. International Journal of Current Research and Modern Education (IJCRME), 1(2), 206-224.
- [3] Prasad, K. K., & Aithal, P. S. (2015). Massive Growth of Banking Technology with the Aid of 5G Technologies. International Journal of Management, IT, and Engineering (IJMIE), 5(7), 616-627.
- [4] Scholnick, B., Massoud, N., Saunders, A., Carbo-Valverde, S., & Rodríguez-Fernández, F. (2008). The economics of credit cards, debit cards and ATMs: A survey and some new evidence. Journal of Banking & Finance, 32(8), 1468-1483.
- [5] Brito, D.L. & Hartley, P. R. (1995). Consumer rationality and credit cards, The Journal of Political Economy, 103(2), 400-33.

## VIII. DISADVANTAGES OF CREDIT CARDS

- a) Spending too much can result in debt. Only a fixed amount of interest payments may be covered by your income, and going over your credit limit may prevent you from being able to pay off your outstanding balance.
- b) Fraud is achievable thanks to the same technology that makes using credit cards so simple. A credit card number can be easily obtained and used to make significant transactions without the cardholder realising until they receive their bank statement, especially with cyber crime on the rise.

- [6] Zandi, M., Singh, V., & Irving, J. (2013). The impact of electronic payments on economic growth. *Moody's Analytics: Economic and Consumer Credit Analytics*, 217(2),3-16.
- [7] Zandi, M., Koropecykj, S., Singh, V., & Matsiras, P. (2016). The Impact of Electronic Payments on Economic Growth, *Moodys Analytics*. Retrieved from <https://usa.visa.com/dam/VCOM/download/visa-everywhere/global-impact/impact-of-electronic-payments-on-economic-growth>. 07/08/2022
- [8] Bank Bazar (2022).40 Best Credit Cards in India 2022 - Top Cards from SBI, Axis & More. Retrieved from 10 Best Credit Cards in India 2022 - Top Cards from SBI, Axis & More website: <https://www.bankbazaar.com/credit-card/top-10-credit-cards-in-india.html> on 7/2/2022.
- [9] Credit Card Users in India (2020). Analysis of Online User Conversations – *Researchandmarkets.com*retrievedfrom <https://www.businesswire.com/news/home/20201119005603/en/Credit-Card-Users-in-India-2020-Analysis-of-Online-User-Conversations---ResearchAndMarkets.com>. on 26/11/2022.
- [10] HDFC Integrated. (2020). Annual Report 2019-20 retrived from <https://www.hdfcbank.com/personal/about-us/investor-relations/annual-reports> on 8/11/2021.
- [11] [Frankel, R. S. (Jul 27, 2021). When Were Credit Cards Invented: The History of Credit Cards – *Forbes Advisor*. Retrieved from *Forbes Advisor* <https://www.forbes.com/advisor/credit-cards/history-of-credit-cards/>. on 16/03/2022
- [12] State Bank of India. (2022).Annual Report 2020 – 2021 retrived from <https://sbi.co.in/web/investor-relations/annual-report> on 06/01/2022.