



**CREDIT CARD MARKETING CHALLENGES, STRATEGIES,
OPPORTUNITIES AND MANAGEMENT PROCESS IN BANGLADESH**

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ABSTRACT

The study investigates the existing credit card marketing challenges, strategies and the management process in Bangladesh. The main objectives of the study are to gather information and evaluate the prospects and marketing challenges as well as the management process of credit card holders. The study also investigates the consumer behavior as well as the usage pattern of credit card holders in Bangladesh. After analyzing all relevant data and information, it is found that credit cards have lots of potentials market. The service holders are the major portion of (83%) credit card users. If the appropriate marketing and management strategies are applied at the same time securities can be ensured by companies, it would be a real beneficial for both clients and companies. In the study the researcher found that credit cards have huge potentials with increasing competition. Thus the bank should be aware of in response to competitive offerings. The bank should also design their competitive offerings from the view point of customer perception.

Key Words: Credit Card, Inflation, Stagflation, CPI, GDP, NCB, PCB.

1. Objectives

The main objective of this study is to gather information and evaluate the prospects of credit card marketing in Bangladesh. The credit card market is still fairly untapped as there is a lot to be done to attract a larger customer base. This report will primarily see where the opportunities lie for the banks and what they must do to bring in clients.

To facilitate achieving the prime objective, the study aims at attaining the following specific objectives –

- To identify different target groups and their perception of credit cards.
- To identify the target market and the positioning done by the companies.
- To identify the usage pattern of credit card holders.
- To identify product knowledge, needs or complains of card holders.
- To identify the problem areas and recommend some solutions based on problems.

2. Scope

The scope analyzes the economy of Bangladesh and brings to perspective whether an actual need for credit exists or not for the consumers. The study focuses only on short-term credit i.e. the credit card and will refrain from commenting on long-term credit in the form of loans. It will give a clear picture of what the credit card means and who are its potential customers, its primary use and do a SWOT analysis from the perspective of a credit card holder. The problem areas including how the needs of consumers can be satisfied will be looked at and discussed accordingly with the required recommendations.

3. Methodology

Nature of the study: Exploratory

Sources of information: Both primary and secondary information sources were used to complete this study.

- *Primary sources:* For information relating to credit card, interviews and discussion sessions were conducted with related departments of the bank to gather basic information related to the products and a market overview from overall Bangladesh's credit card market perspective. To actually identify the requirements of the study, a short survey was conducted taking a sample size of 50 based on a questionnaire developed to address issues related to the consumer.
- *Secondary sources:* Secondary information was collected from websites and articles related to the title of this report, history of credit cards, the overview of the global and local economy as well as to get a general idea of the status of the credit card market globally. A bibliography at the end will list the secondary sources.

Presentation of information: Collected information has been analyzed and the recommendations to the findings have been presented in the study.

Sampling: For the survey, clients were selected on the basis of convenience methods as they came for various services to the branches. The total sample for this report was approximately 50 of which there were a number of few responses from clients.

Overview of the Economy- Global

The global world today is going through a period of uncertainty as the old powerhouses in global economy consisting of Western countries are today facing challenges rising from the East. This change is led today by the booming economies of India and China as these two countries specializing in service and manufacturing oriented industries respectively are now attracting foreign investments that are slowly creating a hole in jobs available in Western countries. With rising inflation in many countries and rising oil prices, global economies today are facing an uncertainty. Trade between nations has been marred by accusations of control and dominance as the West try to curb imports of cheap Chinese in the face of losses faced by their own industries while Chinese factories continue to flood the markets with their own goods. In the face of rising oil prices, Japanese carmakers have easily captured Western markets with cheaper, efficient and fuel-economic cars. Toyota has overcome General Motors as the leader in the global auto- industry and what was once the formidable force of the Detroit-trio (General Motors, Ford and Chrysler), today these companies are facing losses in the amount of billions. With rising oil prices, economies are looking for a different source of energy and Brazil has taken the lead by using vegetable oil to run fuel-efficient and eco-friendly cars. This had a negative effect as the global price of vegetable oil has risen also as Brazil, one of the largest supplier of Soybean, has diverted their excess edible oil productions to run their autos. The South American continent has also seen a change in term of politics which in terms has affected its economies. Venezuela, which is one of the OPEC members, has fully become a socialist state and has fully taken control of its oil resources. Added to this the volatile scenario in Middle-East, oil prices has recently become volatile and changes are frequent. The once dominant position of USA and European states are also being challenged not only by China and India, but also by Russia. The once sleeping giant has recently risen to great heights by discovering its strength as an energy powerhouse with huge reserves of both oil and gas. With rising famine in the many war-torn African states, UN has recently declared that global aid for food is an all-time low. Whereas some countries are growing in terms of trade, manufacturing and services their economy is still facing rising costs due to the inter-relationship of global economies. Rising fuel price, food price, wages not keeping up with rising inflation are creating a dilemma as to what is to come. According to the Organization for Economic Co-operation and Development (OECD), the current global economy is showing signs of improvement. Though the US market is slowing down, a high growth by China and comebacks by Europe and Japan is slowing starting to build a momentum of global growth. But the challenge will remain as inflation continues to increase mainly due to rise in cost of food and other commodities.

The global equity markets have also seen the effect of such changes. Today, most corporate houses have chosen to strengthen their financial stance as they face global challenges. There

have been continuous mergers, acquisitions and buyback of shares by large corporations as well as even mergers of stock exchanges.

One such notable merger was between New York Stock Exchange (NYSE) of US and Euronext of Europe. Another notable one was the acquisition of Arcelor Steel by Mittal Steel, which is owned by an Indian-born businessman, made the new company the biggest steel company globally. This global merger and acquisition boom was marked by a record-setting US \$ 3.79 trillion. Deals in relation to equities grew by 35%. The last month or so saw global stock indexes fly off the charts as lower equity shares in the market available for purchase meant that investors demand has been stronger compared to the supply which has constantly pushed the index average higher.

According to ADB's Asian Development Outlook, Asian economies will continue to have a robust growth compared to their Western counterparts. 70% of Asia's economic expansion was accounted for by China and India. For Bangladesh the ADO says it is still early to say whether there will be any radical changes in the economic performance but as of now conditions for doing business could improve if the current anticorruption and reform initiatives taken by the caretaker government continue. GDP of Bangladesh in fiscal year 2015-16 is 7.05% and per capita is \$1466. Economic expansion in Bangladesh will also see rise in remittances which will in turn increase consumption and investments.

All in all with an air of uncertainty most economies are moving forward to strengthen their policies and face the challenges of rising prices and the accompanying inflation.

Overview of the Economy- Bangladesh

The economy of Bangladesh has recently been plagued by rising inflationary prices of food and other essential commodities. According to Bangladesh Financial Report 2016, the government expects inflation to decline over the financial year 2014-2015 to 6.41% from last year's 7.35%. But according to the report, the government forecasts that all this depends highly on how much improvement Bangladesh can make in regards to shortcomings in key infrastructure including power, ports, roads, etc. all of which are seriously hampering foreign investment opportunities. Last (2015) year the per capita was \$1316 and in 2016 it is \$1466.

Despite continuous domestic and international efforts to improve economic prospects, Bangladesh remains a poor, overpopulated, and inefficiently-governed nation. Major challenges to growth include corruption within the government, a rapidly growing population, insufficient infrastructural support including insufficient power supplies, and slow implementation of economic reforms. Growth though constant still has not helped to improve the lives of the majority of the population as growth along with rising costs means the growth is being offset. A majority of the population remains below the poverty line with estimations of approximately 40%. Despite this balance of payments over the years has steadily improved for Bangladesh.

This has mainly been due to continuous growth in industrial production and rising exports. Following is a Table 1 showing the trend over the past couple of years for balance of payments:

Table 1

Year	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
% of GDP	6.43	6.19	5.74	5.83	6.7	6.2	6.0	5.5	6.5

But consumers prices have steadily increased over time as rising inflation have pushed up prices. The following Table 2 shows percentage change in consumer prices from year to year:

Table 2

Year	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
% Change	6.1	7	6.3	6.4	6.4	8.7	6.8	7.2	6.5

Source: IMF

GDP has steadily improved keeping in line with growth in production. The following Table 3 shows percentage change in Read GDP (growth rate) from year to year:

Table 3

Year	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Annual Change %	4.8	5.8	6.1	6.3	6.7	6.6	6.5

Source: IMF

Inflation: Bangladesh as already mentioned rising inflation that is seriously hampering its growth and economic expansion. With people spending more on essential commodities, expenditure by households has increased to a great extent. According to the Bangladesh Financial Report 2016, the average inflation in 2016 is 6.01%. This is not at all helpful as such a high increase means prices of essentials are skyrocketing. Following are data (Table 4) as presented by Bangladesh Bureau of Statistics (BBS) in their monthly review of Consumer Price Index & Inflation Rate.

Table 4

Base:		FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
FY=100									
National	CPI	143.9	153.23	164.21	172.22	170.19	181.73	195.08	207.58
	Inflation	5.83	6.48	7.17	7.83	8.09	6.78	73.35	6.40
Rural	CPI	144.46	154.03	165.37	174.04	173.26	183.90	196.90	209.10
	Inflation	5.77	6.62	7.36	8.23	8.69	6.14	7.07	6.20
Urban	CPI	142.54	151.29	161.39	169.6	164.53	177.71	191.72	204.78
	Inflation	5.99	6.14	6.68	5.44	8.70	8.01	7.89	8.80

Tax Collection: According to the Bangladesh Financial Report 2016, in FY 2015-2016 the tax was collected Tk.177400 core which is 7.90% greater than FY 2014-15.

Exports: For the period July-February FY 2015-16, exports income was US\$ 27637.22 million which is 9.22 greater than FY 2014-15.

Imports: expense was \$ 24361 million in FY 2015-16 and in FY 2014-15 it was \$40704.

Remittance: Total Remittance during FY July-April 2015-16, has been a record US\$ 12255.29 million which is 2.39 higher than the total collection for FY 2014-15

Gross Foreign Exchange Reserves: Reserves stood at US\$ 4199.52 million as of March, 2016. The lower figure for 2006 was mainly due to payments against debt by the Government. For the month ending March 2011, decrease in opening of Import LC, new development funds coming in, etc. meant that reserves continues to increase as payments outwards has decreased significantly. The Government expects that with additional development funds that are coming in and with the sale proceeds of Rupali Bank, Foreign Exchange Reserves will cross the US\$ 5 billion mark.

Exchange Rate: Globally, last couple of months saw the exchange rate for Dollar see-saw against other major currencies such as Euro, Pound and Yen as the Dollar continued to have a downward slide making Euro a more reliable and stronger currency. Unlike the global foreign exchange market, Bangladeshi Taka against Dollar continued to be a weak currency as Taka against Dollar was valued at Tk. 78 for the month of March, 2016. This trend which had initially started during the end of the last fiscal, i.e. 2014-15 when there was an acute shortage of dollar in the market has continued still and for the current fiscal year 2014-15, monthly average has been around 78 Tk./\$ (approx.).

Political Scenario: The political scenario has seen an upheaval of sorts in the year 2016. With an end to the last Government's tenure, continuous disagreements between the major political parties in regards to the choosing of the Caretaker Government brought in a military-backed interim government. This has resulted in a drive against corruption that had plagued the society and has resulted in many a headline stories. With increased support of the public as well as developed nations, the anti-corruption drive has seen the fall of corrupt leader who are being tried for corruption activities, has seen initiatives by the government to improve the investment environment and seen interest by foreign delegates to help Bangladesh improve its economy. The results though mixed have seen certain changes related to the economy. The changes are listed below:

Government's decision to improve the power generating capacity and remove all sorts of corruption related to collection of revenues from this sector. Interests are being shown by private firms to develop power plants. Cleansing the Chittagong sea-port of problems that usually had plagued the discharging of goods coming in to the country. Now ships that had to wait weeks to offload the cargo does so in a shorter time as efficiency in operations means lead time for the cargo to stay at ports has decreased also decreasing costs of traders who had cargo stuck.

Improving collections of tax revenues by identifying individuals and businesses who try to evade taxes. Identifying key areas for infrastructural development that would interest foreign investors to come and invest. Trying to retrieve back the black-money that corrupt politicians has stored away. For example, anti-corruption drive has seen the government retrieve over Tk. 400 cores and the amount is expected to grow. Reforms to improve the banking system by releasing the nationalized banks to private management. This will help to remove the influence of the bureaucracy and corrupt-politicians from the management decisions and day to day activities.

Unfortunately inflation is an area that the government has failed to control which is badly affecting day to day life of the public.

This drive has been welcome by most nations as well as the development institutions such as ADB and IMF who has commented such radical steps will bring in an air of safety which will in turn bring foreign investors to come and invest. Thus, if the current scenario continues to improve then Bangladesh might see growth in its economy as well improvements in the lives of the people.

Banking Sector in Bangladesh

The banking sector in Bangladesh has been growing continuously as the general public is turning towards banks not only for the safekeeping of their money but also to avail credit facilities. Bangladesh is highly a service-sector dependent country with approximately 50% of GDP forming the service-sector. This share of GDP has remained constant over the past couple of years as the sector has shown a steady growth over time.

Banking sector has shown a steady growth in terms of the sectors portion of GDP. The past three financial years saw a growth of 6.06%, 6.55% and 7.1% respectively. There was also growth in terms of credit and deposit mobilization by the banks. The following Table 5 lists certain statistics regarding the banking sector:

Table 5

Type	No.	Branches	Deposits (%) ¹	Loans (%) ¹	Default (%) ²
NCB	4	3553	35	34	22.94
SB	4	1500	6	8	33.68
PCB	39	3917	51	52	5.45
FCB	9	70	8	6	0.81
Total	56	9040	100	100	62.88

Note: 1: Market Share. 2: As percentage of Outstanding Credit

Source: Bangladesh Bank Statistics

As can be seen in the table above, Private Commercial Banks have a market share of approximately 50% for Deposits and Loans. This has mainly been due to the fact that the Nationalized Commercial Banks has changed their policies of easily handing out loans and as such their share of credit market has decreased. It is also seen that Default as a percentage of Total Outstanding Credit is high for the Nationalized and Specialized Banks. Comparatively it seems the Private Commercial Banks has mostly been correct in their Credit judgments.

By growth in credit facilities, the following Table 6 summarizes the total outstanding in billions Taka and the growth percentage in lending from year to year:

Table 6

	FY11	FY12	FY13	FY14	FY15 (Q2)
Outstanding	828.9	946.4	1107.4	1309.7	1423.9
Growth %	12.7	14.18	17.01	18.27	19.44

Source: Bangladesh Bank Quarterly, 4th Q 2015.

Among banks, the recent few years has seen drastic changes in the dominance of the Nationalized Commercial Banks (NCB). This has mainly been due to the failure of the Nationalized Commercial Banks to curb in default payments on credits and high costs of operations. Since there still is a dependency by the government to borrow from banks, the Nationalized Commercial Banks had to bail out the government by providing credit as and when required. For the government's part, increase in tax revenue collections was dwarfed by the increase in budgetary expenditure as more portions was allocated towards the Annual Development Programs (ADP), which continuously created a shortfall that was being met by the Nationalized Commercial Banks.

In recent years term lending has mostly been done by the Private Commercial Banks. They have slowly taken away the market share of the Nationalized Commercial Banks and with higher depository interest rate they are also mobilizing strong customer supports in the deposit area. The following Table 7 shows a comparison of the term lending scenario by the banking sector in terms of types of banks. As expected Private Commercial Banks disbursed higher amounts compared to the Nationalized Commercial Banks. Also the Foreign Banks also disbursed comparatively higher amounts compared to the Nationalized Banks.

Table 7

Disbursement	FY12	FY13	FY14	FY15
NCBs	6.7	7.5	4.5	5.9
PCBs	16	32.4	50.9	60.7
Foreign Banks	6.1	10.6	11.4	9.4
Specialized Banks	1.4	1.7	3	3
Non-bank FI	9.5	14.6	17.2	17.5

Total	39.7	66.8	87	96.5
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Figures in Billions of Taka, Source: Bangladesh Bank Quarterly, 4th Q 2015.

As seen in the above table, disbursement has been mostly dominated by the Private Commercial Banks. This has mainly been due to the restructuring of the Nationalized Commercial Banks to bring down their total outstanding loans.

Table 8

Recovery	FY12	FY13	FY14	FY15
NCBs	8.4	5	4	5.8
PCBs	15.1	22.8	58.8	37.1
Foreign Banks	5.5	9.3	9.1	8.1
Specialized Banks	2.4	3.1	3.2	3.3
Non-bank FI	7	9.5	13	13.1
Total	38.4	49.7	88.1	67.4

Figures in Billions of Taka, Source: Bangladesh Bank Quarterly, 4th Q 2015.

The Table 8 above shows recovery by the different types of banks. As expected Private Commercial Banks are seemingly having more success to recover their outstanding balance compared to the Nationalized Commercial Banks. Another reason for this is, the retail banking credit has mostly been dominated by Private Commercial Banks in recent years with attractive products and uses. On the other hand the Nationalized Commercial Banks are mostly plagued by Non-Performing Loans belonging to the large corporate houses in the country, which makes it difficult to recover the outstanding.

Table 9

Outstanding	FY12	FY13	FY14	FY15
NCBs	77.9	81.6	78.3	85.4
PCBs	44.8	56.5	82.6	115.2
Foreign Banks	6.9	8	8.8	10.2
Specialized Banks	32.2	30.5	22.2	21.9
Non-bank FI	22.5	27.3	34.4	41
Total	184.3	203.9	226.3	273.7

Figures in Billions of Taka, Source: Bangladesh Bank Quarterly, 4th Q 2015.

As of FY 2015, the total outstanding for bank types is shown as above (Table 9). As can be seen, Private Commercial Banks had a steady rise as expected mainly due to increased credit to the masses. On the other hand the Nationalized Commercial Banks seems to have remained more or less constant with a lower growth. The dip for Nationalized Commercial Banks in FY 2015 was mainly due to changes in the accounting system and a large portion of outstanding being declared as bad.

Recent report by the Bangladesh Bank indicates Non-Performing Loans ratios for Nationalized Commercial Banks has been on a decreasing trend. This means the banks are trying to recover

their debt and improve upon its credit portfolio. This change also has been due to recent implementation of loan write-off directive of Bangladesh Bank. The following Table 10 outlines Net Non-Performing Loans (in %) for different bank groups:

Table 10

	FY12	FY13	FY14	FY15
NCB	28.06	17.56	13.23	14.45
SB	32.75	22.97	22.61	23.62
PCB	7.96	3.35	1.75	1.8
FCB	0.03	-1.47	-2.16	-2.57

Source: Bangladesh Bank

Return on Assets (ROA) for Private Commercial Banks has improved whereas it has declined for other bank groups such as Nationalized Commercial Banks. Return on Equity (ROE) on the other hand has remained strong for Foreign Commercial Banks whereas it has weakened marginally for Private Commercial Banks. For Specialized Banks, both the ratios have been on a decreasing trend. The following Table 11 shows the trend for Return on Assets (ROA) for different groups of banks:

Table 11

Bank types	2008	2009	2010	2011	2012	2013	2014	2015
SCBs	0.7	1.0	1.1	1.3	-.06	.06	-.06	-.06
DFIs	-.06	.04	0.2	.01	.01	-.04	-.07	-1.5
PCBs	1.4	1.6	2.1	1.6	.09	1.0	1.0	.09
FCBs	2.9	3.2	2.9	3.2	3.3	3.0	3.4	3.1
Total	4.94	5.84	6.3	6.11	3.34	4.02	4.27	1.63

Source: Bangladesh Bank

The following Table 12 shows the trend for Return On Equity (ROE) for different bank groups.

Table 12

Bank types	2008	2009	2010	2011	2012	2013	2014	2015
NCB	22.5	26.2	18.4	19.7	-11.9	10.9	-13.5	-22.5
SB	-6.9	-171.7	-3.2	-.09	-1.1	-5.8	-6.00	-8.2
PCB	16.4	21.00	20.9	15.7	10.2	9.8	10.3	9.7
FCB	17.8	22.4	17.00	16.6	17.3	16.9	17.7	15.7
Total	49.8	-102.1	53.1	51.91	14.50	31.8	8.5	-3.5

Source: Bangladesh Bank

Current Scenario in the Banking Sector

The changes in politics in recent times have seen the banking system suffer. With anti-corruption drives and activities by the NBR to identify tax-evaders, not only the corrupted people of the society but also those who had evaded tax in some form or the other were scared. This had a negative effect as deposits and loan applications had gone down significantly.

People who had not declared and paid due taxes on deposits broke their term deposits and took away their money from the bank since the NBR was using banks to identify large deposit holders. Though it was targeted towards specific individuals, the general public nervous of the given situation still went ahead to remove their deposits. This brought down deposits for banks. Deposit mobilization for the first six months of this financial year (Jul-Dec '16) had a growth rate of 6.5% whereas the growth rate for first three months of this year was only a measly 1.08%.

With the given scenario, investment decreased as well as the general publics need to avail credit facilities. Compared to the first six months of this financial year having growth of 6.23%, term lending growth for first three months of this year was only 0.26%.

But the given scenario is set to improve if the drastic steps taken ends up being fruitful to the development of the economy. The banking system in Bangladesh is a growing sector where competition has been fierce as banks try to outdo each other with better deposit and lending products. There is more that can be expected as a good banking system is essential not only for economic support but also for economic growth.

Overview of Credit Card

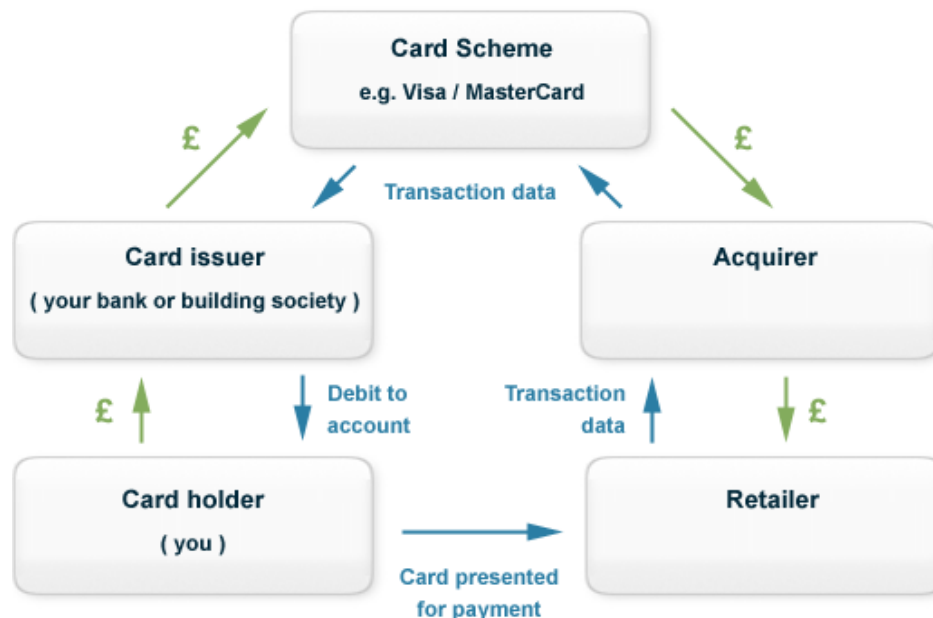
A credit card is a system of payment the issuer lends money to the consumer (or the user). A credit card is different from a debit card in that it does not remove money from the user's account after every transaction. A credit card allows the consumer to 'revolve' their balance, at the cost of having interest charged every month. For consumers, credit cards are useful for those who need short-term financing. Whereas the debit card requires a person having a good bank balance whereby they can draw money, a credit card provides a line of credit which the client can as and when needed.

How does a Credit Card Work?

when a cardholder uses a card for purchase, the data of the card is passed on to the issuing bank by the link between Retailer's bank's (Acquirer) and Card Issuer by use of Card Scheme which acts as a medium. Based on the information, the bank debits the clients account and passes on the required amount to the Acquirer. The client afterwards settles the amount as needed with his own bank.

The diagram (Figure 1) below gives an overview of how a credit card is used.

Figure 1



Certain terms used in relation to Credit Card

APR: Annual Percentage Rate is the yearly interest rate on credit card. Annual Percentage Rate is divided by 360 to use get a daily interest rate.

Grace Period: Also known as the interest free period, it is usually the time between close of last billing date and due date.

Due Date: Date at which payment is due for purchases on credit. Interest is calculated once the due date has past. This is usually statement date plus grace period.

Minimum Monthly Payment: This is a provision whereby a client is required to payback a required minimum on the outstanding. This must be cleared within due date.

Annual Fee: Most Credit Cards carry an annual fee that works like a normal subscription fee.

Global Credit Card Industry: The global credit card industry is spread across over 210 countries globally. With the help of organizations such as Visa and MasterCard, credit card usage is not limited locally but transactions takes place in a global scale. Putting together Visa and MasterCard's market, they account for over 2 billion customers worldwide (1.2 billion for Visa and 800 million for MasterCard). Over 25000 financial institutions globally are associated with one or both of these organizations. Today around \$5 trillion (approx.) worth of transactions takes place with over 45 billion transactions (approx. - over 25 billion for Visa and 19 billion for MasterCard).

Looking at these staggering numbers it is easy to see how the global financial system is changing from a cash-based economy to a more plastic-based. In the past four years cash transactions globally has decreased by around 4% according to research agency Global Insights.

Credit vs. Debit Card

Today, credit card is not only a medium for short-term credit. People use credit card as a safety net in sudden needs. A strong argument against credit card is that anyone with a stable income

can use a debit card which does not put the client at risk of credit. But a client may have a limited savings and in a sudden need of credit, they may have to apply for a bank loan which will take time for processing. On the other hand, if a client carries a credit card, they are given a line of credit which helps them to take credit facilities at any amount and as many times as needed. Also payment is under client's control whereas for term loans the installment paid may be beyond his reach.

A debit card on the other hand gives a very limited exposure. A person may save a small portion every month and if he wants to purchase something now he may have to wait till he can save up enough. Also for example, while traveling abroad, a person who had planned out his expenditures may find he is in need of extra funds as his debit card has run out of his savings. At such times credit card can prove to be the most beneficial.

Credit Card Industry in Bangladesh

Credit Cards in Bangladesh were first introduced by Standard Chartered Bank in 1997. Thereafter more private and foreign banks have come into the market as the market potential is considered to be huge. Currently there are approximately about 3 Lac credit-card holders and the market size is considered to be over 20 lacks. Comparatively the usage rate for credit cards is considerably low with usage rate averaging 25-30%. There are around 20 banks who had issued credit cards in Bangladesh. Associations range with Visa and MasterCard whereby cardholders can access over 3000 merchant outlets within the country. Cardholders also get to choose between local and international cards which give them the option of mobility. Today Standard Chartered Bank takes care of all Visa transactions taking place locally whereas HSBC handles all international transactions. All outstanding are thus settled by local banks with these foreign banks. The largest market share is held by Standard Chartered Bank who has played a monopoly of sorts within the market for some time. Today looking at the market potential more and more players are aggressively pushing to get a slice of the pie.

Credit Card Marketing in Bangladesh

The Banks operating in Bangladesh provide credit cards aim at excellence and are committed to explore a new horizon of banking and provide a wide range of quality products and services comparable with those available with any modern bank in the world.

The Banks of Bangladesh mainly use *market follower* strategies seek stable market shares and profits by following competitors' product offers, prices and marketing programs.

Interest Rate of Credit Card

Credit Card interest calculation and rates are considered controversial especially when people have little knowledge. There is a large misconception that there are "hidden charges and costs" associated with credit cards. But this is not so.

It is true that credit cards do tend to have larger effective interest rates when compared to normal credit facilities provided by banks. Whereas interest rates for banks tend to be 15-16% on average, credit cards hold a much higher rate. But what people don't understand is that purpose of using credit card and taking a loan is different. A bank gives a loan facility to a client for a particular purpose such as to buy car or a house. This mostly involves large amount that needs to be paid back in next 4-5 years. On the other hand Credit Card is a "Short-Term" loan facility meant for expenses involving much smaller amounts. Also payment period is not in "years" but are usually in "days".

Table 13

Bank Name	Interest Rate on Credit Cards (Maximum)
Bangladesh Commerce Bank, Jamuna Bank Limited, Dutch Bangla Bank (DBBL)	18%
HSBC Bank	19.50%
Bank Al Falah	21.24%
Janata Bank Limited, Dhaka Bank Limited, IFIC Bank Limited, Standard Bank Limited, Southeast Bank Limited	24%
National Bank Limited	27%
Brac Bank Limited	27% to 30%
NRB Bank	28%
One Bank Limited	28.50% to 31.50%
AB Bank Limited	30%
Bank Asia Limited	30%
Eastern Bank Limited	30%
Exim Bank Limited	30%
Midland Bank	30%
Premier Bank Limited	30%
Mercantile Bank Limited	30%
Mutual Trust Bank Limited	30%
NCC Bank Limited	30%
Farmers Bank	30%
South Bangla Bank	30%
Shahjalal Islami Bank Limited	30%
Trust Bank Limited	30%
Standard Chartered Bank	30% to 33%
City Bank Limited	36%

Source: Bangladesh Bank Website

Credit Card is meant to be used so that individuals don't always have to wait to spend till the end of month when they get their paycheck. For example, an individual earning a good income might often find funds at the end of a month to be scarce. A need might arise that may require spending within the next day and as such Credit Card can be useful to pay. As soon as the individual gets his salary he can payback his outstanding. Also at times, even when carrying cash an individual might be have a shortfall and in such circumstances this can be useful.

The interest rate for credit cards in Bangladesh averages 2.29% per month which is about 27.5% per annum. Most of the banks charge annual rate of 30%. As per to the Bangladesh Bank's monthly report on interest rates for all banks, the following Table 13 is presented showing interest rates for the large players in credit card market.

Approval of Credit Card Applications in Bangladesh

Credit Card is a highly unsecured form of credit facility. Unlike larger term loans that are secured by some form of the client's asset Credit Card issuers take high risks in approving credit card applicants. As such, most banks have reservations regarding the target market they wish to cater to. For example, HSBC issues cards only to those client's whose income is above Tk. 25000. Such limits are set by most banks as they wish to minimize risks of default. Another problem related to approval is that unlike western countries, it is harder to trace people in Bangladesh due to the fact that there are no mechanisms to identify when a person leaves an area. As such, defaulters are prone to running away and easily can hide their identity once they move their residence. This mobility and traceability issues mean that it is harder to approve credit card applicant who does not seem to have a permanent address in areas where they can be easily found.

Analysis of the Survey

To better understand consumer perception regarding credit card and whether demand exists or not it was important to conduct the following survey. The sample size was 50 and thus cannot be taken as an accurate appraisal of the scenario. There was also the issue of time that hampered the survey as respondents who were busy left questions unanswered or filled the survey without considering all options.

The survey was categorized into four parts to see different trends. These four categories of questions were

General Details: Includes demographic questions and financial status.

Perception about Credit Cards: This portion looked at the general perception people have regarding Credit Card.

Usage Pattern: To see the usage pattern of cardholders and also seek out the demand among non-cardholders.

Product Knowledge: To check knowledge about Credit Card.

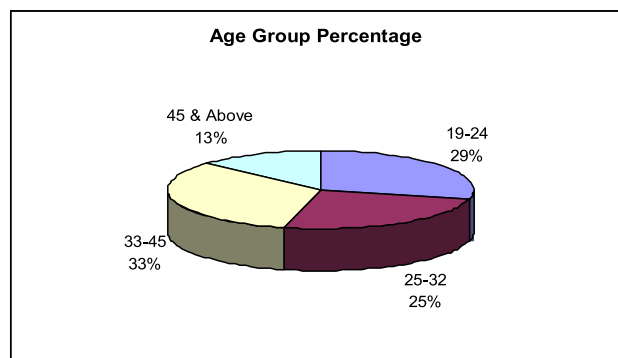
Since time was of the most essential, questions were mostly Yes/ No based. The survey is discussed below along with the results. Limitation of the survey was time constraint of respondents a large part of whom hurried in providing answers.

4.1 General Detail

Q1. Age: 19-24 25-32 33-45 45 & Above

The questionnaire looked at the age-group of people to identify later on trends regarding credit-cards. Since it was important to maintain uniformity, respondents were selected so as to get as much an equal balance between ages as possible.

Figure 2



It was easier to survey people of the lower ages since many of them had a positive response towards the survey. For age group “45 & above”, the trend was mostly unresponsive since many gave the reason of having no time to waste (Figure 2). The sample size is as given below:

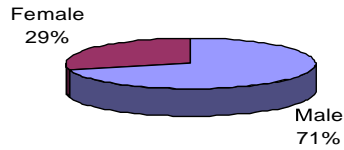
Age Group	Sample
19-24	14
25-32	12
33-45	17
45 & Above	07
Total	50

Q2. Gender Male Female

The question was designed to find trends of cardholders of the two genders. Here, respondents were selected at random and uniformity was not an issue since according to the Credit Card holders of BRAC Bank, Male to Female ratio is nearly 9:1 (Figure 3).

Figure 3

Gender Percentage



The sample size was:

Gender	Sample
Male	35
Female	15
Total	50

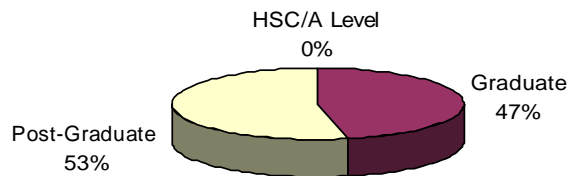
Q3. Education

HSC/A Level Graduate Post-Graduate

The question was designed to simply see a demographic pattern of educational qualification. Trend analysis of this was to see the income for different qualification. But education is not primarily a criterion for being an applicant for credit card therefore the question had little relevance in that respect. But the primary objective of this questionnaire was to see whether educational knowledge if in any way influenced knowledge of cards. This was not so since most people seemed to have an overview of credit cards and doesn't seem to really care about all products available. Their tendency is to simply apply to their bank for a card if they feel the need to and they don't look around for the best options (Figure 4).

Figure 4

Educational Qualification



Q4. Occupation

None Service Business

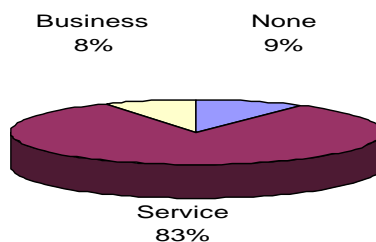
This question was designed to see the trend in occupational background. This is very relevant since Occupation of credit card applicants is an important criterion for banks. The main reason for this is, people of all occupations are not encouraged. Based on the occupation, their income is matched.

For example, a business with a small income might not be so encouraged if it is felt that his/ her income is not substantial enough for the business he/she is in. This is especially true for small traders or shop owners who might be having an income flow that is not fixed and is random. Since their payment is dependent on income, banks won't encourage such individuals with the allure of receiving a credit card.

As seen below (Figure 5), 83% of respondents were from the Service sector. For the survey it was hard to get hold of businessmen as most would balk at questions of income. Also service- sectors individuals come in more volume and as such it was not possible to keep tab of when people who were in business came.

Figure 5

Occupation



9% respondents were not in any form of occupation. These were mostly housewives though many of them did operate their husband's credit cards and bank accounts.

The sample size is given below:

Occupation	Sample
None	4
Service	43
Business	3
Total	50

Trend analysis regarding card holders of different occupation is talked about later in the report.

Q5. Monthly Income

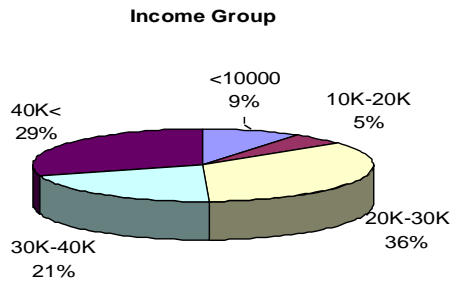
- Below 10000 10001-20000 20001-30000 30001-40000 Above 40001

Income of client's is an important issue when approving credit cards. A client is given a credit card based on the income and the limit for credit card is set accordingly.

For example, a person who has his own business and has an income of Tk. 75,000 and above might be given a credit limit over Tk.1 Lac. On the other hand, a person with an income of Tk. 20,000 would be given a credit limit of approximately Tk. 25,000 (+/- 5000-10000) depending

on the kind of service he is in. Therefore income is of the most crucial when applying for a credit card (Figure 6).

Figure 6

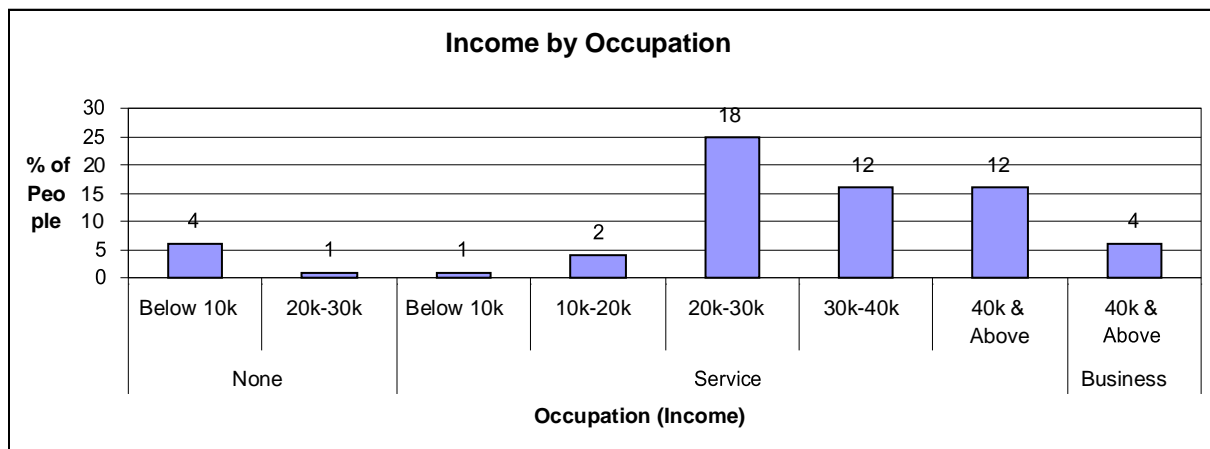


Note: k= 1000

Income Group (Tk.)	Sample
Below 10000	05
10K-20K	03
20K-30K	17
30K-40K	11
Above 40K	14
Total	50

The trend is seen that the largest income group seems to lie within the Tk. 20,000-30,000 group. To better understand the income trends the following charts compares income against age and occupation (Figure 7).

Figure 7



As can be seen from the chart above, the following trends are identified:

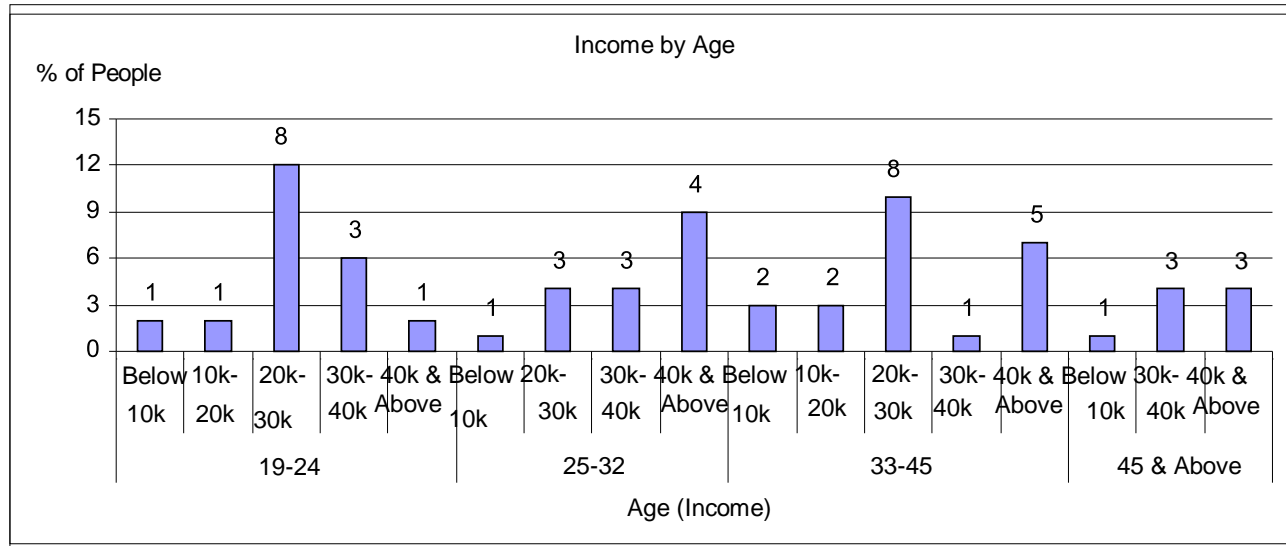
- The highest income group is concentrated on the business sector. For people in business, the income group is “Tk. 40,000 & above”. This though cannot be taken as a representation of



the actual population since respondents from business sector was a very small percentage of the sample.

- For those who are in service, they are spread across all income groups. The highest concentration here is in the Tk. 20,000-30,000 range.
- For those with no occupation, income is mostly in the range of Tk. 0-10000.

Figure 8



From the chart above (Figure 8), comparison of Age vs. Income shows the following trends:

- For the age group 19-24, income is highly concentrated between Tk. 20,000-30,000 range and Tk. 30,000-40,000 range. This is mostly people who are working in different companies. A part of the sample included young people working in sales and thus their income was substantially higher.
- For the age group 25-32, income concentration was mostly at Tk. 40,000 and above. This income for this age group is not so highly concentrated but seems to spread across Tk. 20,000 to above Tk. 40,000 range.
- For the age group of 33-45, income seems to be highly concentrated at Tk. 20,000-30,000. Compared to the age group of 25-32, it can be noticed that today’s younger generation seems to earn more. The main reason for this being, a large part of the 33-45 income group included individuals working in local companies where payment is highly concentrated in the Tk. 20,000-30,000 range.
- For the age group of 45 & above, income is mostly spread from Tk. 30,000 & above. The main reason being, the sample size here was concentrated on business and thus the income range came out so high.

The conclusion that can be drawn from this is:

Incomes for Businessmen are over Tk. 40,000

Income for people having a job is mostly above Tk. 20,000

The age group of 19-32 has a high income due to performance based job such as sales.

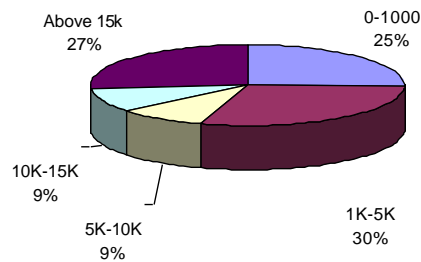
Q6. Monthly Savings

☐ 0-1000 ☐ 1000-5000 ☐ 5001-10000 ☐ 10001-15000 ☐ 15001 & Above

This question was designed to see monthly savings of different groups. Based on this question, different customers groups can be targeted whose savings are low. People in general want to have insurance. They want a nest egg for their future and also they want to save. People also want to buy things now. With today’s high prices people get very little chance to save if they are the bread earners. Also, with uncertainty in prices sometimes they can’t afford to wait before they can save for something. At situations like these, people can be helped with the power of credit.

Figure 9

Savings Pattern



Note: k=1000, amount in Taka.

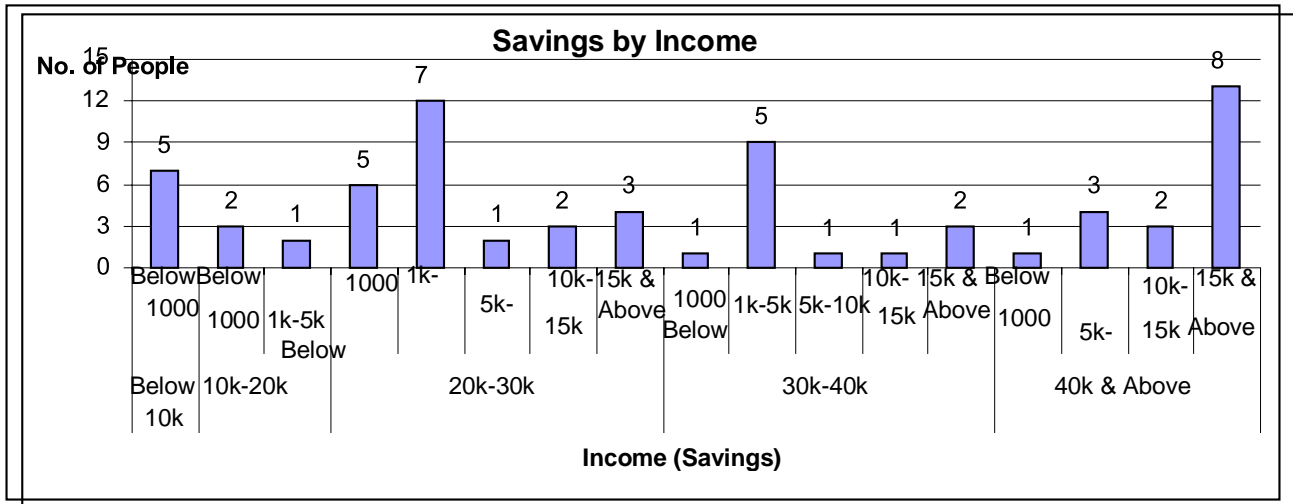
As seen above (Figure 10), about 55% of respondents to the survey had a monthly savings between the ranges of Tk.0-5000. Only about 27% save over Tk. 15,000 per month which is considerably high.

The actual sample response was:

Savings	Sample
0-1000	12
1K-5K	15
5K-10K	5
10K-15K	5
Above 15k	13
TOTAL	50

It is hard to comment on savings trend without making a comparison of income-savings so to see who saves most. This is mainly because income would dictate how much people actually get to save. The following chart (Figure 11) is a representation of income-savings comparison to see which income groups gets to save the most:

Figure 10



The chart above shows the following trends:

- Income group of Tk. 10,000 & Below obviously saves the least. To live in a city like Dhaka it is hard to sustain with an income of only Tk. 10,000 unless the person is living alone. Since Credit Card users need to have some sort of savings plan or at least don't spend their full income, this income group is thus a risky target to issue credit cards.
- The income group of Tk. 10,000-20,000 seems to have a similar savings pattern to that of the Tk. 10,000 & below income group. Here again savings are low though some respondents did save in the range of Tk. 1000-5000. Since the number of respondents falling in this income group was less, it is hard to conclude whether this income group can be considered a safe Credit Card user.
- The income group of Tk. 20,000-30,000 has the highest number of respondents and their savings also seems to be highly concentrated in the Tk. 1000-5000 range. This group seems likely to have a savings plan as their savings range from the lowest to the highest range. But since the main concentration seems to have a positive outlook, this income group can be considered to be a good choice as a target market.
- The income group of Tk. 30,000-40,000 also seems to follow the exact same pattern as the income group of Tk. 20,000-30,000. Since both income groups seem to have a higher concentration of savings in the Tk. 1000-5000 range, it can be concluded that savings within this range is a more appropriate and practical one especially with the high expense of living in a city like Dhaka.
- For individuals earning above Tk. 40,000 the concentration is obviously at the higher savings range of Tk. 15,000 and above. Here it has to be noted that in the analysis of the last question, it was found that most people in this income group are from the business sector.

To summarize, individuals earning above Tk. 20,000 seems to be a safe bet in terms of credit card users. With the high expenses associated with living at Dhaka, it can be assumed that income below Tk. 20,000 would mostly result in lower savings which makes it riskier since a client who spends all his income would not have the financial capability to pay back his dues.

Q7. Please RANK in terms of Expenditure Pattern

___Food___Transport___Rent___Utilities__Other

This question was basically designed to see where people spend the most. This would help to identify areas where Credit Card can be used. For example, if the highest expenditure is on Food, providing infrastructural facilities in areas where people go to shop can help them if they suddenly find themselves in shortage of cash.

For example, a client who has gone to shop at a local bazaar might suddenly find prices are high for the day and he/she has limited cash. At such a point, if an ATM booth is nearby, the client can easily withdraw cash by using Credit Card.

The response rate to this question was only 79%, i.e. 59 of 75 people answered this question. A trend was easy to identify since most answers were similar.

Category	Rank	Sample
Food	1	46%
Rent	2	20%
Transport	3	17%
Other	4	12%
Utilities	5	5%
		100%

The following conclusions can be drawn:

- Food is definitely the most expensive, as prices in recent times has risen very high with the given inflation. Over 46% of the people said expenditure on food is the highest.
- Rent is shown as the second highest expensive category. 20% people said rent is very high, but it is to be noted that a large portion of respondents did say that they have their own house therefore rent was not an expense. But rent is considered the second highest expenditure compared to transport since people who live in rented house, majority of them has ranked transport expense lower than their rental expense.
- Transport is another category that is nearly equal to rental expense. Most people mentioned by word that with the high cost of transport they try to minimize cost by using bus service. But at times they use other mediums when there are too many people.
- Other expense includes expenditure on clothes, entertainment, etc. Interestingly there were also responses such as payment of loan and paying off credit dues. Most respondents ranked it high though they couldn't pinpoint where primarily they were spending other than for shopping for personal items.

Response to utilities as an expense was low as many of respondents said expenditure in this category was controllable. Most was spent on electricity and mobile bills as telephone seems to be comparatively less used.

Perception about Credit Cards

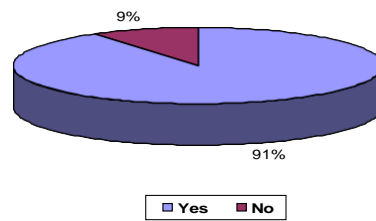
Q8. Do you know about credit card & its usefulness?

Yes No

This question was to see whether respondents knew about credit cards or not. This was a general question and does not show any trends as it seemed most of the respondents knew about cards. On asking this questions, most respondents said they know what a credit card is and also that it is useful in case of fund shortage. Other respondents were confused by the question as they thought credit card was simply used to draw money.

Figure 11

Know About Credit Card



As can be seen from the chart above (Figure 11), 91% respondents know about card and how it can be useful. But as would be seen in the following questions, not all of them agree whether credit card actually helps or not.

Q9. Do you think owning such a card helps?

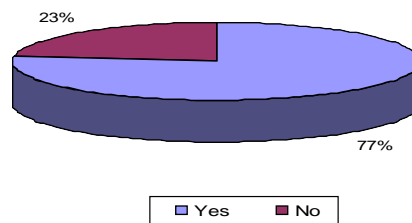
Yes No

This question was designed to see what perception people have regarding Credit Card. This was to identify positive ways that can be used to promote and negative issues that be solved to attract more clients.

The response is shown in the chart (Figure 12) below:

Figure 12

Credit Card Helps?



As can be seen an overwhelming 77% of respondents said they think Credit Card helps. To identify as to why clients told either Yes or No, the following supplementary questions were needed to be asked.

Q9A. If yes, then why? _____

Q9B. If no, then why? _____

The response to Q9A was common within two types of responses.

1. **Convenient:** A majority of the clients responding to yes in Q9 said they feel credit cards are a convenient way of carrying money. It helps in large purchases as it is not always easy to carry cash everywhere and all the time.
2. **Safety, Solves instant financial problem, Safety net in emergency:** This was the second highest number of response. Most people felt Credit Card can ease the financial burden of having a shortage of cash. Respondents felt at times when they wanted to buy things but couldn't because of shortage of funds, Credit Card was an easy way out.

As can be seen, most people favor Credit Card because it gives mobility and financial independence in the short-run.

The response to Q9B was also common within two types of responses:

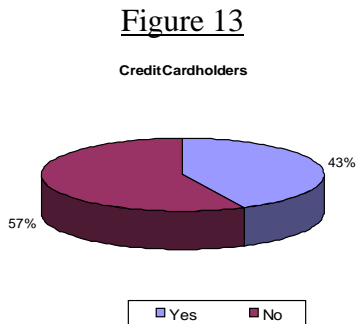
1. **Causes Debt:** Most people felt Credit Card causes people to fall in debt. They believe that the system is such that it causes you to fall in debt no matter how much you try not to.
2. **No Control over spending:** They felt people can't control their independence within the given limit and end up over-spending beyond capacity. Here again, it is not the Credit Card's fault that people spend more. People in general tend to consume more than they can chew and as such restraint is needed.

To summarize, perception of credit cards seemed to be on the positive side more than being negative.

Usage Pattern

Q10. Do you own a credit card? Yes No

This question was to find out how much percentage of the respondents owned credit cards. The result is presented below (Figure 13):



As seen above, 43% of respondents already had cards. Most of these respondents have been using card for some time and were users of cards belonging to other banks. The sample was:
Cardholder? Sample

Yes	29
No	21
Total	50

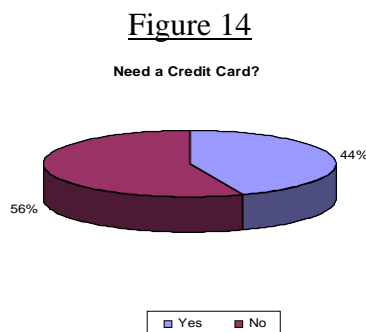
The following supplementary question was asked to see how many of the 57% who didn't have cards wanted one.

Q10A. If no, do you need one? Yes No

This question was used to identify potential market for credit card among respondents. The sample was:

Need Card?	Sample
Yes	19
No	24
No response	7
TOTAL	50

The following chart (Figure 14) shows in terms of percentage the response rate of clients:



The response can be viewed as negative but there are a number of reasons of why the response was a no. Firstly, a large part of the “NO” group are in the higher savings group who require no credit. Another reason is that most of these are respondents who had answered negatively as to why they don't consider Credit Card as useful.

For those who answered yes, most of them fall in the middle income groups and most of them replied they consider Credit Card to be useful because it solves financial problems instantly.

The following two supplementary questions to Q10 is used to identify frequency of use and area of use:

Q10B. If Yes, How often do you use your card?

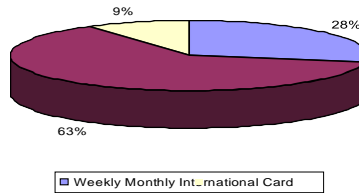
Daily_____ Weekly_____ Monthly_____



The response to this will identify how profitable it is for banks in terms of client's usage. The response is as follows (Figure 15):

Figure 15

Frequency of Use



Frequency	Sample
Weekly	9
Monthly	20
International Card	21
Total	50

Firstly, no respondent answered to the option daily. Though the option International Card was not given, a number of respondents said they use Credit Card when they go abroad. Here again it is seen that credit cards give mobility.

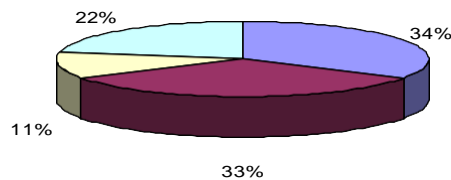
Q10C. If Yes, Where do you mostly use it?

Restaurants Shopping Centers Self-Service Stores Others_____

The response to this question would help to identify where in Bangladesh Credit Card users mostly use their cards.

Figure 16

Area of Use



Restaurants Shopping Centres Self-Service Stores Others

The sample was:

Area of Use	Sample
Restaurants	9
Shopping Centers	9

Stores	
Others	6
Total	50

As can be seen (Figure 16), local use is mostly restricted within use at restaurants and use at shopping centers. By others most clients meant use while traveling abroad. Use at self-service stores such as Agora and Nandan could be encouraged since grocery shopping is a weekly activity and shopping at such store is on the rise.

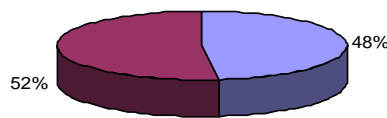
Product Knowledge

Q11. Do you know about the different credit card products offered by banks? Yes No

The response to this question and the following ones would help to identify how much the respondents knew about Credit Cards.

Figure 17

Know about Credit Card Products?



Yes No

Response	Sample
Yes	24
No	26
TOTAL	50

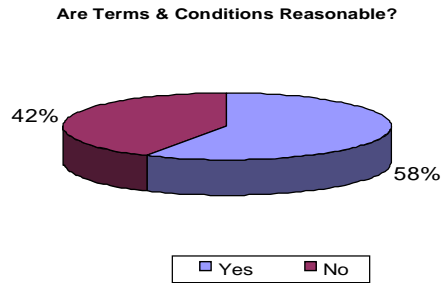
It seems most respondents didn't know much about the different credit card offers in the market (Figure 17). This can be an indication that increased advertising and marketing campaigns can create awareness and help to build a strong customer base.

Q12. Do you think the terms and conditions set by banks reasonable? Yes No

This question is also designed to understand how much the client knows about the terms and conditions of different credit card products. Here again the response pattern is expected to be similar as above.

Response	Sample
Yes	30
No	20
TOTAL	50

Figure 18

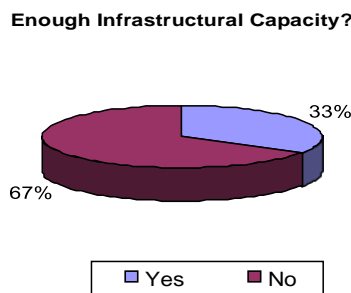


As seen above (Figure 18), most respondents considered terms and conditions to be reasonable. But the question remains of whether the client's actually do read all the terms and understand their consequence. For issues such as mistrust that may arise, banks should clearly explain all technicalities. That way potential client may have put more faith thereby increasing credibility.

Q13. Do you think the current infrastructural support (location of POS machines, ATM machines) for cards is enough? Yes No

This question will identify whether clients want more support in terms of where else they can use it.

Figure 19



As seen above (Figure 19), most respondents seem to consider current infrastructural support to be as not enough. An overwhelming 67% said they believe more should be done so that they are presented with more choices of where they can use their cards.

Q14. Where else do you want to use your credit card? _____

In terms of where else they want more infrastructural support, the response was as follows:

- Areas outside the main metropolitan cities.
- In hospitals
- Fast food stores and small restaurants
- Petrol pumps
- Smaller stores and shops
- Internet shopping
- Retail shops and in smaller towns
- Bazaar
- More shopping stores
- Departmental stores in different localities.

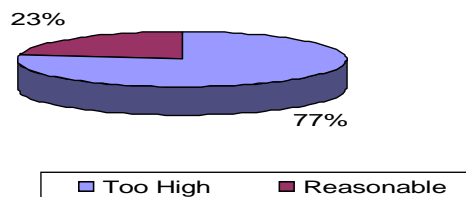
As can be seen, many respondents want to use cards in places where they shop. This is not only in large shopping areas but also in smaller retail shops and departmental stores. This can also be taken that given the option, cardholders might use cards for their daily shopping.

Q15. What do you think about the interest rates for credit card?

Reasonable Too High

This question undoubtedly received a common response- interest rate Too High. The response is as shown below:

Figure 20
Perception about Int.Rate



As seen above 77% respondents thought the Credit Card interest rate is too high (Figure 20). In terms of sample, this response is:

Response	Sample
Too High	38
Reasonable	12
TOTAL	50

Q16. What else do you want from Credit Card providers? (Facilities, rewards, changes to rates, etc) _____

This question was to bring out suggestions or needs that were not sought from the other questions. Here the clients were asked to say what changes or improvements they want to see. The response was as follows:

- More infrastructural support in terms of more Point of Service (POS) and ATM's to give more mobility to clients
- Change in the interest rates to a more suitable and affordable level
- More control over the POS where the merchant charges higher than the actual price
- A more friendly and easy way to apply and get Credit Card services
- Discounts at shopping centers and restaurants
- Should be acceptable even for smaller amounts
- A good reward program for frequent users
- Should lower renewal and annual charges
- Clearer Terms & Conditions

As seen above, most respondents have pointed out that Credit Cards need to do a lot to improve the current scenario that they are in. Respondents have asked changes in rates, charges, terms & conditions and improvements in the service at merchant outlets.

Credit Card has a long way to go as by looking at the suggestions above it is easy to see that the structure has not yet been fully developed for a larger client base.

The General Profile of a Potential Credit card holder in Bangladesh

A young man in his 30's works in a local private company. His monthly earning is Taka 20,000. His family consists of his wife who earns Taka 6,000 per month two small children of whom one goes to school and his elderly parents, dependant on his income source. There is no other source of earnings besides the man's and his wife's combined monthly salaries. The man has a saving scheme where he deposits Taka 1,000 every month and a savings account where the family saves for future expenses.

The man lives in a rented flat. He usually travels by bus to office and his wife's work place is near his home. There are two prepaid mobile connections used by the family, one is carried by the man and the other by his wife. There are no land phone lines in his house.

Infrequently the man goes out on family outings to a restaurant or shopping mall. There he spends around Taka 3,000. He usually bears this expense with his credit card. The credit card has a 2.5% interest on the outstanding credit. It usually takes him a month or two to pay back for the credit card usage.

This has three implications. Firstly, he can spend a larger amount of money per occasion without saving an equivalent amount. Secondly, he can spend on special expenses without having the worry of whether he has the money with him at the moment. Thirdly, he can pay back the money easily over the next few months.

The report identifies how the cardholder needs excess funding at certain months due to different occasions. He doesn't want to touch his savings and therefore uses his card. As it is seen he doesn't need to spend so high an amount as interest despite the fact he pays after the due date which makes him incur interest. The summary shows his year end credit charges and savings.

Recommendations

Credit Card usage is still low comparatively to other countries. Credit Cards have some potential for growth. Since the market is in introduction stage, there is still scope to see and learn. The strategy would be to pinpoint what the market demands and cater to it. Marketing strategy should be directed from the view point of customer precept. The following steps may be taken to improve and attract a larger client base. A strong marketing campaign is needed to attract customers. The campaign should focus on:

- Putting forward attractive products that cater to different income groups.
- Put forward attractive reward packages for existing customers
- Ensure mobility by improving infrastructural support.
- Attract clients with better promotional campaigns showing the user friendliness of credit cards
- Cater to the people by continuous innovation.
- Have a strong sales force that is capable to explain all issues and remove any misgivings that potential clients may have
- Remove all negative issues related by showing the real scenario
- Cater to those income groups who are credible.
- Based on consumer demand, changes should be made appropriately in regards to charges
- Have more control over Point of Service (POS) merchants and ensure clients are not charged more than the normal price.
- Hand out discounts and reward programs to keep the clients happy
- The message related to terms & conditions should be clear and should be transparent so as to remove any mistrust.
- Increased number of POS machines is needed at as many merchant stores as possible.
- Associations with other banks can be made so as to be cost effective by not competing in areas that already have Visa as a medium.
- Target the growing age group who are increasingly earning more and demand more in return.
- Target market should be set by catering to the job-holders who are the largest segment.
- Credit Card should not be only for rich businessmen, it should be an application to help middle income groups as and when they need.

Conclusion

Credit Cards can be real beneficial for clients if used properly. It is not only up to institutions like BRAC Bank to teach clients about the proper use and power of Credit Card. It is also the responsibility of clients to be responsible with the power of credit and also use it wisely. People

tend to get carried away and this should not be the case. The Bangladeshi Government has recently removed Advanced Income Tax on Credit Card. This will greatly benefit as customers will now no longer have to pay the extra tax that they used to pay. Consumer spending is on the rise along with rise in prices. Thus people are slowly saving less as expenditure has increased. Given this scenario a client might purchase items such as electronic goods and furniture today rather than waiting for the uncertainty of tomorrow. With all this, the consumers are increasingly starting to borrow for purchasing cars, houses etc. But to solve short-term needs and for amounts that are smaller clients can use credit cards. Therefore it is easy to see that with the current growth in economy and spending but comparatively lower growth in income, people are turning for credit facilities.

In conclusion with increase potential there will be increased competition. Banks should thus be aware of competitive offerings and act accordingly.

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