

Factors Determining the Usage and Satisfaction towards Plastic Money in India: An Empirical Study

PANKAJ AGARWAL

School of Management Studies, Dehradun, Uttarakhand, India 248002

pankajagg84@gmail.com

DOI : 10.36893.IJMIE.2018.V8I4.341-349

Abstract

In the world of digitization where every individual looks for conveniences, businesses have changed their way of working and inclined towards consumer's approach. Similarly, banks no longer confined themselves to typical banking activities, but instead explored new ways to broaden their activities and diversify their customer base. To attract banks and more customers banks also offer various plans. There are many distinct types of banks in our today's well-developed banking business. Many of them have worked in the fields of consumer debt, Credit card, merchant banking, electronic and telephonic banking, leasing, collective investment schemes, etc. The changes in the banking processes and shift from paper money towards plastic money have eased many things for the banks and mainly for the customers. This paper will highlight the use and importance of plastic money in India. This paper will also observe the satisfaction level of using plastic money among Indians.

Keywords: Plastic Money, Debit and Credit Cards, Usage and Satisfaction towards Plastic Money in India, Banking System, Electronic Payment System

Introduction

Like in other nations across the world, a structured system of payment has evolved in India over time, moving from the barter system to more complex monetary structures. Throughout the course of the 20th century, coins, cash, and checks were the most common forms of payment in India. Payment using cash and checks has undergone a transformation as the 21st century has progressed. It has changed from being a legit, paper-based currency transaction to an electronic, digital one. This is consistent with the emergence of sophisticated technology-

based banking systems around the world, which led to significant changes in how financial companies deliver services to clients purchases like identification and also maintains records of activities as they occur. Due to the changes in the banking system and adoption of plastic money the holder has the option to identify his historical purchases, which is not possible for the user of paper currency. The use of cashless transactions and plastic money has evolved into a convenience for consumers of financial institutions. Financial service providers and their clients are increasingly able to conduct business electronically. This electronic payment method has far-reaching implications, particularly for India. It simply and effectively assists in way in connecting with the worldwide financial services sector by modernizing and decreasing the cost of the systems. It also aids in tackling the particular difficulties India has, like the substantial financially excluded banking population, the unregulated financial market, and the requirement for monetary transparency. Plastic money offers a lot more advantages than just making it easier to substitute cash and checks in customer engagement (Malhotra and Singh, 2009).

India has seen a recent uptick in the use of plastic money as businesses and customers recognize it is a safer alternative to conventional methods of payment. Banking institutions have been inspired to utilize these technologies as more and more traders and clients accepted them. The credit and debit card industry in India is expanding at an unprecedented speed as the country's consumers adopt the digital culture. Customers' perceptions towards using conventional cash and check payments have drastically changed in the past several years, which have revolutionized methods of payment. The advancement of the payment system and the shift in technology has paved the way for additional improvements in plastic money. This advancement in plastic money helps the consumers in feeling satisfied with their changing needs. The use of plastic money has recently become more common in India as more businesses and consumers are becoming aware of how the rise of private sector banks has made it possible to expand the use of non-cash transactional methods like EFT, debit cards, and credit cards, etc. The potential is enormous, even if non-cash transaction acceptances remained consistent between 2007 and 2012. Every segment of society now has much easier access to

debit cards because of the implementation of the Jan Dhan Yojana and the Rupay debit card (Das and Agrawal, 2010).

Literature Review

In a study it was observed that the low-income users of credit card use this card mainly for repayment on any amount in the form EMI or other installments. In a study it was concluded that the low income individual who use credit card they use the installment element of the credit card. It was also found that the age, gender, qualification and demographic profile has a great impact on the usage of plastic money. As far as gender is considered, the males use more credit cards than females. The reason behind this difference is lack of interest and awareness among the female population in India. When research was conducted it was also found that students use more debit cards than credit cards while the service people or professionals use both in almost equal proportion. It was also interpreted that the people between 18-25 years use debit cards more than credit card while the people between 25-35 years use both debit and credit card in equal proportion. According to the study, the consumers are satisfied with the plastic mode of payment. The reason is they are offered various offers and services from the banks. The hectic issue with most the India's was to carry huge cash and fear of theft is another reason most of the people are accepting the other modes of payment than cash. Another favorable point for using plastic money is that they offer quick and easy transaction process (Jainand Karim, 2015)

Though plastic money in form of debit and credit card offers various benefits but they also come with their dark side. In a study it was found that many India's are not in the favor of using plastic money for their day-to-day transactions. The reason behind this rejection is fear of fraud. There are many frauds associated with debit and credit card. The Automated Teller Machines are the first target to rob all the savings of the card user. Many time the fraudster connect data skimming device in ATM machines to steal the data without any knowledge of the user. The fraudsters even attach fake keypad above the real one to trace the PIN of the card holder. As the trend of online shopping is at its boom, the fraudsters have left no chance to steal money. The online mode of payment via debit or credit card for shopping seems convenient but sometimes it can be fatal for the user. Keystroke logging is when a user after downloading an

app or software unknowingly gives full access to the fraudster. Many time banks and other financial institutions become target of the fraudster and get attacked by the malware or other similar virus. Due to increase in the fraudulent practices related to plastic money many people avoid to use them in their daily lives but still the popularity of debit and credit card is pacing (Kathirvel, 2013, Sankhwar, and Pandey, 2016 and Pratiksha and Yenganti, 2013).

In a study various aspect of debit and credit cards were studied and it was observed that credit cards are a kind of payment that may be used in place of cash. Credit cards are a pricey form of payment since they carry risk and provide free credit. Yet, the pricing is concealed by the product's design and marketing, and customers are unaware that they are ultimately responsible for paying the price. Cash can also be substituted with a debit card. Even though this method of payment does not give credit and poses no risk or very little risk, banks have priced it on par with a credit card and this cost is absorbed by the cardholder. The fees associated with the debit and credit card systems are charged to businesses that accept cards. These costs for the retailers might reach 50% of their revenue. The merchant has two choices: first transfer the cost onto the price of his product if he is unable to charge a premium. This hidden price increase is invisible to the cardholder, who ultimately suffers the expense. Second if, however, the retailer is permitted to charge an additional fee or provide discounts for cash, the cardholder chooses to pay with cash instead, resulting in an inefficient method of payment (Rotchanakitumnuai, and Speece, 2004).

In research it was found that the banking industry's products, payment methods, and settlement system have seen notable changes because of the ongoing development of information technology (IT). Several payment methods, in addition to the traditional ones where the instruments are physically traded and manually settled, are in use in India. Smart cards are a brand-new type of retail payment tool designed to speed up electronic retail transactions. The Reserve Bank of India released recommendations for the introduction and use of smart cards to the banks in 1999. Some Indian banks that have partnered with Financial Information Network and Operations Ltd. are now issuing smart cards (FINO). Smart cards, which resemble credit cards in size and are provided by banks to their clients, are also known as electronic money or e-Purse. It indicates the balance of the customer's account that is saved in the card itself and is

accessible for use in a variety of transactions. It is referred to as an electronic purse since a consumer is not required to carry cash in his wallet. Smart cards are adaptable cards that may be used as ATM, debit, and credit cards, making them appropriate for all sorts of clients. For continuous use, the balance on the card may be topped off at any time by transferring the necessary sum from the customer's account over the phone, over the internet, or at an ATM (Kaur and Kaur, 2013).

In research it was suggested that to increase the use of plastic money, card issuers should take the required efforts to raise awareness among cardholders who are female, older, and from lower socioeconomic categories. The majority of cardholders chose their cards because they make purchases conveniently and have access to interest-free credit. It is recommended that the card issuers should support merchant establishments to increase card acceptance for purchases, increase sales, and improve cardholder satisfaction. For the increase of card sales, it is essential that the issuing bank divisions take the required efforts to promote their card business using successful advertising campaigns and sales promotional methods (Hooda, 2016 and Sudhakar, 2014).

Objective of the Study

- To explore about the various dimensions of the usage behaviour for plastic money
- To ascertain the level of satisfaction among the users of plastic money

Methodology

The study was conducted with a structured questionnaire in two parts, first part included the questions regarding the usage behaviour and 2nd part was related to the satisfaction for plastic money. Sample size comprised 180 participants in the survey. To analyze the results, statistical techniques such as mean, and bar diagrams were used. The research was based on judgement sampling with a criterion that participant must have at least 2 plastic cards debit card or credit card.

Data Analysis and Findings

Table 1 Plastic Money (cards) Usage

SL No.	Statements	Mean Value
1.	I use cards for online payments	3.65
2.	I use cards for shopping in the stores	4.07
3.	I use cards multiple debit cards (more than one)	4.12
4.	I use multiple credit cards	3.86
5.	I use payment by cards more than any other means such as cash, online payment through banks etc.	3.10

Table 1 shows the response of the users of the Plastic Money (cards) regarding their usage. It was found that ‘I use cards multiple debit cards (more than one)’ was most popular usage practice (mean score 4.12) followed by I use cards for shopping in the stores (4.07), I use multiple credit cards (3.86), I use cards for online payments (3.65) and I use payment by cards more than any other means such as cash, online payment through banks etc. (3.10).

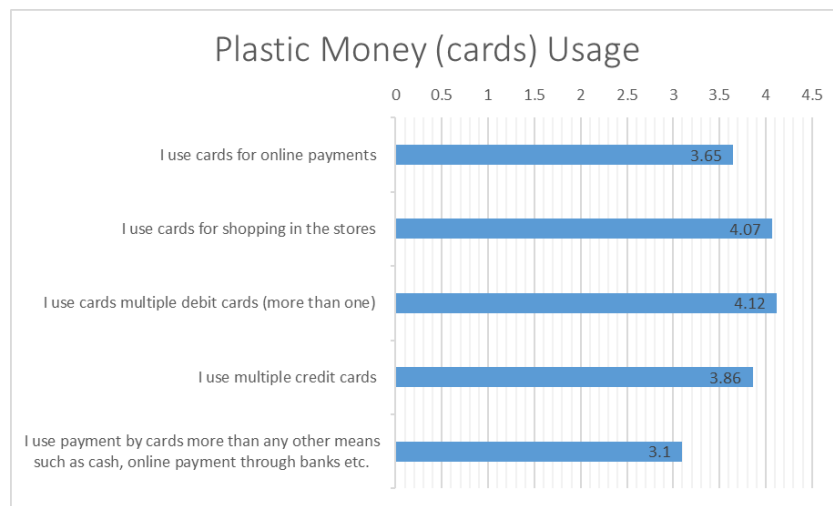


Figure 1 Plastic Money (Card) Usage

Table 2 Satisfaction with Usage of Plastic Money

SL No.	Statements	Mean Value
1.	Using plastic money is financially rewarding	3.97
2.	Plastic money usage is highly convenient	4.16
3.	Plastic money can be used anywhere anytime	4.20
4.	It is safe to make payment with plastic money	3.81
5.	Plastic money is the best way to make transactions	3.70

Table 2 shows the satisfaction with usage of plastic money. It was found that Plastic money can be used anywhere anytime (4.20), followed by Plastic money usage is highly convenient (4.16), Using plastic money is financially rewarding (3.97), It is safe to make payment with plastic money (3.81) and Plastic money is the best way to make transactions (3.70).

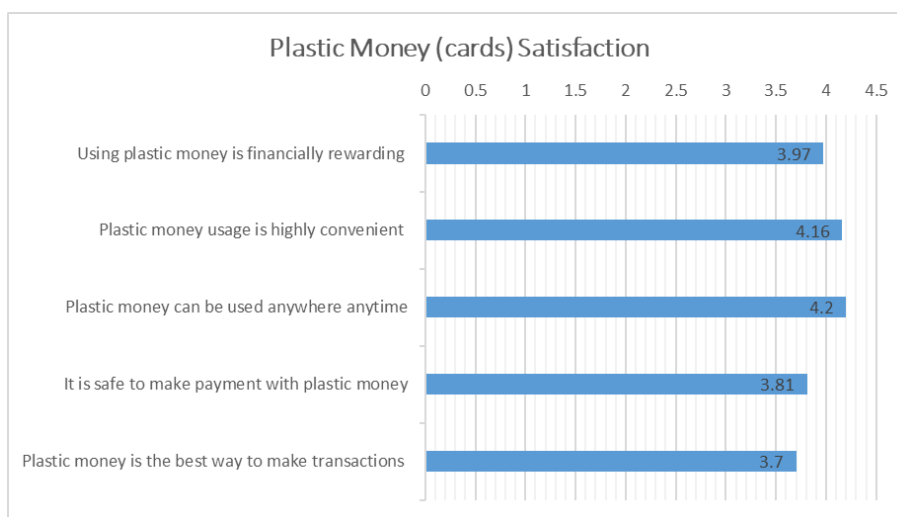


Figure 2 Plastic Money (Card) Satisfaction

Conclusion

From the above research it is concluded that the practice of paying with cash has been replaced more significantly using plastic money. Due to its many benefits for consumers, businesses, and banks, plastic money—which is a crucial part of the contemporary banking industry—has become a common payment and borrowing tool in both advanced and developing economies. It serves the purpose of an easy way to carry money and as a backup for paper money. The main

issue with current banking technology is that most customers favored using a debit card over a credit card and are completely unaware of the idea of plastic money. The idea of plastic money is completely unknown to the general public. The majority of respondent utilizes plastic money and own at least one type of card for their purchases. From the above research it is also concluded that the use of plastic money is mainly determined by many factors like age, gender, qualification, profession and demography. Though the popularity of plastic money is increasing day by day, but the risk associated with it is also increasing. There is a need to establish a proper mechanism to tackle and reduce the frauds and threats associated with it.

References

1. Garg, P., Singh, P., Kalra, S. (2014). Consumer's Perception towards Plastic Money, *Amity Business Review*, 15(2) 89-102.
2. Jain, V., Karim, S.F. (2015). An Evaluation of Consumer Perception and Attitude towards the Usage Of Plastic Money In India, *International Journal of Science Technology and Management*, 4(9) 80-86.
3. Rotchanakitumnuai, S. and Speece, M. (2004). Corporate customer Perspectives on Business value of Thai Internet Banking, *Journal of Electronic Commerce Research*, 5(4) 270-286.
4. Das, A. and Agrawal, R. (2010). Cashless Payment System in India- A Roadmap, *Department of Mathematics Indian Institute of Technology Bombay*. Technical Report.
5. Kaur, K. and Kaur, M. (2013). Differentiating Adopters and Non-adopters of Smart Cards: Comparative Analysis of Public, Private and Foreign Sector Banks in India, *Vikalp*, 38(3) 67-77.
6. Malhotra, P., & Singh, B. (2009). The impact of internet banking on bank performance and risk: The Indian experience. *Eurasian Journal of Business and Economics*, 2(4) 43-62.
7. Imtiaz, S. (2011). Plastic Money/Credit Cards Charisma for Now and Then with emphasis on affordability and preference of them by consumers because of their convenience attribute during all kind of daily transactions. *European Journal of Scientific research*. 62(1)123-127.

8. Kathirvel, K. (2013). Credit card frauds and measures to detect and prevent them. *International Journal of Marketing, Financial Services & Management Research*, 2(3), 172-179.
9. Pratiksha L. & Yenganti, T. (2013). Credit and ATM Card Fraud Prevention Using Multiple Cryptographic Algorithm. *International Journal of Advanced Research in Computer Science and Software Engineering*. 3(8) 1300-1305.
10. Sankhwar, S. and Pandey, D. (2016). A Safeguard against ATM Fraud. *IEEE 6th International Conference on Advanced Computing*.
11. Sudhakar, G. (2014). Plastic Money: The Rise of E-Money, *International Journal of Management Research*, 2(8) 144-158.
12. Hooda, N. (2016). Plastic money- A Boon or A Bane, *International Journal in Management and Social Science*, 4(5) 66-74.