

# Credit Familiarity Impact on NPPN Credit Card Holder-A Contemporary Study

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## ARTICLE INFO

## ABSTRACT

Behavioral Finance of credit card holder basing on, not only the providing familiarity about utilization and payment of credit card but also basing on providing basic familiarity on features of credit like credit limit, credit history, credit score and CIBIL score.

**Objectives:** To study the impact of credit familiarity on credit card holders and to find out the brand wise familiarity analysis on credit card holders.

**Methodology:** Percentage, Mean Score, Ranking, Threshold And LIKERT's Scale.

**Findings:** There are many credit card brands are there, but here customer leaded founded brands are in this survey are SBI, ICICI, HDFC and SLICE .

**Results:** Credit familiarity customers are from national bank that is SBI, public bank that is ICICI, private bank HDFC and non-banking sector SLICE identified in this.

**Keywords:** Behavioral Finance, Familiarity, Credit Limit, Credit History, Credit Score, CIBIL Score

## Introduction:

Credit card is one of the best alternative financial tool preferably for households for late income receivers to adjust their spends in year wise. To minimize the risk of income problems they are facing the alternate challenge as credit risk, due to unfamiliarity of individual behavior in planning and managing of credit history, credit score and CIBIL score. Since long back, many researchers were studied about the utilization and payment aspects of credit card, this paper would like to analyze the familiarity to understand the holders familiarity level on credit rules as well as card issuers. And how much the NPPN-(national, public, private and non-banking), agencies, networks and intermediaries succeeded in providing credit and card familiarity towards their customers as well as consumers on credit rules, card brand.

## Review of Literature:

**Familiarity:** Keith Redhead, Familiarity is a psychological simplification among Heuristic simplifications.

**Credit Limit:** Stephan Meier and Charles Sprenger (2010), One of the key considerations when picking a credit card is the credit limit. Decisive information is provided by their credit reports on credit card holder ship and revolving methods of credit limitations. Ethan Cohen-Cole (2011) Credit limit and credit utilization are two important factors for individual card accounts. SIMON FIRESTONE (2014), Gross and Souleles (2002) Consumers respond to changes in credit limits and interest rates. Nupura Torvekar, Pravin S. Game, (2019), the customer is assigned a pre-approved credit limit based on his credit history and other factors. Furthermore, customers with repaying ability but accumulating large amounts of credit and exceeding their credit limit can result in significant losses for banks. Dr. Bhavdeep Singh Ahuja, (2019), Maintain a low credit utilization ratio: This is the percentage of our credit card limit that we use.. A healthy credit utilization ratio is anything less than 30%, for e.g. if our card has a limit of Rs. 2 Lacks, a healthy credit utilization ratio is less than Rs. 60,000 (30%). Keep an eye on your credit limit: Having an optimal credit limit is always preferable. This reduces the amount of risk exposed. It is preferable to stick to a self-imposed credit limit and decline credit limit increases from your card issuer. Another common pitfall is increasing credit limit after receiving a call from a bank or company representative. The better option is to always have an optimal credit limit,

which reduces risk exposure. As always, the best option is to stick to a self-determined credit limit and refuse credit limit increases from the card issuer. We Indians dislike going through and seldom study the offer document with terms and conditions prior to using a credit card. There are several hidden terms and conditions that we as customers ignore, resulting in losses. We can save a lot of money by taking the time to read the terms and conditions.

**Credit History:** AmdetsionKidane, SandipMukherji Credit History means Home Equity Loan, Auto Loan and other installment loans. To gain the most credit, consumers must make timely payments, establish a good credit history, use credit responsibly, and determine a credit history. We discovered that credit card companies target consumers who have strong financial resources, substantial and responsible credit use, and an established credit history and do not have recent payment difficulties or credit damage. Credit reports allow us to determine the number of loan accounts in a person's credit history and whether or not that person has enough credit history to receive a FICO score from the credit bureau. Ethan Cohen-Cole, (2011) To qualify for a mortgage, one must typically establish a credit history. When the application information is returned, the issuer evaluates both the information provided on the form and the customer's credit history. Building the good credit history required to buy a house is now almost inseparably linked to prior reasonable credit card use. Credit histories are now utilized to determine vehicle insurance rates and in job applications. NupuraTorvekar, Pravin S. Game, (2019) Credit history is one from the data sets used to investigate the credit card market. They also discovered that lenders' advertising approaches vary together a number of measurements, such as people income, bankruptcy history, credit rating, credit history length, and education. NupuraTorvekar, Pravin S. Game, (2019) Good credit is important in a variety of ways, including the ability to obtain favorable credit interest rates through maintaining a good credit rating (CIBIL score) and credit history. Credit ratings and credit history are sometimes used to assess someone's reliability. On the plus side, paying more than the minimum amount due would also help us keep our credit utilization ratio low, which would in turn help us establish a strong credit history. Viani B. Djeundje, Jonathan Crook, Raffaella Calabrese, Mona Hamid, (2020) Hundreds of hundreds of thousands of people in low-income economies lack credit or bank accounts because they lack sufficient credit history to be assigned a credit score.

**Credit Score:** Ethan Cohen-Cole, (2011): One frequently cited example of initial screening is the use of a person's credit rating as a tool to predict which individuals are eligible for offers for a specific type of credit card. Many entities calculate credit scores, and while the use of race cannot be ruled out, scoring systems are renowned collections of consumer credit histories. Credit scores have improved as a result of an increase in credit lines. Credit score is, as expected, favorably and highly related to the amount that is available credit. 07% of those polled had previously declared bankruptcy. Both the income and credit score factors correlate with a weakly gradually increasing likelihood of obtaining an offer as wealth and reputation rise. Consumers without a credit score were more likely to receive fewer offers, whereas those with a credit score whose oldest trade was less than 5 years received more offers. Enticing as these may seem, keep remembering that we shouldn't alter our credit cards every so often as we modify our socks. Viani B. Djeundje, Jonathan Crook, Raffaella Calabrese, Mona Hamid, (2020): Due to their lack of sufficient credit history, hundreds of millions of people in economies with low incomes lack access to credit or bank accounts.

**CIBIL Score:** Ethan Cohen-Cole, (2011): So, when we switch our expenditures to a different card, utilize to maintain our inactive account open as long as the annual fee is due. This will increase the average length of our credit history, thereby improving our credit score. NupuraTorvekar, Pravin S. Game, (2019): Check the CIBIL (Credit Information Bureau [India] Limited) or credit score at least once a year. Good credit is important in a variety of ways, including the ability to obtain the best CIBIL score

### **Theoretical Framework:**

Familiarity Bias, also referred to as Home Bias, is a preference for what's familiar. The investors might choose to invest in corporations with which they are familiar as consumers. People prefer financial planners with whom they are familiar or who share their characteristics and values. Investors are also more likely to trust product providers with whom they are familiar.

**Credit Limit :** The credit limit is the most you can spend on your credit card at any given point in time and credit limit determined by credit card issuer. The credit limit is the total amount you can spend on your credit card. You should aim to spend about 30% of your credit limit and never go over it. Over incur charges, credit score downs and card blocking when Payment adjustment problems at spending over limit. Best to stick with self-determined spending limit with predetermined credit limit by issuer which is linked with level of income.

**Credit History:** When credit history is mentioned, it is most likely related to how someone handled debt in the past and what is going on with their accounts currently. This includes information such as the types of accounts a person holds, how long they've been open, and whether the account holder made payments on

time. Moreover also the details with credit management, credit reports, credit scores and lending decisions have been understood.

**Credit Score:** also called as credit rating. A credit score measures a person's financial standing, or capability to repay debt. It is typically expressed as a number based on the individual's repayment history and credit files across various loan types and credit institutions. Before applying for a loan or credit card, you should at least verify your credit score. Credit Information Bureau India Limited (CIBIL), Experian, Equifax and Highmark are the four credit information licensed companies in India through RBI.

**CIBIL score:** The CIBIL rating is the most widely used credit score in India. The CIBIL credit score is a three-digit number ranging from 300 to 900, with 900 being the highest possible score. Banks typically accept a CIBIL score of 700-750 or higher to issue a credit card to an applicant.

**Objectives of the Study:**

1. To study the impact of credit familiarity on credit card holders.
2. To find out the brand wise familiarity analysis on credit card holders.

**Research Methodology:**

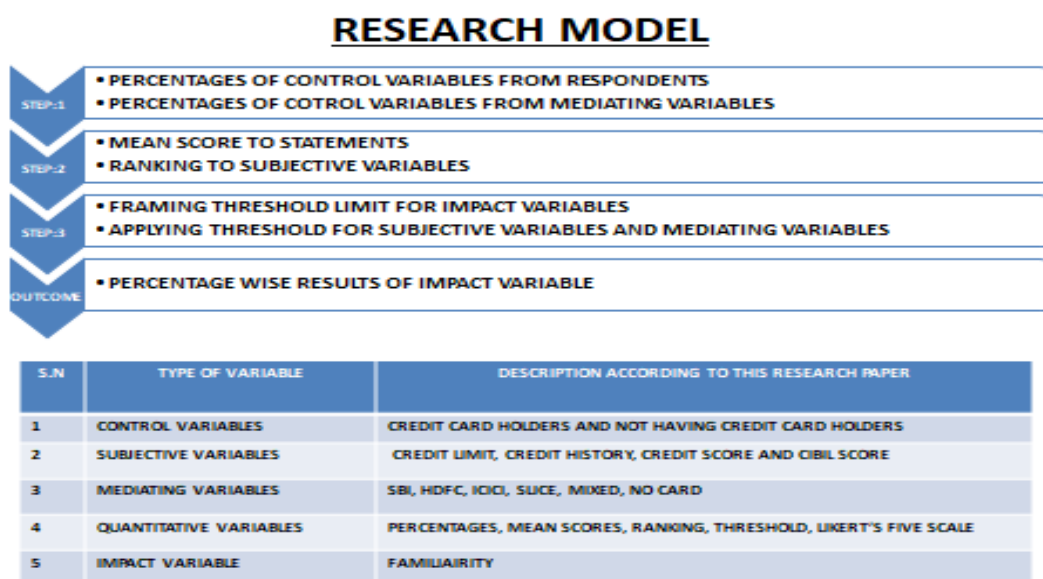
**Method:** With the help of both qualitative and quantitative, this paper focused on exploratory analysis which may helpful for next continuation development in this research.

**Data:** Primary data collected through online questionnaire survey and secondary data reviewed through articles, books and websites.

**Techniques:** Along with options of Likert's five scale, the mathematical techniques also used for analyzing the data like percentages, mean score, ranking, threshold limit and their percentages and also impact variable is chosen from sub concept of Behavioral finance, that is Familiarity.

**Limitations:** With SBI, ICICI, HDFC and SLICE branded credit card holders are there majorly in the survey conducted area. Other branded holders are also there, but their number not suited for analysis. As the reason of depth study, the analysis was divided into three parts. Exploratory, Hypothetical and Conceptual. In this frame Hypothetical analysis research paper and conceptual research paper continued with this exploratory analysis in my upcoming publications. So, this paper limited with mean scores, raking, percentages and threshold limits. In this paper we analyzed credit card un users also ( no card holders) to find out the level of familiarity in there.

**Chart1: Research Model connecting between Variables and Techniques.**



As about the description of above chart 1, designed internally two tables in power point presentation to give proper clarity, first table showing how variables measured with techniques and second table with description of each and every variable, as how research variables and mathematic techniques are linking for analysis.

## Data Analysis and Results:

**Table 1: Primary Data Analysis after Survey**

Primary Data from Survey:	Members	Percentage
Questionnaire sent for	100	100%
Respondents	50	50%
Credit card holders from 50 respondents	45	90%
NO credit card holders 50	5	10%
HDFC credit card holders among 45	7	15.5%
ICICI credit card holders among 45	7	15.5%
SBI credit card holders among 45	11	24.5%
SLICE credit card holders among 45	9	20%
MIXED credit card holders among 45	11	24.5%

As about the description of above Table 1, total questionnaire sent to hundred members, among them respondents are fifty, in that credit card holders are forty five, no credit card respondents are five.

**Table 2: Mean score of Statements and Ranking of Subjective variables.**

CREDIT LIMIT	STATEMENTS	MEAN SCORE	RANK
CL1	CREDIT LIMIT ON CREDIT CARD IS DECIDED BY CREDIT CARD ISSUED BANK	3.82	I
CL2	INCREASING OR DECREASING CREDIT LIMIT IMPACT ON CREDIT SCORE	3.7	II
CL3	CREDIT LIMIT [CREDIT LIMIT ON CREDIT CARD IS PREDECIDED	3.2	III
CREDIT HISTORY	STATEMENTS	MEAN SCORE	RANK
CH1	CREDIT HISTORY IS A RECORD OF CREDIT ACTIVITY/CREDIT REPORT	3.9	I
CH2	CREDIT HISTORY INCLUDES THE TOTAL NUMBER OF LOANS AND CREDIT CARDS THAT YOU HAVE	3.5	III
CH3	CREDIT HISTORY INCLUDES YOUR DEBT SUMMARY	3.84	II
CREDIT SCORE	STATEMENTS	MEAN SCORE	RANK
CS1	CREDIT SCORE DETERMINES YOUR CREDIT WORTHINESS OR YOUR CREDIT BEHAVIOR	4.02	IV
CS2	HIGH CREDIT SCORE IS ELIGIBLE TO AVAIL CREDIT CARD REWARDS AND BENEFITS	4.08	II
CS3	HIGH CREDIT SCORE IS ELIGIBLE TO AVAIL ANOTHER CREDIT CARD/LOAN	4.18	I
CS4	HIGH CREDIT SCORE IS ELIGIBLE TO IMPROVE CREDIT LIMIT	4.06	III
CS5	CREDIT SCORE INFORMATION BASING ON YOUR CREDIT REPORTS	3.82	VI
CS6	HIGH CREDIT SCORED HOLDERS APPLICATION PROCESS OF NEXT CREDIT CARD/LOAN QUICKER THAN AS COMPARED TO HOLDERS WITH A LOW CREDIT SCORE	3.88	V
CIBIL SCORE	STATEMENTS	MEAN SCORE	RANK
CIBIL1	CIBIL SCORE IS A 3-DIGIT NUMERIC SUMMARY OF YOUR CREDIT HISTORY	3.74	VI
CIBIL2	HAVING MORE THAN ONE CREDIT CARD/LOAN STRENGTHEN YOU CIBIL SCORE	3.76	V
CIBIL3	CIBIL SCORE IS POOR, IF IT IS BETWEEN 300-350	3.8	III
CIBIL4	CIBIL SCORE IS AVERAGE, IF IT IS BETWEEN 550-650	3.78	IV
CIBIL5	CIBIL SCORE IS GOOD, IF IT IS BETWEEN 650-750	3.94	II
CIBIL6	CIBIL SCORE IS EXCELLENT, IF IT IS BETWEEN 750-900	4	I

As about the description of above Table 2, three statements were used to measure the familiarity of credit limit, three statements were used to measure the familiarity of credit history, six statements were used to measure the familiarity of credit score and six statements were used to measure the familiarity of CIBIL score.

**Table 3: Threshold Limit for Subject Variable wise**

THRESHOLD TABLE	STATEMENTS(Q)	LIKERT'S 5 SCALE	A*B	UNFAMI	MODERATE	FAMI
	A	B				
CL	3	5	15	3 TO 6	7 TO 8	9 TO 15
CH	3	5	15	3 TO 6	7 TO 8	9 TO 15
CS	6	5	30	6 TO 12	13 TO 15	16 TO 30
CIBIL	6	5	30	6 TO 12	13 TO 15	16 TO 30
ALL AREAS	18	5	90	18 TO 36	37 TO 54	55 TO 90

As about the description of above Table 3, here the threshold limit applied to Likert's five scaled statements.

**Table 4: Brand wise Subject Variables Familiarity analysis**

OUT OF 07 HOLDERS		CREDIT LIMIT	CREDIT HISTORY	CREDIT SCORE	CIBIL
HDFC	UNFAMILIARITY	3	2	0	1
	MODERATE	1	1	1	0
	FAMILIARITY	3	4	6	6
	TOTAL	7	7	7	7
ICICI	UNFAMILIARITY	0	2	0	1
	MODERATE	1	0	1	1
	FAMILIARITY	6	5	7	5
	TOTAL	7	7	7	7
SBI	UNFAMILIARITY	0	0	0	0

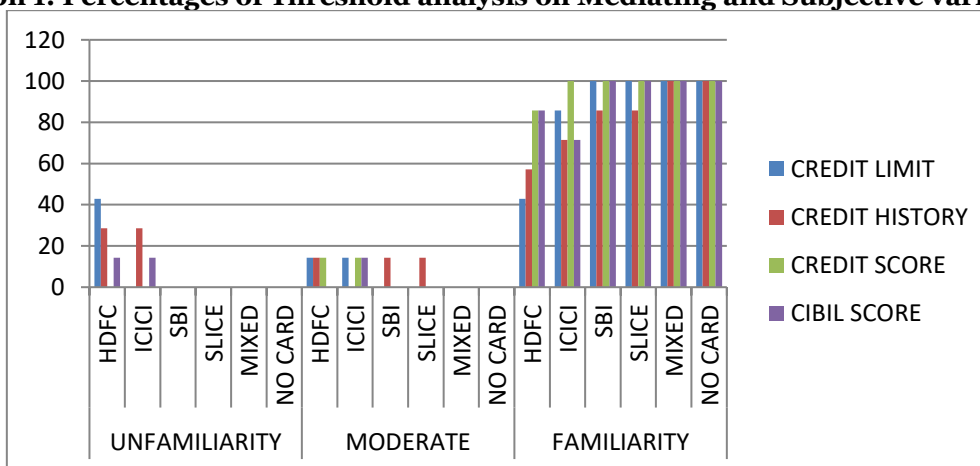
NO CARD	MODERATE	0	1	0	0
	FAMILIARITY	7	6	7	7
	<b>TOTAL</b>	7	7	7	7
	UNFAMILIARITY	0	0	0	0
	MODERATE	0	1	0	0
	FAMILIARITY	7	6	7	7
	<b>TOTAL</b>	7	7	7	7
	UNFAMILIARITY	0	0	0	0
	MODERATE	0	0	0	0
	FAMILIARITY	7	7	7	7
	<b>TOTAL</b>	7	7	7	7
	UNFAMILIARITY	0	0	0	0
MODERATE	0	0	0	0	
FAMILIARITY	5	5	5	5	
<b>TOTAL</b>	5	5	5	5	

As about the description of above Table 4, the reason of taking common total number as seven ( even though in table 1: the brand wise respondents difference is there) in each brand is, for accurate result among seven members can easily identify how many are familiar and how many are unfamiliar with subject variables

**Table 5: Percentages of Threshold analysis on Mediating and Subjective variables:**

THRESHOLD RESULTS IN PERCENTAGES		CREDIT LIMIT	CREDIT HISTORY	CREDIT SCORE	CIBIL SCORE
UNFAMILIARITY	HDFC	42.85714	28.57143	0	14.28571
	ICICI	0	28.57143	0	14.28571
	SBI	0	0	0	0
	SLICE	0	0	0	0
	MIXED	0	0	0	0
NO CARD	0	0	0	0	
MODERATE	HDFC	14.28571	14.28571	14.28571	0
	ICICI	14.28571	0	14.28571	14.28571
	SBI	0	14.28571	0	0
	SLICE	0	14.28571	0	0
	MIXED	0	0	0	0
NO CARD	0	0	0	0	
FAMILIARITY	HDFC	42.85714	57.14286	85.71429	85.71429
	ICICI	85.71429	71.42857	100	71.42857
	SBI	100	85.71429	100	100
	SLICE	100	85.71429	100	100
	MIXED	100	100	100	100
NO CARD	100	100	100	100	

**Graph 1: Percentages of Threshold analysis on Mediating and Subjective variables:**



As about the description of above Table 5 and Graph 1, Here unfortunately No card holders and Mixed card holders got first place in familiarity and which are not considerable and the remaining result are same like above table 4, but the thing here to understand, the measurements given in percentages.

**Findings:**

From chart 1, designed internally two tables in power point presentation to give proper clarity, first table showing how variables measured with techniques and second table with description of each and every variable, as how research variables and mathematic techniques are linking for analysis. Here the control variables are credit card holders and not having credit card holders; subjective variables are credit limit,



credit history, credit score & CIBIL score ; mediating variables are SBI, HDFC, ICICI, SLICE, MIXED & NO CARD; quantitative variables are percentages, mean scores, ranking, threshold & Likert's five scale and impact variable is familiarity.

From Table 1, total questionnaire sent to hundred members, among them respondents are fifty, in that credit card holders are forty five, no credit card respondents are five, SBI brand got highest with eleven holders, SLICE got second with nine holders, ICICI and HDFC are same with seven holders and finally mixed with eleven holders.

From Table 2, three statements were used to measure the familiarity of credit limit, three statements were used to measure the familiarity of credit history, six statements were used to measure the familiarity of credit score and six statements were used to measure the familiarity of CIBIL score. Measured the averages of mean score of each section variable rankings are giving here, 4th rank for Credit limit got average of mean score is 3.57, 3rd rank for Credit History got average of mean score is 3.75, 1st rank for Credit Score got average of mean score is 4.01 and 2nd rank for CIBIL score got average of mean score is 3.84.

From Table 3, here the threshold limit applied to Likert's five scaled statements, as example for first variable of credit limit, there are three statements and five options ( highly familiarity '5'; familiarity '4'; moderate '3'; low familiarity '2'; and no familiarity '1') got total fifteen, so minimum range taken as 3 to 6 (unfamiliar-UNFAMI); 7 to 8 (MODERATE) and 9 to 15 ( familiar- FAMI) so on remaining three variables are also measured.

From Table 4, the reason of taking common total number as seven ( even though in table 1: the brand wise respondents difference is there) in each brand is, for accurate result among seven members can easily identify how many are familiar and how many are unfamiliar with subject variables. So in this we observed that SBI and SLICE got same result , ICICI taking second following , HDFC in third position and the result of mixed brand not considered even it is in 100%.

From Table 5 and Graph 1, Here unfortunately No card holders and Mixed card holders got first place in familiarity and which are not considerable and the remaining result are same like above table 4, but the thing here to understand, the measurements given in percentages.

### Observations:

Even many banks promoting credit cards in India and giving benefits and rewards, only four brands from all these areas of ( NPPN ) having customers demand to purchase credit card, as in them also familiarity volatility is there in the means of purpose of credit limit, effects of credit history effects, benefits of credit score and ratings of CIBIL score. With this we can observe that having credit card means, not the meaning of having familiarity with risk from credit.

### Suggestions:

By this paper, we can understand that the entire NPPN having equal responsibility to give proper familiarity towards behavioral finance along with alternate financial tool before and also after selling a credit card to customers.

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