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## **Prospects and Challenges of using Credit Card Services: A Study on the users in Dhaka City**

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## **Prospects and Challenges of using Credit Card Services: A Study on the users in Dhaka City**

### **Abstract**

Economic structure plays a significant role in driving consumer spending attitudes in different countries. People of Bangladesh have been experiencing credit cards for not more than two decades. Also, accepting credit cards by wider merchants in making payments is comparatively a new practice in Bangladesh. According to Bangladesh Bank, the total amount of Credit Card transactions was Tk. 1934.9 crores during June 2021, which indicates a 115.47 percent growth from June 2020. It shows that credit cards have better acceptance and non-cash financial payments due to the Covid-19 pandemic. Therefore, a survey was initiated to investigate the opinions of the people of Dhaka city towards credit cards to find out the prospects and challenges faced by the credit card users and to identify the reasons for not using among its non-users. The Non-probability Purposive Sampling technique was applied, and 400 responses were finalized and analyzed as reliable data. Secondary information was used for the research validity. The findings highlighted moderate penetration of credit card usage in Dhaka city due to high-interest rates, security issues, hidden terms and conditions, lower credit limits, and other reasons. Though existing users are moderately satisfied, non-users are mostly demotivated to use them by perceiving that credit cards increase their expenses, and hidden terms and conditions play a significant role in this attitude. A substantial proportion of ex-users have stopped using their credit card and have less intention to re-use credit cards soon. Extended services of debit cards and 'Mobile Financial Services' nowadays are considered the preferred option in making transactions. Credit card providers should make substantial efforts to minimize the communication and service gap for future sustainability. In the future, researchers can initiate further studies to compare credit cards services with other non-cash payment options.

**Keywords:** Credit Cards, Dhaka city, Communication and Service Gap, Covid-19, Non-cash payment options

## 1. Introduction

Bangladesh, over the years, has been a swelling market for consumer products. Growing per capita income has enabled growth in consumer spending. At the same time, the country is appreciating demographic surplus in its labor force. Reasonably, the consumer product market in Bangladesh is growing and is drawing the attention of global media.

Munir, Muehlstein, & Nauhbar (2015) mentioned in The Boston Consulting Group (BCG) report, Bangladesh's increasing middle class and affluent group of people. BCG portrayed Bangladesh with emerging growth opportunities for consumer product companies. Every year, 2 million Bangladeshis join the middle class and affluent ranks. These consumers are highly optimistic, value foreign brands, and jump on the digital bandwagon.

Bangladeshi consumers mostly purchase from traditional shops and retail outlets. However, they are rapidly embracing smartphones and high-speed mobile internet services. Given the prospective growth future of the consumer product market, this is precisely the time to look into the Consumer Finance segment of the country's banking industry.

According to a website source (Practical Business Skills, 2021), cash is the most common and popular mode of payment in consumer transactions in Bangladesh. There are also other payment mediums such as Cheques, Debit Cards, Credit Cards, Privilege or Discount Cards, Mobile Payments through Mobile Financial Services (MFS), and Electronic Bank Transfer Applications. However, credit card transactions are still relatively low compared to other forms of monetary transactions in Bangladesh.

Islam et al. (2015) mentioned that in this current competitive marketing world, businesses and entrepreneurs recurrently monitor their business happenings and advance newer initiatives and ventures to apply different strategies to ensure and attain higher profitability. For example, credit card companies and banks are likely to launch credit cards with high-interest rates out of the lust for making ever-greater profits. However, this product is yet to gain momentum in the country.

Due to convenience, security, and increase in the electronic Point-of-Sales outlets (POS) and incentives offered by Credit Card providers, therefore leveraging the usage of Credit Cards among the customers (Guidelines on Credit Card Operations of Banks, 2017). Considering the growth of Credit Card operations in Bangladesh, it is essential to highlight the framework of rules or regulations for the Credit Card issuing Banks for

handling the risks of their credit card business and as well as for securing the customers' interest.

Credit card usage is yet to gain momentum in the country despite all the efforts. Experts mentioned that many people also abstain from taking and using credit cards because of the insecurity of credits due to the growing number of cybercrimes and frauds.

The credit card market of Bangladesh is getting competitive, and the significant reason is the penetration of new players in the market. The service providers are becoming more market-centric, thus focusing on suitable and attractive offerings for the emerging market clientele who desire to avail the service benefits of credit cards. Despite having an emerging trend in the credit card market in terms of the number of credit card users and the number of transactions made, this growth may be halted if some fundamental issues are not adequately addressed, which will eventually face by the customers. One of the substantial issues that credit card holders face is the excessive charge imposed on the customers. Another primary concern that credit card holders fear off is the risk of credit card fraud. About some banks, it was mentioned that credit card fraud is one of the major factors that restrict customers from taking credit cards and using them in regular day-to-day transactions. Cardholders are also concerned about the fear of excessive charges and interest rates imposed by the issuing bank (Ahmad et al., 2019).

With the advancement of technology, the prevalent use of "plastic money" was introduced in the financial sector. As a result, the users gradually accept plastic money as a popular means of payment in Bangladesh. (Sultana & Hasan, 2016).

According to the Bangladesh Bank report (Banks & FIs, 2021), 61 scheduled banks in Bangladesh operate under complete control and supervision of Bangladesh Bank, which is empowered to do so through Bangladesh Bank Order, 1972 and Bank Company Act, 1991. In addition, along with the Scheduled Banks, there are 34 Non-Bank Financial Institutions (FIs) currently operating in the local market, which are regulated under Financial Institution Act, 1993 and controlled by Bangladesh Bank. As per the report of Bangladesh Bank [Interest Rate of Scheduled Banks (Lending Rate), 2021], as of July 2021, there are around 36 Banks in Bangladesh currently offering credit cards services to their customers. Furthermore, Bangladesh Bank (Issued Cards and Transaction Statistics, 2021) data showed that the total number of issued credit cards in

Bangladesh was 17,73,996 and had transactions of Tk. 1934.9 crores, which indicates a 115.47 percent growth from June 2020.

According to a newspaper article (Hasan, 2021), he stated that since the outbreak of COVID-19 in March 2020, credit card payments had drastically declined as the spending on travel, tourism, and purchase of lifestyle products dropped significantly. The decline was prevalent as many countries halted international flights to curb the outbreak of the virus. However, as the situation developed and governments started to reopen their borders for passengers to travel and the businesses opened for trade, the credit card spending amplified in June 2021. The escalation of credit card usage is due to the advanced purchases for Eid-ul-Azha and more significant payments on e-commerce platforms. He also mentioned that May and June 2021 were noble months for credit cards as some business sectors like restaurants, lifestyle, and electronics sellers offered increased incentives for purchase. The writer also mentioned that transactions through internet banking increased to 40.84 percent year-to-year to Tk 10,452 crore in the same month due to the extended pandemic, which made clients habituated to banking through digital means to avoid the frequent and needed branch visits.

Karim (2020), in a newspaper article, mentioned that the bankers and experts analyzed that the volume of transactions through credit cards accelerated as people prefer to pay bills and for their purchases completed through credit cards after the reopening of the country's economy. He cited a senior Bangladesh Bank official that as people finished their shopping and banking transactions without going to the bank's branches during the pandemic period, the usage of credit cards increased significantly. The article writer also mentioned that since the pandemic started, many customers faced constraints and were affected as their income declined but needed to buy the essential items. Therefore, to complete the transactions to purchase those items required, the customers become more adapted to the usage of credits cards.

Credit card spending has been increasing over the years, and the pandemic provoked the usage of cards to a new level as people are now profoundly dependent on digital purchases. Digitalization and an augmented propensity to do online transactions rather than handle cash is pushing card transitions higher. Since the pandemic outbreak commenced in Bangladesh, customers of different Mobile Financial Services (MFIs) have received multiple options from the providers regarding transferring funds from their

Credit Card/Bank Account to their mobile wallet. In addition to the add money features, the customers can also pay their utility bills, send money to other account holders, make credit card payments to the respective bank. The customers can also make cash out, transfer money, recharge mobile numbers, merchant payments, and carry out other essential financial services and transactions.

Therefore, considering this prevailing situation, the researchers hope that it will be beneficial to determine the significance of the prospects and challenges of using credit cards among its users in the spheres of Dhaka city. In a developing country like Bangladesh, the emergence of credit cards is becoming one of the significant modes of transaction. Still, as compared with other countries, some limitations and challenges prevail in using credit cards. When these hindrances in using credit cards are carefully addressed and rectified, more customers will be eager to use the credit cards. To take such initiative, the researchers directed this study to analyze the existing users in determining the facilities and the limitations they face when they use credit cards. However, the study further emphasizes finding the causes why the ex-users stopped using the cards and the initiatives that the credit card providers can take to attract the non-users to avail the benefits and facilities of using credit cards in making regular transactions.

## **2. Objectives of the Study**

The study's general objective is to address the prospects and challenges the users (existing users, non-users, or ex-users) face in using credit card services as a payment medium in Dhaka city. In evaluating such objective, the following specific purposes are mentioned below:

- To find out the customers' existing preferences towards using credit cards as a mode of transaction.
- To explore the prospects and challenges regarding the business feasibility of credit cards among customers.
- To identify probable measures that credit card providers can initiate to increase business growth.

## **3. Literature Review**

In 1951, Franklin National Bank (New York, USA) released the first-ever credit cards to market to facilitate the merchants and the customers. Afterward, investigators witnessed six famous international credit card brands - American Express, Diners Club, Japan credit bureau, Visa, MasterCard, and Chinese union pay in this regard. In collaboration with these institutions' banks are licensed to issue credit cards to new customers

and encourage existing customers to perform their daily spending with the help of these cards (Trinh, Tran, & Vuong, 2020).

The concept of credit cards is a recent trend in Bangladesh. Likewise, in other parts of the world, technology has made radical shifts in Bangladesh, and this transformation can be known as E-money or Electric money (Rashid & Islam, 2019). The banking sector in Bangladesh is booming at a faster rate, and therefore to perform optimally, this sector emphasizes the utilization of technology. With the spread of technology, a striking shift in the economic sector, especially in Bangladesh's banking sector, has been observed significantly (Sultana & Hasan, 2016). The banking sector has served new service offerings, and the use of 'plastic money' (refers to the credit cards or the debit cards and an alternative to the cash or the standard money) is one of these. In most nations from the developed world, plastic money has replaced paper currency notes. Developing countries (like Bangladesh) have started gradually to adopt this service from the banking sector due to convenience and hassle-free transactions. Bangladesh's customers have shown their inclination for the 'plastic money to draw money or make purchases. A variety of additional plastic cards provided by banks in Bangladesh are ATM cards, Smart cards, and others. All the required information about the Plastic money/Cardholder and the respective bank are stored and executed by inserting it in the Automated Teller Machine with this electronic module (Sumi & Safiullah, 2014).

ANZ Grindlays Bank (now Standard Chartered) initially started obtaining international card brands like MasterCard and Visa Card in 1989 through a restricted Merchant System. It was the first bank to circulate MasterCard and Visa credit cards on January 1, 1997, in the market of Bangladesh. Today, all significant commercial banks in Bangladesh provide such service offerings to the customers. Eligibility criteria for this type of credit, the consumer must open an account with a bank or company that issues a card). Furthermore, they then receive a line of credit with a stated dollar sum. They can utilize the card to make purchases from contributing vendors until they attain this credit ceiling. With the help of credit cards, consumers can purchase goods and services without cash and pay later. It makes consumers' life hassle-free regarding transaction ground (Rashid & Islam, 2019).

Salman & Munir (2015) referred that a credit card permits consumers to purchase products or services without a cash transaction and pay the amount later, up to a scheduled credit limit. At the end of the month or a mentioned



date, the credit card providers or banks generate a consumer bill, totaling the credit card activities during the previous 30 days. The customers will be charged to the credit account and paid back within the credit card cycle, or an interest amount will be functional to the outstanding balance. Moreover, it is considered as a loan from the respective bank or the lender company. Such offerings provide the customers to buy first and have the option to pay later, and eventually, paying it back later is a mandatory obligation. It redefines that credit card users can spend future money at the current period. There are no barriers for the users to pay in any currency since the retail outlets and stores are only concerned about whether the cards are usable worldwide or not.

Financial institutions usually issue credit cards to provide its holder with a soft loan without a deposit to be guaranteed. Credit cards typically charge interest and are one type of accepted short-term debt financing among the public. Nowadays, credit cards serve as a payment means for millions of regulation purchases and many transactions that would be otherwise tricky (Mohamed et al., 2016).

Researchers witnessed aggressive promotional offers (e.g., discounts and cashback offer; cash advance, fund transfer facilities, funding for progressive work like down payment to purchase car, property, and others) circulated by credit card companies. In addition, the companies are targeting different festivals to attract card users to spend by their credit card to satisfy their desire. This service offers significantly impacted consumers' living style and livelihood (Dewri, Islam, & Saha, 2016).

The banking sector significantly stimulates economic development by facilitating trade, capital formation, production, transaction, investment, saving, and others. The optimal functioning of the financial market depends on attractive payment structures served through banks (Qureshi, Baqai, & Qureshi, 2018). That is why banks are competing to catch customers' attention (by offering online transaction facilities, bill payment facilities, and other purposes) to use this plastic money (one of the recent efforts by banks). Banks are trying to widen their Plastic card services to accommodate increased customer preference in this regard. Plastic money looks like it to be a more handy and secure option (as carrying cash is risky) to customers as a mode of payment.

Moreover, in withdrawing money from an ATM booth or transacting at a Point-of-Sales (POS) in a retail market, plastic money brings with it added benefits (like enhanced safety, portability, 24-hour accessibility to account

balances, transaction following monthly utility bills, transfer funds between accounts, and others). In a developing country like Bangladesh, the high-end market offers purchases executed through plastic money, and customers get the opportunity to buy these goods in installments (Sultana & Hasan, 2016). To perform international transactions regarding shopping, the utilization of plastic money is increasing. The frequency of using plastic money and perceived benefits of plastic cards is gaining momentum from different levels (especially from middle to upper class) in Bangladesh (Amin et al. 2019). In a newspaper article, Uddin (2020) quoted Bangladesh Bank that using credit cards to perform regular functioning of entities increased significantly during the COVID-19 pandemic. Operations through credit cards increased 23.68 percent year-on-year to Tk 1,244 crore in September 2020 compared to the pre-Covid-19 stage.

The spending on credit cards varies from person to person. Though in terms of convenience, Credit Cardholders have access to funds at any time and almost anywhere in the world to obtain goods and services (Paing, 2020), credit card users face few difficulties in its utilization process. For example, if a cardholder loses the credit card/s and if anyone steals it, it can be unethically used (Rashid & Islam, 2019). Recently, duplicate cards have been one of the most seen ATM-related frauds in Bangladesh. People use fake ATM cards and withdraw money from the booths (Fintech Magazine, 2017). Also, a credit card allows an individual to pay for market offers (products and services) without having cash in the account or paying immediately; it sometimes encourages consumers to spend more and raise debts (Islam, Karim, & Alam, 2015). Rahman (2017), in his article, mentioned that the bankers blame the standoff on the limited buying power of consumers and a deficiency of infrastructural facilities. Some bankers noted that the mandatory requirement of a tax identification number or TIN sometimes hampers the growth of the card. Bangladesh is still a low-income country; therefore, the concept of credit cards is still understood as a credit facility offered by banks and consumers alike and is not always considered a lifestyle transaction mode. Such a mindset creates a vast difference in understanding and appreciating the value of credit cards in Bangladesh. Bankers and experts mentioned that the credit card market would not achieve its expected level of growth until the Bangladesh economy leverages to the next level and escalates cashless transactions. The lack of infrastructure, including point-of-sale terminals and automated teller machines, is a significant blockade to developing the credit card market in Bangladesh.

Mohamed et al. (2016) mentioned that while some credit card holders used it wisely, most struggled to pay the minimum balance every month. In Bangladesh, now almost all the banks are offering credit cards with an average interest rate of 30 percent (which is very high compared to the interest rate charged by banks and credit card companies in other countries) (Islam, Karim, & Alam, 2015). However, due to technological non-availability, the users of these cards are still few and are restricted within segments of the society in Bangladesh (Sultana & Hasan, 2016). However, since October 2020, the Bangladesh Bank has capped the interest rate on credit card loans at 20 percent in relief for the customers as they would get purged of a load of higher interest rates amid the pandemic (Uddin, 2020).

Bangladesh's credit card service market is more competitive than many other services as only a particular segment can gain this service fulfilling specific requirements. Therefore, to gain and retain market share from the target prospects, banks must be careful in designing market offers, keeping the 'satisfaction' factor (interest charge, safety and security, and others) in mind (Karmoker et al., 2018). Therefore, the researchers attempt to analyze the increasing trends of using credit card services in Bangladesh. As a result, the researchers will analyze and recognize the prospects and challenges of such service offerings and prescribe how to solve the constraining factors faced by the customers.

#### **4. Methodology**

To analyze the research outcomes, the researchers developed a structured questionnaire with multiple-choice questions (based on previous research studies) to collect preliminary information from existing credit card users, non-users, and ex-users from Dhaka city residents.

Mixed methods research is utilized here. Mixed methods research involves collecting and analyzing both quantitative and qualitative data as the combination of qualitative and quantitative data can improve an evaluation by ensuring that the strengths of another balance the limitations of one type of data.

To collect the needed information, the researchers had applied the Non-probability Purposive sampling technique. This method effectively develops insights about the investigation by obtaining information from enthusiastic respondents about sharing it with investigators (Kumar, 2012). The researchers followed such a sampling frame due to viability, cost minimization, time restraints, limitations due to physical interactions with

the potential respondents due to the ongoing COVID-19 pandemic. The researchers circulated the developed questionnaire to the existing users and the prospective customers who possess adequate knowledge regarding the operations and service offerings of credit cards in Bangladesh. Therefore, based on such issues, selective respondents were given the questionnaire to fill up a survey regarding their present status (the usage of credit cards in their regular lifestyle). As a result, the respondents selected their respective statuses. Therefore, a separate set of questions was given to the three individual categories of customers (Existing Users, Non-users, and the Ex-users).

The survey administration software "Google Forms" was used to structure the questionnaire. The researchers circulated the Google Form questionnaire link to 460 potential respondents based on the non-probability purposive sampling frame. A total of 421 respondents (92 percent) participated in the survey and submitted their respective questionnaires with their own opinions. Due to the incompleteness of responses, 400 responses (95 percent of the submitted responses) were utilized for investigation. According to the theory stated by Krejcie & Morgan (1970), the accepted sample size of 400 responses has been undertaken as per the sample size determination concept by the authors' findings. It further mentioned that if the population size is above 100,000, the sample size should be at least 384 to achieve substantial outcomes for the survey analysis.

The researchers analyzed the outcomes through the SPSS Version 20. Basic descriptive statistics (percentages and graphs) were exploited for the analysis. Descriptive statistics are easy to comprehend, rearrange, sequentially order, and use the data to generate descriptive information (Zikmund et al., 2009). Therefore, the Frequency Distribution Table was used to analyze the characteristics of the variable. In addition to the preliminary survey results, the researchers collected and studied from secondary sources, including published journal papers, newspaper articles, Bangladesh Bank's reports, and data, and other sources.

## **5. Analysis and Discussion**

The analysis based upon the information gathered are presented in the respective tables, which are subsequently analyzed below:

## 5.1 Existing Users

### 5.1.1 Target market for the financial institutions offering credit cards:

**Table 5.1: Demographic Profile of Respondents (in Percentage)**

Variables	Category	Percentage
Gender	<b>Male</b>	<b>78.20</b>
	Female	21.80
	<b>TOTAL</b>	<b>100.00</b>
Age	18 - 25 years	7.90
	<b>26 - 33 years</b>	<b>40.10</b>
	<b>34 - 41 years</b>	<b>25.80</b>
	<b>42 - 49 years</b>	<b>23.00</b>
	50 - 57 years	3.20
	58+ years	00.00
	<b>TOTAL</b>	<b>100.00</b>
Occupation	Self-employed/Business	12.90
	<b>Private Service Holder</b>	<b>72.90</b>
	Govt. Service Holder	8.10
	Housewife	2.50
	Retired	0.00
	Student	3.60
	Other	00.00
<b>TOTAL</b>	<b>100.00</b>	

(Source: Primary Survey, December 2020)

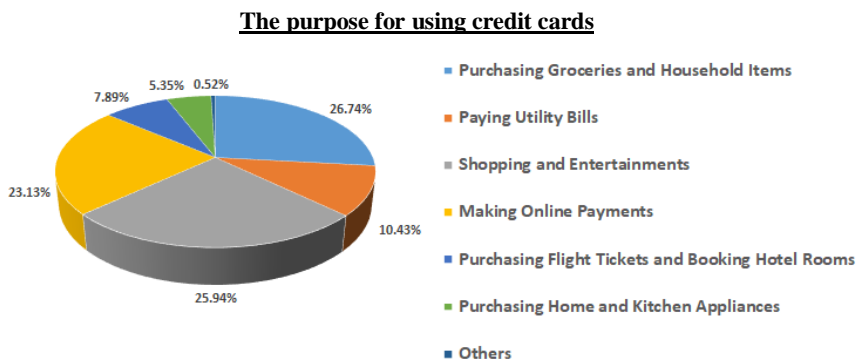
The demographic table shows that 280 respondents are existing users of credit cards (as per the survey findings). Out of these, more than 78 percent (219 in number) were male users, whereas around 22 percent (61 in number) were female users of credit cards. The researchers have witnessed that most of these respondents (about 90 percent) are aged 26 to 49 years. The maximum number of these age groups are private service holders (73 percent). These groups are usually the target market segment for the financial institutions offering credit cards in Bangladesh (Table 5.1).

**Table 5.1A: Behavioral and Psychographic Statistics of Respondents (in Percentage)**

Variables	Category	Percentage
Duration of using Credit Card	Less than 1 year	10.00
	<b>1 - 2 years</b>	<b>29.30</b>
	2 - 3 years	18.50
	3 - 4 years	11.10
	4 - 5 years	7.90
	<b>5+ years</b>	<b>23.20</b>
	<b>TOTAL</b>	<b>100.00</b>
Number of Credit Cards Utilizing by Respondents	<b>One</b>	<b>53.90</b>
	Two	30.40
	Three	10.00
	More	5.70
	<b>TOTAL</b>	<b>100.00</b>
Frequency of Making Transactions by credit card	Almost Daily	13.60
	<b>Twice a week</b>	<b>22.10</b>
	Once a week	19.60
	<b>Twice a month</b>	<b>23.90</b>
	Once in a month	4.60
	Occasionally	16.20
	<b>TOTAL</b>	<b>100.00</b>
Average Monthly Payment/Transaction by credit card	<b>Below Tk 10,000/-</b>	<b>39.30</b>
	<b>Tk 10,001 - 20,000/-</b>	<b>34.30</b>
	Tk 20,001 - 30,000/-	13.90
	TK 30,001 - 40,000/-	3.60
	Tk 40,001+	8.90
	<b>TOTAL</b>	<b>100.00</b>

About 29 percent of users of credit card/s are using this card to make transactions for 'more than one year,' whereas the observations suggested that about 23 percent of the users have been using this card for 'more than five years.' Most of these users make transactions by credit card/s 'twice a month' (24 percent). The second-largest portion mentioned that they use credit card/s at least 'twice a week' (22 percent). The proportion of users' usage ratio of credit card following 'once in a month' preference is negligible (4.6 percent). Around 39 percent of users of credit card/s prefer to spend less than Tk. 10,000/- in a month by their credit card/s, whereas 34 percent spend between Taka 10,001/- to Tk. 20,000/- by their cards. An insignificant proportion preferred (4 percent) is likely to spend from Tk. 30,000/- up to Tk. 40,000/- with their credit card/s. Most of the participants utilize only one credit card at a time (54 percent). 30 percent operate with 2 (two) credit cards, and 10 percent uses 3 (three) credit cards. The percentage of

respondents using more than 3 (three) credit cards is negligible (6 percent) (Table 5.1A).



**Figure 5.1A: Purpose of Using Credit Cards (in Percentage)**

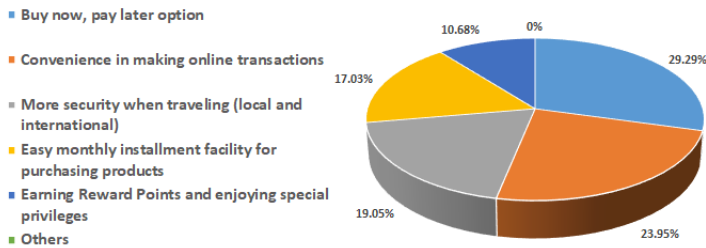
**5.1.2 Higher inclination among Existing users to avail benefits offered by credit card providers:**

**Table 5.1B: Behavioral and Psychographic Statistics of Respondents (in Percentage)**

Variables	Category	Percentage
Reason for Using Multiple Credit Cards	Not Applicable (using single Credit Card)	32.68
	<b>Increased Credit Limit</b>	<b>16.90</b>
	Enjoying Flexible Billing Time	15.12
	Amazing Introductory Offers	8.77
	The popularity of the Card Provider	8.55
	<b>Availing More Cards' Promotional Offers</b>	<b>17.10</b>
	Others	0.88
	<b>TOTAL</b>	<b>100.00</b>

Multiple credit card holders utilized these cards primarily to avail promotional offers and increase their credit limit (34 percent). These users mostly spent money with their credit card/s purchasing groceries and household items (27 percent) following shopping and entertainment (26 percent). Around 23 percent of the respondents utilized card/s for making an online payment. Other usages of card/s such as booking flight tickets, booking hotel rooms, purchasing home and kitchen appliances are around 14 percent. (Figure 5.1A and Table 5.1B).

**Benefits for using credit cards**



**Figure 5.1C: Benefits of Credit Cards (in Percentage)**

The researchers witnessed that credit card users' most sought-after benefit was buying first and paying later option (29 percent). Making cashless transactions (24 percent) was the second most preferred benefit behind using credit card/s, followed by the traveling conveniences and installment opportunities accumulating around 36 percent of the respondents (Figure 5.1C).

**Table 5.1C: Behavioral and Psychographic Statistics of Respondents (in Percentage)**

Variables	Category	Percentage
Limitations of Existing Credit Cards	Lack of bill payment booths/ bank branches	<b>23.27</b>
	The discrepancy in fixing the credit limit	10.56
	Difficulties in accumulating reward points to avail offers	13.04
	High annual operation costs and hidden charges	<b>27.56</b>
	Inadequate card security	10.73
	Insufficient number of POS and network supports	<b>13.70</b>
	Others	1.14
	<b>TOTAL</b>	<b>100.00</b>
Promotion Mediums	Personal Selling by the Organization's Representatives	<b>24.89</b>
	Print Media (Newspapers, Magazines, Leaflets, and others)	9.86
	Online and Digital Marketing (Websites, Social Networking Websites, E-mails, and others)	<b>31.87</b>
	Outdoor Promotions (Roadshows, Event Sponsorship, and others.)	6.52
	Reference Groups (Family members, Friends, Relatives, Colleagues and Peers, and others)	<b>26.86</b>
	Others	00.00
	<b>TOTAL</b>	<b>100.00</b>

The credit card users were asked about the limitations of using their cards. The researchers observed that the most significant weakness is high annual operating costs and hidden charges (28 percent). Lack of bill



payment booths/ bank branches (23 percent) is the second shortcoming confronted by the existing credit card users.

Credit card providers use diverse promotional mediums to influence general people about credit cards and its benefit. About 32 percent of the users of credit cards opined for online and digital marketing platforms (Website, Social Networking Websites, E-mails, and others) followed by the influence of the reference groups (Family members, Friends, Relatives, Colleagues, and Peers, and others) (27 percent). Personal selling by the organization's representatives (25 percent) also influences users to take credit cards to make regular financial transactions (Table 5.1C).

**Table 5.1D: Behavioral and Psychographic Statistics of Respondents (in Percentage)**

Variables	Category	Percentage
Category of banking or financial institutions currently providing more benefits and facilities regarding offered credit cards	Non-bank Financial Institutions	6.10
	<b>Private Commercial Banks</b>	<b>92.10</b>
	State-Owned Commercial Banks	1.80
	<b>TOTAL</b>	<b>100.00</b>
Satisfaction regarding the usage of existing credit cards	<b>Highly Satisfied</b>	<b>16.1</b>
	<b>Satisfied</b>	<b>59.3</b>
	Moderate	22.1
	Dissatisfied	2.1
	Highly Dissatisfied	0.4
	<b>TOTAL</b>	<b>100.00</b>

The investigation identifies that around 92 percent of the users prefer private commercial banks to avail themselves of the facilities on credit cards. On the other hand, less than 2 percent opted for services of state-owned commercial banks. Thus, about 75 percent of the existing users are satisfied using their credit cards services, whereas the dissatisfaction level is negligible (less than 3 percent) (Table 5.1D).

## 5.2 Non-users

**Table 5.2: Demographic Profile of Respondents (in Percentage)**

Variables	Category	Percentage
Gender	<b>Male</b>	<b>57.89</b>
	Female	42.10
	<b>TOTAL</b>	<b>100.00</b>
Age	18 - 25 years	15.80
	<b>26 - 33 years</b>	<b>58.90</b>
	34 - 41 years	9.80
	42 - 49 years	7.00
	50 - 57 years	5.30

	58+ years	3.20
	<b>TOTAL</b>	<b>100.00</b>
Occupation	Self-employed/Business	14.7
	<b>Private Service Holder</b>	<b>42.1</b>
	Govt. Service Holder	8.4
	Housewife	9.5
	Retired	3.2
	Student	21.1
	Others	1.0
	<b>TOTAL</b>	<b>100.00</b>

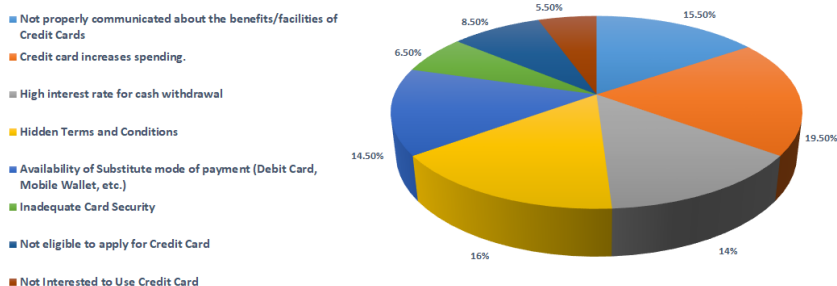
The demographic table shows that 95 respondents were the non-users of credit cards (as per the survey findings). Among them, about 58 percent (55 in number) are the male non-users, whereas around 42 percent (40 in number) are the female non-users of the credit card. The researchers witnessed that most of these respondents (approximately 59 percent) are 26 years to 33 years. The maximum number of these age groups are private service holders (42 percent). As the researchers had mentioned earlier, these groups are usually the target market segment for the financial institutions offering credit cards in Bangladesh (Table 5.2).

5.2.1 Credit card providers require effective awareness-raising campaigns to attract the non-users:

**Table 5.2A Behavioral and Psychographic Statistics of Respondents (in Percentage)**

Variables	Category	Percentage
Awareness level of non-users regarding credit card	Unaware	22.1
	<b>Aware</b>	<b>44.2</b>
	Interested	25.3
	About to start using shortly	8.4
	<b>TOTAL</b>	<b>100.00</b>
Intention to apply for a credit card in future	<b>Yes</b>	<b>68.4</b>
	No	31.6
	<b>TOTAL</b>	<b>100.00</b>

**Reasons for not using credit cards**



**Figure 5.2A: Approach towards Credit Cards (in Percentage)**

The researchers recognized that the awareness level following credit cards among non-users is considerable (around 44 percent), and approximately 25 percent of non-users are interested in having a credit card. A small segment (9 percent) of the non-users is willing to try and use the credit card soon.

However, the investigation identifies that those non-users are mostly demotivated from using credit cards by perceiving that credit cards will increase their expenses (around 20 percent). In addition, the hidden terms and conditions play a significant role in having doubts about having a credit card (approximately 16 percent). Nevertheless, despite encountering these difficulties, around 68 percent of the non-users have the intention to apply for a credit card in the future. Such outcomes might indicate that the credit card market is still growing, and financial institutions have ample opportunities from the service offerings of credit cards in Bangladesh (Figure 5.2A and Table 5.2A).

**5.3 Ex-users**

**Table 5.3: Demographic Profile of Respondents (in Percentage)**

Variables	Category	Percentage
Gender	Male	24.00
	Female	76.00
	TOTAL	100.00
Age	18 - 25 years	9.00
	26 - 33 years	36.00
	34 - 41 years	11.00
	42 - 49 years	20.00
	50 - 57 years	12.00

	58+ years	12.00
	<b>TOTAL</b>	<b>100.00</b>
Occupation	<b>Self-employed/Business</b>	<b>24.00</b>
	<b>Private Service Holder</b>	<b>44.00</b>
	Govt. Service Holder	12.00
	Housewife	4.00
	Retired	12.00
	Student	4.00
	Other	00.00
	<b>TOTAL</b>	<b>100.00</b>

The demographic table shows that 25 respondents were ex-users of credit cards (as per the survey findings). From the data, 76 percent were female users, whereas 24 percent were male credit card users. The researchers witnessed that most of these respondents (67 percent) were between 26 to 49 years. The maximum number of these age groups are private service holders and entrepreneurs (68 percent) (Table 5.3).

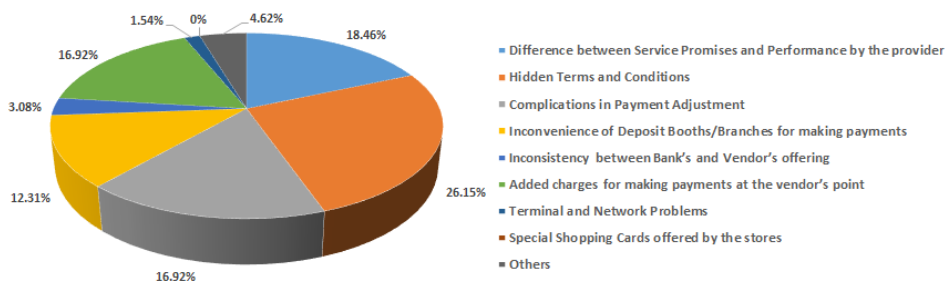
5.3.1 Hidden hindrances restrict ex-users to utilize credit card for needful purposes:

**Table 5.3A: Behavioral and Psychographic Statistics of Respondents (in Percentage)**

Variables	Category	Percentage
Duration as an active user of previous credit card/s	Less than 1 year	8.00
	<b>1 - 2 years</b>	<b>48.00</b>
	2 - 3 years	28.00
	3 - 4 years	8.00
	5+ years	8.00
	<b>TOTAL</b>	<b>100.00</b>
Duration in not using the previous credit card/s	<b>Less than 1 year</b>	<b>32.00</b>
	1 - 2 years	12.00
	2 - 3 years	32.00
	3 - 4 years	4.00
	4 - 5 years	4.00
	<b>5+ years</b>	<b>16.00</b>
<b>TOTAL</b>	<b>100.00</b>	

From the given table above, it is seen that about 48 percent of respondents were active users of their previous credit card/s for about 2 (two) years. However, the researchers have observed that recently (for less than one year), 32 percent of the respondents have stopped using and availing of the facilities of credit cards that they had received earlier. It indicates limitations in the services offered by the financial institutions in Bangladesh that provide credit card services to their customers (Table 5.3A).

**Approach Towards Credit Cards**



**Figure 5.3B: Behavioral and Psychographic Statistics of Respondents (in Percentage)**

The researchers also witnessed multiple reasons for not using a credit card/s by the 'Ex-users' group. 'Hidden terms and conditions' got the significant reason regarding this disposition (as per the researchers' analysis). About 27 percent of the ex-users opined such reason for not using a credit card.

On the other hand, mismatches between the performance and conformance quality of credit card services are the second reason behind this insolence by ex-users of credit cards (19 percent). Along with these two, 'complications in payment adjustment'; 'added charges for making payments at the vendor's point'; 'inconvenience of deposit booths/branches for making payments' are some prominent reasons behind the negative view of the ex-users towards availing the services of credit card/s.

**Table 5.3B: Behavioral and Psychographic Statistics of Respondents (in Percentage)**

Variables	Category	Percentage
The preferred alternative mode of the transaction (in the absence of a credit card)	Extended Services of Debit Card	56.00
	Mobile Wallet/Mobile Banking	20.00
	On-credit Purchase Options (Consumer Credit Scheme, EMI, and others)	4.00
	Availing the card's facilities from the other existing users	12.00
	Others	8.00
	<b>TOTAL</b>	<b>100.00</b>
Respondents' intention to reapply for a credit card in future	Yes	40.00
	No	60.00
	<b>TOTAL</b>	<b>100.00</b>

As a result, these ex-users nowadays prefer to avail the extended benefits of 'Debit Card' as a substitute measure of credit card (56 percent).

'Mobile wallet' or 'mobile banking' is another preferred option for them to replace credit cards (20 percent).

The researchers' outcome of the investigation analyzed that a significant proportion of these ex-users have no intention to have or use credit card services soon (60 percent). This assessment indicates loopholes in the financial sector (due to improper management), resulting in customer dissatisfaction with not using credit card services soon. Therefore, it would be too late if the respective authorities failed to take immediate attempts to minimize the errors which the ex-users had previously confronted (Figure 5.3B and Table 5.3B).

## **6. Significant Findings**

The study explored moderate penetration of credit card usage in Bangladesh. Though existing users are somehow satisfied by using their current credit card/s, non-users mostly complain about the providers' high costs. The significant areas of consumers' expenditures are high yearly operational charges that target the minimum number of annual transactions or spending amounts, late paying fees, and the interest rate charged against cash withdrawal by credit cards.

On the other hand, significant proportions of ex-users have stopped using their credit card and have no intention to have credit card services soon. This group opined that those banks have some services gap. The card issuers have complex terms and conditions and hidden clauses; discrepancies between the sales representatives' information and promises before sales and the providers' actual actions while using the cards can confuse the consumers and create a purchasing dilemma.

Negative perceptions of the potential consumers of credit cards, such as the possibility of rising debt, card issuances and fraud cases, complex payment schedules, communication gaps, and other reasons, also play a significant role not for using credit cards. In addition, there is a considerable lack of marketing communications, and product demonstrations exist in the markets. Moreover, service operations gap; for instance - the insufficient number of vendors/merchants, limited amount of point-of-sale (POS) machines for transactions, 1 to 3 percent extra charges for credit card payments, weak network/terminal support both for local and international transactions, and the inadequate card/transaction security issues are also abstaining the consumers from using credit cards.

Availability of the comprehensive and accessible substitute mode of payment methods like electronic money transfer facilities, various debit cards, mobile banking services, and others, during both in the regular and pandemic situations by the commercial banks and telecommunication companies are also diverting a large number of potential consumers from the use attractions of the credit cards in Bangladesh.

## **7. Recommendations**

Based on the above-mentioned significant findings, the researchers have identified some possible suggestions to make the service offerings of credit cards for future effective business operations, which are discussed below:

Reducing the cost of credit card operations, offering a user-friendly number for yearly transactions and or total target amount of spending, decreasing the interest in emergency cash withdrawal by credit cards, and other reasons may increase the curiosity about using credit cards among the existing and potential users.

Making the terms and conditions flexible, increasing transparency and accountability between the promises and practices by issuer organizations and their representatives, developing more customer-driven market offerings, and operating frequent promotional benefits may attract more consumers towards the uses of credit cards.

Minimizing the existing negative perceptions and communication gaps by enhancing awareness-building programs and marketing campaigns, increasing consumers' involvement in the communication processes, and building continuous customer relationship practices may also be effective in growing consumers' interest in the use of credit cards. In addition, extending the service/merchant network, increasing the number of POS machines, introducing more customer-friendly payment options, and adapting modern technologies to ensure card safety and transactions security for both local and international transactions may add an extra advantage for the provider's market acceptance.

Broadening the target customer groups by offering specific and unique cards for the students, households, and other low-income generating communities with attractive benefit schemes for paying their tuition fees, daily necessity shopping, and other required expenditures. In addition to that, besides special occasions, the providers should run different consumer promotional schemes all-round the year to grow the customers' transaction habits.

Analyzing the current services offered by the substitute payment gateway providers and developing more competitive offerings for the consumers to hold them back with the uses of credit cards both for the regular and pandemic situations. Moreover, offering special facilities during the COVID-19 pandemic considering the mass consumers' financial crisis to create an impressive image among the existing and potential users may help the credit card providers get a more sustainable position in the markets.

## **8. Conclusion**

For having a sustainable position in the customer's mind, brands must provide better and prompt customer services at a reasonable rate. Nowadays, credit card issuers and retailers are experiencing new spending behaviors of credit cardholders across the globe. People of Bangladesh have been experiencing credit cards in recent times. Despite understanding the usage benefits of credit cards, the approach to possess credit cards among Bangladeshi customers is moderate because of the high-interest rate, security issues, hidden terms and conditions, lower credit limit, and other significant reasons. Hence, this sector's existing business practices need to be adjusted to ensure better growth and customer retention. Based upon the investigation's findings, the researchers opined for probable suggestions to minimize loopholes so that consumers of Bangladesh can understand the full potential of credit cards for their needful purpose.

The study reflected the prevailing prospects and challenges regarding credit card services offered by different banks and non-banking financial institutions. Due to the ongoing COVID-19 pandemic, this investigation covers only credit card users in Dhaka, Bangladesh's capital city. Hence, investigators expect future researchers to emphasize this business area, i.e., cover consumers in different age groups outside Dhaka city and cover other prominent geographical regions of Bangladesh. Thus, it will explore a new arena that could contribute to developing a planned policy of systematic interventions in addressing the needs of such groups in the country regarding the services available. Though the findings and analysis have met the study's objective, the survey would need to be exposed to a more significant number of samples to pose any relevant value to the targeted audience. Therefore, it can be recommended that further study be conducted using a wider pool of respondents, allowing additional room for utilization of more essential data. For this purpose, the on-field random sampling method may be utilized by future researchers for attaining a substantial



outcome about the prospects and challenges of using credit cards as an effective means of payment by users in Bangladesh.

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