

AN AWARENESS AND ANALYSIS OF USAGE OF PLASTIC MONEY IN NAVI MUMBAI

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ABSTRACT

Money is an intermediary which has a variety of functions ranging from being a measure of value to a standard of deferred payment. However, the most important function of money is that it works as a medium of exchange. Over the years the concept of money has evolved from the use of paper currency to the use of plastic money. The recent growth in the use of plastic money after 2010 mainly credit and debit cards has been phenomenal. There are hundreds of millions of credit cards in circulation today. Spending pattern through plastic money has changed drastically. Plastic Money business is definitely going big time. However, the lack of awareness regarding its safety and security makes people hesitant about using them. Demonetization has been the gamechanger for the industry and the usage and awareness amongst the people for the various kinds of plastic money has increased post demonetization.

Keywords: Credit card, Debit card, safety, plastic money, cashless, payment, bank, cards

INTRODUCTION

Money is regarded as a medium of exchange and payment tool. Initially the barter system was used as the significant mode of payment. Over the years, money has changed its form from coins to paper cash and today it is available in formless form as electronic money or plastic card. The major change in banks which has been brought in by the technology is through introduction of products which are alternative to cash or paper money. Plastic cards are one of those types of innovations through which the customers can make use of banking services just by owning the card issued by bank and that too without restricting himself in the official banking hours. Plastic cards as the component of e - banking have been in use in the country for many years now.

The recent growth in the use of plastic money mainly credit and debit cards has been phenomenal. After the Demonetization by the Prime Minister Mr Narendra Modi and his emphasis on Cashless Transaction. Generally, increasing reliance on cashless transactions is seen as sign of a modern economy where there is a strong synergy between the ordinary consumers and its financial institutions.

Debit and credit cards offer more than a way to access money without having to carry around cash or a bulky checkbook. Debit cards are like digitized versions of checkbooks; they are linked to your bank account (usually a checking account), and money is debited (withdrawn) from the account as soon as the transaction occurs. Credit cards are different; they offer a line of credit (i.e., a loan) that is interest-free if the monthly credit card bill is paid on time. Instead of being connected to a personal bank account, a credit card is connected to the bank or financial institution that issued the card. So when you use a credit card, the issuer pays the merchant and you go into debt to the card issuer.

ACCEPTANCE BY MERCHANTS

Merchants pay a fee — called interchange fees — to payment processors like Visa and MasterCard for every credit or debit card transaction. This is usually flat fee, plus a percentage of the total transaction. The fees charged for a debit card are *much* lower than those charged for a credit card.

SECURITY AND CARD THEFT

Debit cards, which make use of a PIN, are more secure cards in and of themselves. However, credit cards are

much more secure for consumers in a practical sense when fraud occurs.

If someone steals your debit card information, the thief has direct and immediate access to the funds available in the bank account connected to your card.

CREDIT HISTORY

It is important to build a good credit history for yourself over time. A good credit score ensures you pay lower interest on mortgages and car loans, and lower insurance premiums. Conversely, owning a credit card but falling behind on payments negatively impacts your credit score.

Interest and Fees

Few debit cards charge monthly or annual fees, nor do they charge interest. Some credit cards charge an annual fee (which may or may not be worth it, depending on the card's rewards), and all credit cards charge late fees and interest on debts that are not repaid on time.

Types of Debit Cards

- 1. PIN-only cards:** PIN-only debit cards are linked to your bank account and can be used for cash transactions and fund transfer, buy from retailers and pay bills online or by phone. The card holder is required to enter a secure PIN for every transaction to establish identity and maintain security.
- 2. Dual-use cards:** Dual-use debit cards are both signature- and PIN- enabled, and tied directly to your bank account. You can verify your identity either by signing or entering your PIN.
- 3. EBT cards:** Electronic Benefits Transfer (EBT) cards debit cards provided by a state or government agency to users who qualify for food stamps, cash payments, or other benefits. EBT cards can be used to make purchases at participating retailers or to withdraw cash from an ATM, depending on the type of program.

Types of Credit Cards

- 1. The Standard Credit Card:** These are general purpose credit cards with revolving balance (i.e. credit is used up when purchases are made, and is open again once the bill is paid). Standards cards are usually starter credit cards, usually for applicants with little or no credit history who meet the minimum required criteria.
- 2. Reward Credit Cards:** These cards offer several rewards programs in the form of cash, points or discounts, and are intended to influence your spending. Reward

cards usually come with an associated annual fee and a lot of fine print; the key is to make sure the rewards earned exceed the annual fee.

3. Secured Credit Cards: Also known as pay-as-you-go cards, their primary purpose is to give people with bad credit history a chance to reestablish credit. The user first deposits a "secure" amount into a savings account — that makes for the credit line. The credit limit is usually a percentage (50%-100%) of this amount. These cards come with an annual fee and a high APR.

4. Charge Cards: Charge cards do not have a preset spending limit and balances must be paid in full at the end of each month.

5. Master Card: MasterCard started in the late 1940's when banks in US issued special paper that could be used like cash. In 1951 The Franklin National Bank in New York formalized the practice by introducing the first real credit card.

REVIEW OF LITERATURE

A number of studies have been done regarding the Plastic Card usage. Following are a few of them :-

- Zinman (2007a) and Klee (2006) have shown that individuals who carry revolving credit card balances are significantly more likely than convenience users to adopt debit.
- Alvares, Clifford (2009) The article reports on the problem regarding fake currency in India. It is said that the country's battle against fake currency is not getting easier and many fakes go undetected.
- It is also stated that counterfeiters hitherto had restricted printing facilities which made it easier to discover fakes. According to chief economist Soumendhra K. Dash, the solution to the problem is to provide people incentive to use plastic cards and make cashless transactions.
- Vimala V. and Dr. Sarala K.S., (2013).” Stressed on the Usage and perception of plastic money among the customers of BOI” with emphasis of the awareness level, perception and usage of new innovative services in regards to plastic money.
- Tabrez Haq and Bushra Malik, (2014). “Consumer response towards the usage of plastic money” with emphasis on increase of shift of plastic money in India by consumers from Credit cards to Debit cards - The distribution of plastic money has increased due to the fact that banking sector has become more aggressive. The paper duly investigates the acceptability of the cards among the Indian consumer and the factors influencing the card choice

RESEARCH METHODOLOGY

Research Problem

Spending through credit cards rose by 30% year-on-year to Rs 22,128 crore during the April- June quarter of 2011-12 against Rs16,948 crore last year, according to data released by the Reserve Bank of India (RBI). Spending through debit or ATM cards, increased by 45% year- on-year to Rs11,691 crore during the April-June quarter compared to Rs 8,065 crore last year. “It’s a natural progression for country like India, which is growing rapidly and more people availing banking facilities,” said Anand Selvakesari, country business manager, global consumer group, Citibank. “However, there is still much potential left as penetration of plastic money in India is less than countries such as the US and China.”

However, the total number of credit cards in the country witnessed a marginal fall as total outstanding credit cards at the end of June 2011 declined 6% to 1.8 crore from 1.9 crore at the end of June 2010. On the contrary, the number of debit cards rose 25% to 24.0 crore at the end of June 2011 compared to 19.0 crore at the end of June 2010.

“The growing number of point-of-sale terminals in the country have also helped in increasing payment through credit and debit cards,” said Mr. Narendra, chairman, Indian Overseas Bank. However, bankers are likely to be cautious in selecting their customers for credit cards due to the uncertainty in the global economy. “We will continue expanding our cards base in India, but will select customers cautiously.

A study on the Plastic Card usage becomes all the more important. Therefore, the statement of the problem would be:-

1. How can plastic cards usage be increased?
2. How can a city like Navi Mumbai make maximum use of plastic cards?

OBJECTIVES

Primary objective:-

To know the perception of people towards plastic money.

Secondary objectives :-

- To know the importance of plastic money in the daily life of consumers.

- To study the benefits of debit card and credit cards.
- To find out the market leader among the various banks/companies issuing credit and debit cards
- To know the problems faced by respondents using plastic money.
- To study the satisfaction level of consumers towards plastic money.

RESEARCH DESIGN

The research was an exploratory followed by descriptive one because the entire project was based on questionnaire and analysis which is of exploratory nature followed by the detailed description and analysis so the project is of descriptive design also.

After the descriptive analysis the Regression Coefficients were worked out by using SPSS to see the causative relationship between the various factors influencing credit card usage. Significant factors were identified and suggestions given for increasing the Plastic card usage.

The nature of the study was statistical pertaining actual field conditions .The reason for choosing this type of data is, qualitative research provides insights and understanding of problem setting while quantitative research seeks to quantify the data and typically applies some form of statistical analysis.

Sample Unit

Individuals who are salaried people and students of various colleges were chosen as samples.

Sample Size

Total Sample size was of 300

Sampling Technique

The sampling method used was Non probability Convenience sampling because the respondents chosen for filling the questionnaire were chosen conveniently from the area of study which was entire the Navi Mumbai.

DATA SOURCES

Primary Sources: This data include both qualitative and quantitative data. Data were generated through questionnaire as a research instrument.

Research Approach: Survey

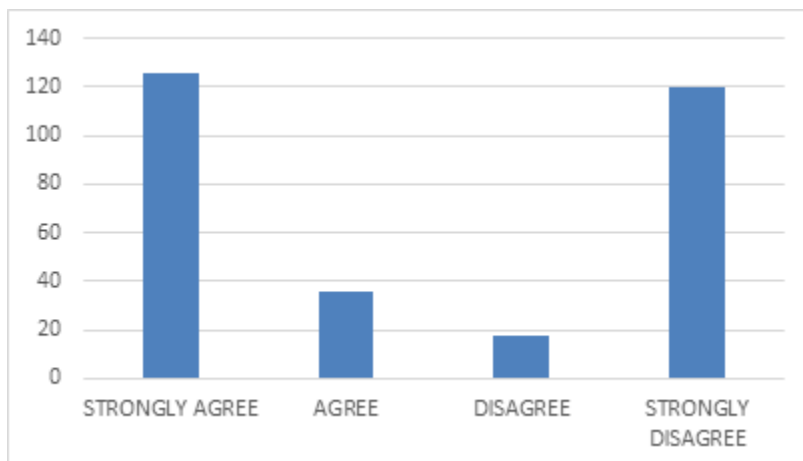
Type of Questions: Open-ended and Close-ended questions

Secondary Sources: The data was collected from journals, internet, reports and publications

ANALYSIS OF DATA AND FINDINGS

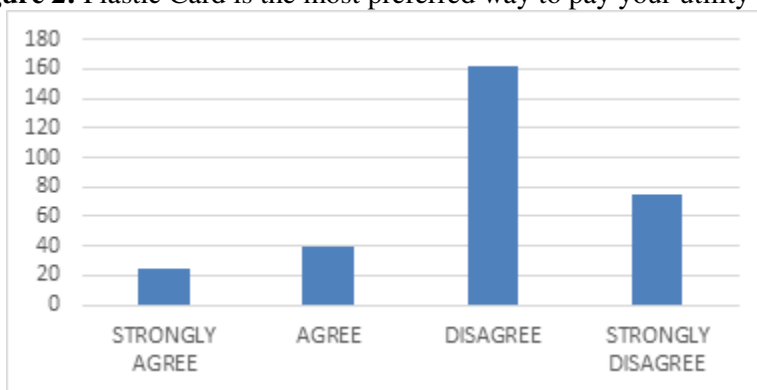
The data was collected from 300 respondents by means of Questionnaire and then analyzed. The Findings of Analysis were as follows :-

Figure 1: Response for Plastic Cards is the most convenient way of paying



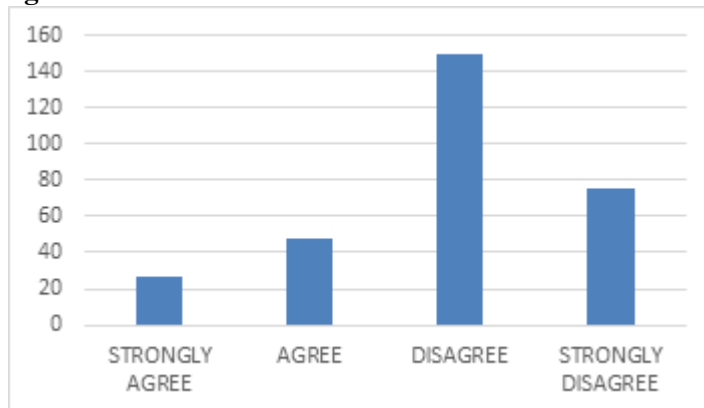
It is evident that 126 respondents strongly agreed to the point, 36 respondents agreed to the point, 18 respondents disagreed to the point while 120 respondents strongly disagreed to the point.

Figure 2: Plastic Card is the most preferred way to pay your utility bills.



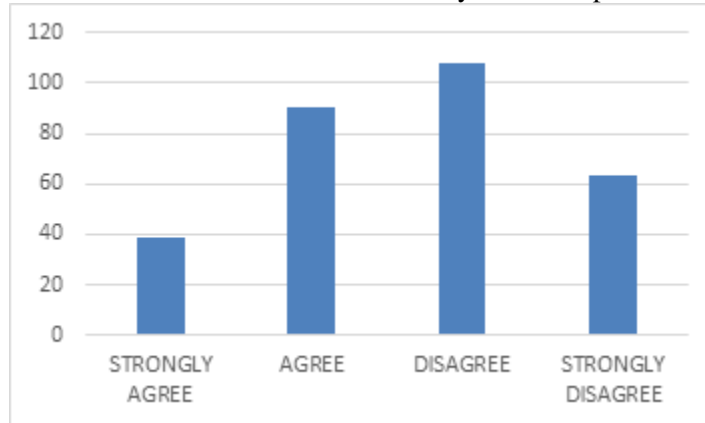
It is evident that 24 respondents responded for ATM cum DEBIT Card, 39 respondents responded for credit card, 162 respondents responded for both while 75 respondents responded for other.

Figure 3: Use of Plastic card is the safest mode of transaction



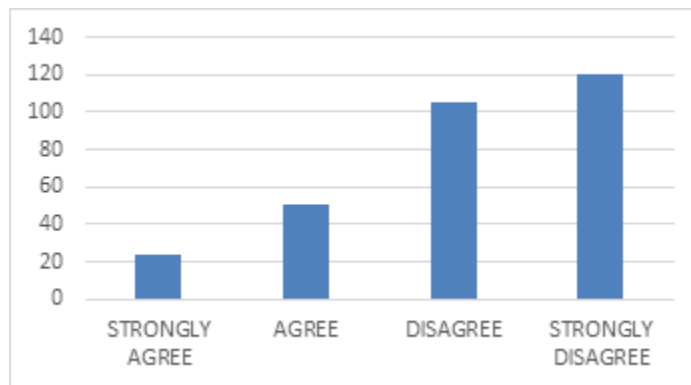
This finding clearly reveals the fact that the people are not fully aware of the security procedure associated with the use of Plastic Cards. Plastic cards have different layers of security as per need and cannot be easily misused.

Figure 4: Misuse of Plastic Cards is the reason you don't opt for Plastic Money



It is evident that 39 respondents strongly agreed to the point, 90 respondents agreed to the point, 108 respondents disagreed to the point while 63 respondents strongly disagreed to the point.

Figure 5: Credit Card are expensive as many other charges are charged on it



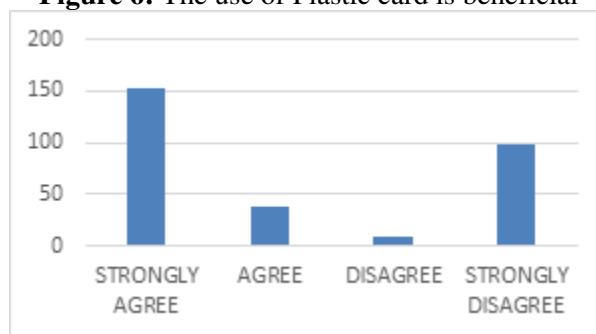
People have the general notion that credit cards are expensive as many charges are levied on it like joining fee, Service Tax, Interest, Outstation Fee etc.

It is evident that 24 respondents strongly agreed to the point, 51 respondents agreed to the point, 105 respondents disagreed to the point while 120 respondents strongly disagreed to the point.

Some companies offer incentives like discount, cash back etc, when the purchase is done through Plastic Money

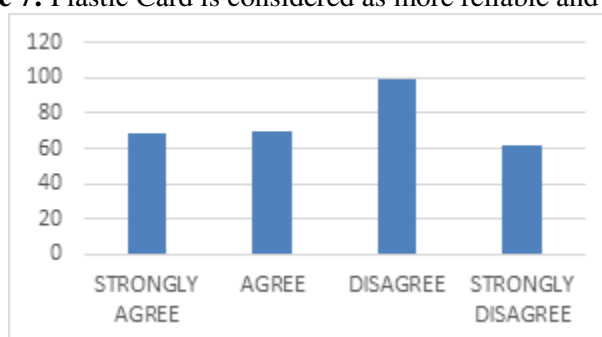
When the respondents were asked their opinion about this, following was the response obtained from them-

Figure 6: The use of Plastic card is beneficial



it is evident that 153 respondents strongly agreed to the point, 39 respondents agreed to the point, 9 respondents disagreed to the point while 99 respondents strongly disagreed to the point.

Figure 7: Plastic Card is considered as more reliable and secured



The respondents were susceptible about the reliability of the Plastic money. Generally people have the notion that the use of plastic money is not safe as the account can get hacked.

HYPOTHESIS

1st Hypothesis

H1 – security issue affects use of plastic money

H0 – Security issue does not affect use of plastic money Security issues affect use of plastic money, Hence H1 is proved.

2nd Hypothesis

H1- Using Plastic money increase social status

H0 – Using Plastic Money does not increase social status.

Nowadays everybody is using so money does not increase social status. Hence H2 is proved

CONCLUSION AND SUGGESTIONS

Looking at the broad scenario, there is no doubt that the plastic money is rising up in the market. The day will come when all the train tickets would be purchased by credit cards. People will start keeping bunch of cards in their pockets instead of currencies. Thus in these growing phenomenon there doesn't seems any declination instead it growing at a higher rate. Consumers are preferring these cards mostly for shopping online E- commerce has given a better way to use the plastic money. It can be concluded that plastic money has a very bright future in the coming years because of the increasing trend of ecommerce.

21ST Century banking has become wholly customer-driven & technology driven by challenges of competition, rising customer expectations & shrinking margins, banks have been using technology to reduce cost & enhance efficiency, productivity & customer convenience. Technology intensive delivery channels like net banking, mobile banking, etc. have created a win-win situation by extending great convenience & multiple options for customer. From educating customers about credit cards there is a need to educate them about the differentiating factors of the cards. Because visa and master card are advertising regularly and thereby increases awareness. The strategy should be to emphasize on its differentiating characteristics. They also need to identify potential customers and target those using mailers. As internet is growing at a fast rate the net users can be targeted by having interactive sites.

The prospective company's card personality could also be used in the home page to solve customer queries in the 'Best Possible Manner'.

Talking about our study out of the 18 independent variable which influence the usage of Plastic money in Navi mumbai, 9 variables were found to be significant in the study. The model used in the study was that of Regression and it was found that the model can explain 79.2 % variation in dependent variable using independent variables so it can be said to be legitimate model. On the basis of the analysis, the following suggestions can be given to increase the Plastic card usage :-

1. It was found that people in Navi mumbai don't prefer to pay their utility bills like Telephone Bill , Electricity Bill etc by Plastic cards. In the changing scenario of today where everything is going paperless and cashless, there is a great need to educate and motivate the people to pay their utility bills by Plastic money.
2. It was Found that people find cards as a convenient way of payment. Gone are the days which required people to carry huge amount of cash to make their payments. With the P.M Mr. Narendra Modi's emphasis on Cashless transactions in banks, departmental stores, grocery outlets, Apparel stores etc, now the people in Navi mumbai are adapting to this new way of transaction.
3. .Reduction in Cashless transactions will also lead to the restriction of the influx of Duplicate money from abroad. Safety measures pertaining to the fund transfer need to be increased to encourage and assure people so that the use of Plastic money increases.
4. Safety in the Plastic money is an important factor that induces its usage. Multiple level of security should be insured like Password,OTP (One time password) etc.
5. Transaction charges on online transactions should be waived off to induce the people to use Plastic cards more.
6. Subsidy on Electronic Transactions can also lead to increased usage of Plastic cards.
7. People should be motivated to make more use of Plastic cards while travelling. Travel Companies can give discounts to lure the customers to make the use of Plastic cards.
8. Plastic money can play a very important and in fact a major role in the eradication of corruption in India. These are the reasons that how are it possible:-
 - Every money transfer or transaction is maintained and recorded and also the transactions of crores and crores of money cannot go unrecorded. Each official can have only that much of amount that he earns or has saved through his or her earnings.
 - None of the money transactions are illegal. As, all the money transfer and transaction happens through bank accounts, none of the illegal money can be transferred.

- All the conversions of the Indian currency into dollars or swiss dollars are recorded and also their amount is recorded if a lot of money is converted.
 - The number of fraudulent money practices are reduced as no fake paper notes can be printed as they are not usable.
 - All the transactions will be recorded and also payments made in this manner are billed out in order to maintain a proof of the transaction made. Hence this will eradicate the problem of lack of evidence when it comes to transactions made. Many a times, we do not take a cash memo from the shopkeeper although it is the only record or proof that says that we have purchased an item from that shop.
9. Thumb scanning facility can be incorporated with plastic money usage so that the safety is insured and people get assured to use plastic cards. Thus, this study has tried to throw some light on the factors affecting the usage , prospects and growth potential of Plastic card usage in Navi mumbai along with some suggestions to increase the usage.

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