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Current scenario of credit card In India and role of CBIL in credit cards

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ABSTRACT

Oxford Dictionary and Thesaurus define “credit card authorizing purchase of goods on credit”. Credit cards are innovative instruments in the area of financial services offered by commercial banks. The concept of credit cards was first developed by Diners’ club a credit card is a plastic card having a magnetic strip now recently replaced by chip card issued by a bank or business authorizing the holder to buy goods or services on credit.

Keywords: Credit card working, Current scenario, Role of CBIL.

1. INTRODUCTION

A credit card is a device which enables the holder to obtain goods on credit from specified supplies. The holder of the card, in some cases, has to pay the yearly subscription and the suppliers also have to pay commission on sales to the bank or the body issuing the card. The suppliers are paid promptly and so are protected against bad debts, while the holder makes a single monthly payment to cover all his purchases for that period. Credit cards are issued only after the applicant’s credit worthiness has been accepted as satisfactory. According to credit rating, holder of the credit card may be allowed a specified Amount of credit from one month to another.

A credit card, as the name indicates, enables the cardholder to enjoy credit from the issuing bank for a specific period after the purchases. During this intervening period, the cardholder is allowed to use the card for incurring further expenses. A bankcard is used to make an electronic withdrawal from funds on deposit in a bank, as in purchasing goods or obtaining cash advances.

2. CURRENT SCENARIO

In order to encourage the use of the card, the policy initiatives and the regulatory stance of the Reserve Bank of India have been focusing on increasing the acceptance and penetration of safe, secure and efficient non-cash payment modes comprising cheques, credit/debit cards, and transactions through ECS/RTGS/NEFT, over the years. The total number of outstanding credit cards and debit cards as at the end of March 2012 was 17.65 million and 278million respectively. Although the credit receivables as a percentage to the total retail loan portfolio remained at 2.56% during 2010-11 and 2011-12, the increase in the absolute amount in card receivables was Rs.36 billion constituting an increase of 20% during the aforesaid years. In the last decade, while the issuance of credit cards declined, cards showed a positive growth trend. Today, opening an account, a customer is given an ATM cum Debit card. This is one of the reasons why the increase in debit cards has been more than credit cards. It has been seen that some consumers shy away from credit cards in view of high rates of interest on credit and penal rates on delay/default. As per the report of RBI, more than three-fourths of the total debit cards issued / in use, as at the end of March 2012, were issued by public sector banks. In contrast, more than half of the credit cards were issued by new private sector banks and foreign banks.

3. CIBIL FACTS

Credit Information Bureau (India) Limited or CIBIL is a Credit Information Company (CIC) was founded in August 2000. Post Inception, they have come to play a critical role in India’s financial system. Whether it is to help loan providers manage their

business or help consumers secure credit faster and at better terms, the use of CIBIL's products have led to a massive change in the way the credit life cycle is managed by both loan providers and consumers.



Fig 1.1 What CIBIL Do

4. CONCLUSION

Study of Perception of consumers towards credit cards in Mumbai has given a clear insight that how the customer feels about using credit cards.

So credit cards now become one of the essential financial products of banks

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