

Relevance of Plastic Money, Study based on Faridkot Dist.(Pb.)

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Abstract - Money is regarded as a medium of exchange and payment tool. Initially 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 distribution of plastic money has increased due to the fact that banking sector has become more aggressive. The present paper makes an attempt to understand relevance of plastic money and its impact on consumer preferences. Primary data was collected through a well-structured questionnaire with the sample size of 60 respondents in Faridkot district of Punjab. The paper duly investigates the acceptability of the cards among the Indian consumer and the factors influencing the card choice.

Keywords - Plastic Money, Credit card, Debit card, Consumer Perception.

INTRODUCTION

In India, banks are increasingly using information technology for improving the quality of customer services and also for better marketing of their products. The flexibility of e-banking offers unprecedented opportunities for the bank to reach out to its customers with the rapid expansion of the Internet facilities. During the past decade, plastic cards have become more and more popular in India. The reason for their popularity has shifted from being recognized as a status symbol to convenience, security from misappropriation of theft and worldwide acceptance.

In the Indian market, the development of plastic money is probably the most significant phenomenon of the modern banking era. Plastic money comes in various forms but the most predominant form that it takes is that of credit card. Plastic money and other forms of electronic payments are nothing but newer and more convenient options of payment. Even though today, cash is still the order of the day, as payment mechanism plastic money is making incisive forays into the cash turf. In fact, in the western developed world, higher value purchases are increasingly being made through plastic and cash is relegated to the world of low value purchases.

Plastic notes are similar to paper but the only difference is that they are made of plastic and are more secured. But in travelling and shopping people used to carry huge cash which was very unsecured and also increased the crime rate. Hence cards were introduced in the world to resolve the issue of carrying huge cash. These cards are known as **plastic money**. The usage of plastic money (card) has increased in the mode of payment of huge amount and hence there are lots of different types of plastic money that can be used anywhere in the world. Credit cards, debit cards, kisan credit cards etc., are a new innovation in financial services introduced by the financial institutions in extending easy availability of money.

Since many years, it is expected that electronic and paperless payments will become a prominent feature of banking. Global developments such as Clearing House Interbank Settlement System (CHIPS), the Automated Clearing House System (ACH) and Automated Teller Machines (ATM) have contributed to the development of electronic payment products.

Online payments are time saving & can be done anywhere at one's own ease this in turn curbs delay payments. Now the world is becoming globalized so every card is accepted everywhere with the power of VISA which interconnect different countries. Thus plastic cards are surely here to stay and for long as there is no better option available.

India:

In India, the foreign banks and organization forayed first into the credit card market. The pioneer in the Indian field is the Citibank's Diner's Club Card which entered in 1969. However, it was only during 1981, when Andhra Bank introduced its own credit card, did the Indian Banks constructively enter the field. Andhra bank is the first nationalized bank to introduce it along with the Vijaya Bank. In the same year, the Central Bank of India in association with Vysya Bank, United Bank of India issued the Central Card. In 1985, the Bank of Baroda along with Allahabad Bank launched the Bobcard. The Mercantile Credit Corporation Limited's Mercard came in 1986. The Canara Bank made later entry into the credit card business in 1987 and the Bank of India issued its own card, India card in 1988.

Citibank's Master and Visa Cards appeared in 1990 along with Taj Premium Card of the Bank of India which has also issued the ATM Card. Apart from these the Bank of Madras and Bank of Maharashtra also tied up with Canara Bank and Bank of India respectively for issuing their cards. The State Bank of India has introduced also the State Bank cheque card. However, credit cards should not be confused with cheque cards, as they perform a quite different function, although certain credit cards can be used also as cheque cards. In 1992, the Hong Kong Bank entered the field with its Visa International and MasterCard International and recently it has launched the Hyatt Regency Preferred Gold Card.

Plastic money is gradually strengthening its position with the potential of further growth in the future. The use of plastic money has been expanding quite rapidly and its development is a prominent trend in the area of retail payment. With the change in

technology and the improvement in the payment system has lead to further development in plastic money. This development in plastic money helps the customers to satisfy their ever changing needs. The development in plastic money in the modern era is as follow:

Types of Cards

1. **ATM cum Debit Card:** Debit cards are designed for customers who like paying by placard but do not want credit. A debit card is a plastic card which provides an alternative payment method to cash when making purchases. Functionally, it is similar to writing a cheque as the funds are withdrawn directly from either the bank account or from the remaining balance on the card. The debit card is thus ideal for those who have a tight budget and want to keep within it. There are two types of debit cards systems namely:

- On-line debit cards
- Off-line debit cards

On-line Debit Cards: Making a purchase with an online debit card is similar to withdrawing cash from an Automated Teller Machine (ATM). The card is passes to a traditional magnetic reader, which is connected by a phone to a computer. On entering the personal identification number (PIN), computer verifies the PIN and checks to see if one has enough money in the bank to cover the transaction, all of which will not take more than a few seconds.

Off-line Debit Cards: Off-line debit cards work more like cheques, because there is no direct connection between store and bank. Off-line debit cards can be used wherever VISA or MASTER CARD is accepted.

2. **Credit Card:** A credit card is a card or mechanism which enables to purchase goods, travel and dine in a hotel without making immediate payments. The holders can use the cards to credit from banks unto 45 days. The credit card relieves the consumer from the botheration cash and ensures safety. It is a convenience of an extended credit without formality. Different types of Credit Cards:

- **Master Card & Visa:** MasterCard is a product of MasterCard International and along with VISA are distributed by financial institutions around the world. Cardholders borrow money against a line of credit and pay it back with interest if the balance is carried over from month to month.
- **Smart Card:** A smart card, chip card, or integrated circuit card (ICC), is any pocket-sized card that has embedded integrated circuits. Smart cards are made of plastic, generally polyvinyl chloride, but sometimes polyethyleneterephthalate-based polyesters, acrylonitrile butadiene styrene or polycarbonate. Smart cards can be contact, contactless, or both. It does maintain records, statements and acts as an electronic purse, storing e-money. It is useable for drawing cash and makes payments with automatic facility of keeping accounts of balances of the party. During a loading operation, the deposit account of card holders is debited and credit is given to a centralised card account. In Europe, banks generally issue these cards but in the U.S.A., non-banks also issue these cards. The issuer must have a strong and efficient supervisory system to reduce the systematic risks.
- **Dinner Club Card:** In 1950s, the dinner club issued their cards in U.S. The Dinners club card was invented by Dinner's club founder Frank McNamara and it was intended to pay restaurant that would accept Dinner's club card. Dinner club would pay the restaurant and the card holder would repay Dinners club.
- **Global Cards:** This card allows the customer to access their accounts from anywhere and at any time conveniently. They need not carry cash; instead they can use the Bank's global Debit card that combines the benefit of traditional ATM card and a credit card.
- **Agricultural Card:** Agricultural card is otherwise known as Kissan Credit Card. This are made to give the financial help to farmers. The coverage of the help extended to all farmers and to improve the credit flow under agriculture, the scheme has extended to farmers for term credit as also working capital for agriculture and allied activities and a reasonable component for consumption needs, thus, paving the way for acceptance of Kissan Credit card as a single window for comprehensive credit. The banking system has been routing crop loans through Kissan Credit Cards having recognized it is as a accepted mechanism delivery of credit to farmers.

Advantage and Disadvantage of Plastic Money

Advantages:

- Plastic money, unlike paper money, will not burn easily and can resist higher temperatures than paper money.
- You have no fear of theft.
- Paper money also picks up dirt and stains more easily than plastic money.
- Plastic money is the Debit and Credit cards. Plus point of plastic money is that you won't have carried your cash around all the time.
- It also doesn't wear after time as paper does nor does it rip and tear.
- Give you incentives, such as reward points, that you can redeem.
- Be more convenient to carry than cash.
- Less expenditure on printing notes.
- Plastic money is more durable than paper notes.
- Provide a convenient payment method for purchases mode on the internet and over the telephone.
- Help you establish a good credit history.

Disadvantages:

- Cost much more than other forms of credit, such as line of credit or a

- Personal loan, if you don't pay on time;
- Damage your credit rating if your payment are late;
- Allow you to build up more debt than you can handle;
- Have complicated terms and conditions;
- It also doesn't wear after time as paper does nor does it rip and tear.
- Paper money also picks up dirt and stains more easily than plastic money.
- I can't really see any advantages to have paper money, unless it is cheaper to make.

REVIEW OF LITERATURE

Feinberg Richard A. (December 1986). It was found that consumers prefer plastic money over paper money and the major benefit that the card provides to the customers is the convenience and accessibility. The major problem according to them is the increased transactional costs and unnecessary formalities to procure the cards from the financial institutions. They felt that the future of plastic money is bright and according to them, the next thing to come via technology would be the use of digital signatures

Telyukova and Wright (2005) and Zinman (2007) said that consumers maintain balances in their low-interest-bearing bank accounts for liquidity reasons, even while carrying high-interest credit card debt. The authors suggest that a rational consumer may pay interest on credit card debt to avoid some of the expected costs associated with not holding precautionary or transactions balances

Khurana, Sunayna1, Singh, S. P. (2011) explained that „In today's busy world, nobody has the time to withdraw money from the bank account for shopping. Everybody is interested in carrying the plastic money (credit card and debit card) in their wallet for shopping as it gives convenience, safety, easiness and even style. In this cutthroat competition, banks have to work hard to gain market share and to meet the expectations of customers so that they can delight their customers. This study is carried out to identify customer preferences and expectations from credit/debit card services.

Bansi Patel and Urvi Amin (2012) in their research paper “Plastic Money : Road may Towards Cash Less Society” discussed that now days in any transaction Plastic money becomes inevitable part of the transaction and with it life becomes more easy and development would take better place and along with the plastic money it becomes possible that control the money laundry and effective utilization of financial system would become possible which would also helpful for tax legislation.

P Manivannan (2013) in his research paper “Plastic Money a way for cash Less Payment System” examined that Plastic Money i.e. usage of Credit card was measured a luxury, and has become needed. These plastic money and electronic payments was and used by only higher income group. This facility extended not only to customers in urban areas or cities, but also to customers residing in rural area. However, today, with development of banking and trading activity, the fixed income group or salaried classes are also start using the plastic money and electronic payment systems and particularly Credit cards.

Tabrez Haq and Bushra Malik, (2014) observed about 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. In their study, they make an attempt to understand the after effects of recession on plastic money industry and its impact on consumer preferences. The paper duly investigates the acceptability of the cards among the Indian consumer and the factors influencing the card choice.

RESEARCH METHODOLOGY

1- Research methodology: It enumerate the description of the sampling plan, research instruments used for the collection of data pre-testing of questionnaire, the use of statistical tools and techniques for the analysis of the collected data.

2- Selection of population: The study has been conducted in the district of Faridkot. The population for the research was general people.

3- Selection of Sample: The sample for this research was 60 respondents

4- Sampling technique: The sampling technique used in this research is non-probability convenience sampling. In such a technique research seeks his or her own convenience to reach the ultimate target group.

5- Research instruments: For the purpose of research, questionnaire was used to interview the respondents. The questionnaire was developed so as to obtain response relevant to objects of the research. While designing the questionnaire every attempt was to make it precise so that the purpose of filling up the responses does not consume time.

OBJECTIVES OF STUDY

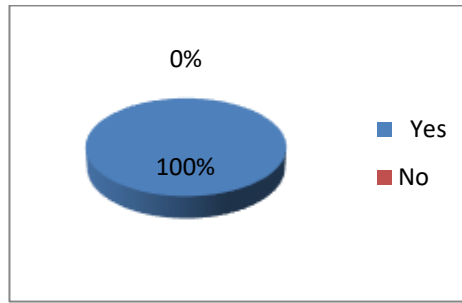
- To know the importance of plastic money in the daily life of consumers.
- To study the benefits of debit card and credit cards.
- To know the problems faced by respondents using plastic money.
- To study the satisfaction level of consumers towards plastic money.

The responses of Respondents

1- Have you an idea about Plastic money?

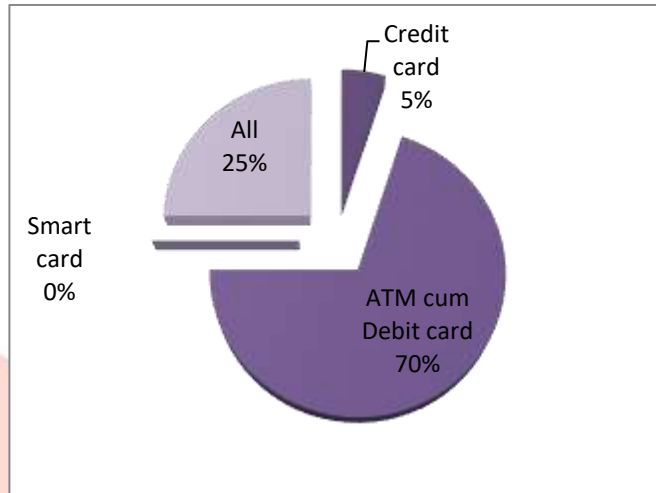
Options	No. of Respondents	Percentage
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Yes	60	100
No	0	0
Total	60	100



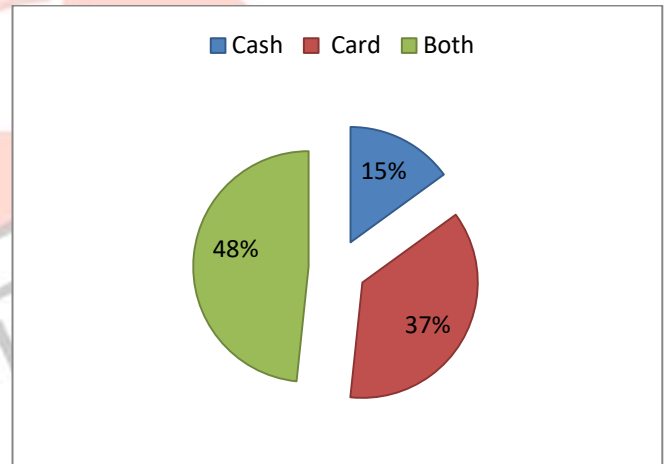
2- Which type of Plastic money do you use?

Options	No. of Respondents	Percentage
Credit card	3	5
ATM cum Debit card	42	70
Smart card	0	0
All	15	25
Total	60	100



3- Acc. to you which is the most convenient way to pay?

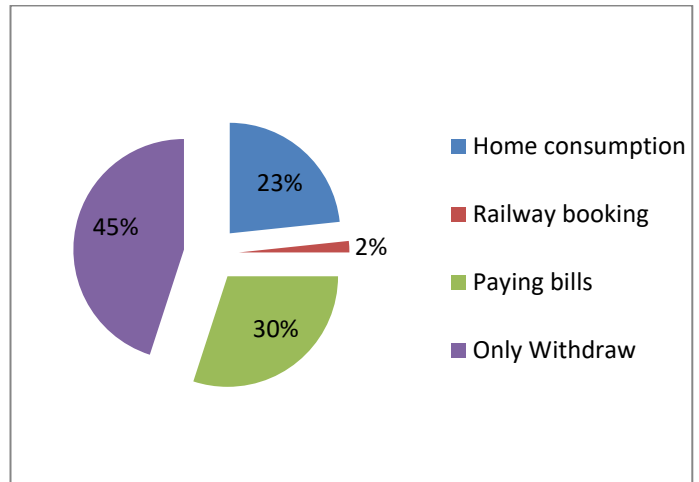
Options	No. of Respondents	Percentage
Cash	9	15
Card	22	37
Both	29	48
Total	60	100



4 - For which purpose do you use Plastic money?

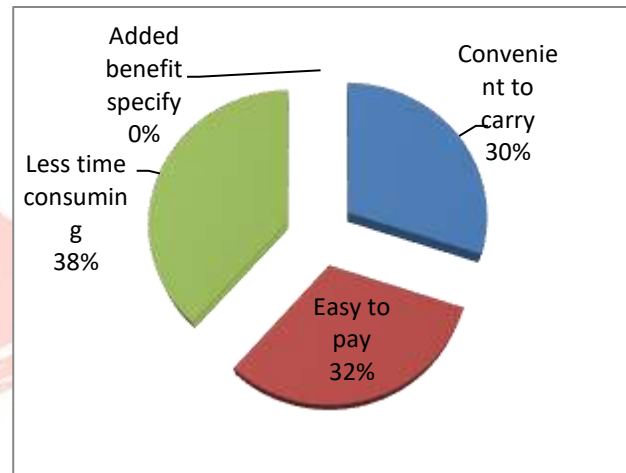
Options	No. of Respondents	Percentage
Home consumption	14	23
Railway booking	1	2
Paying bills	18	30
Only Withdraw	27	45

Total	60	100
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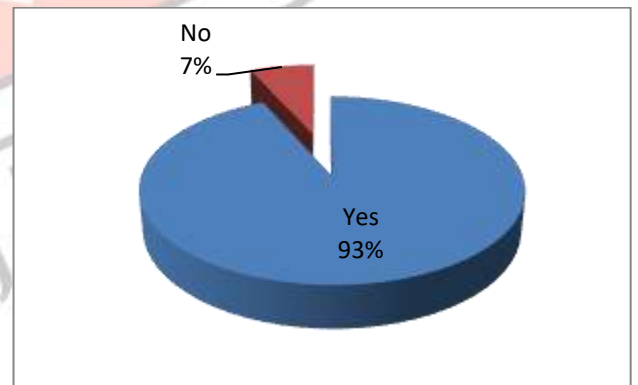
5 -Why do prefer to use cards?

Options	No. of Respondents	Percentage
Convenient to carry	18	30
Easy to pay	19	32
Less time consuming	23	38
Added benefit specify	0	0
Total	60	100



Are you satisfied with the use of Plastic money?

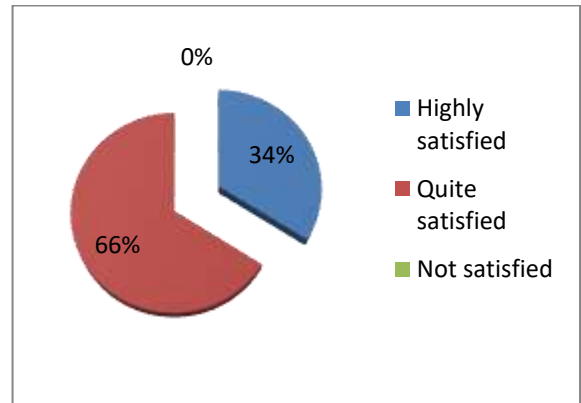
Options	No. of Respondents	Percentage
Yes	56	93
No	4	7
Total	60	100



7 -If Yes, what level of your satisfaction level?

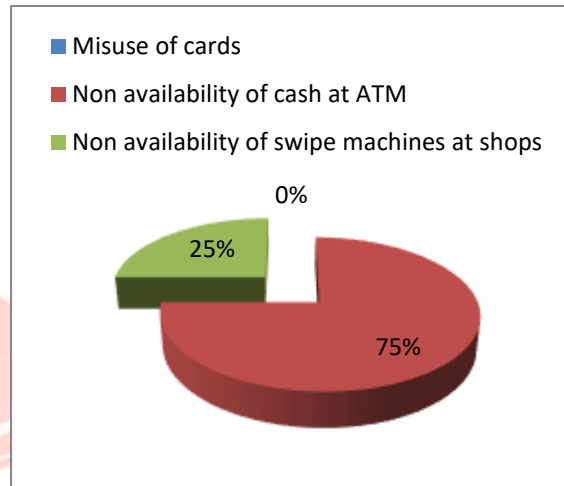
Options	No. of Respondents	Percentage
Highly satisfied	19	34
Quite satisfied	37	66
Not satisfied	0	0

Total	56	100
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8- If no, what are reasons?

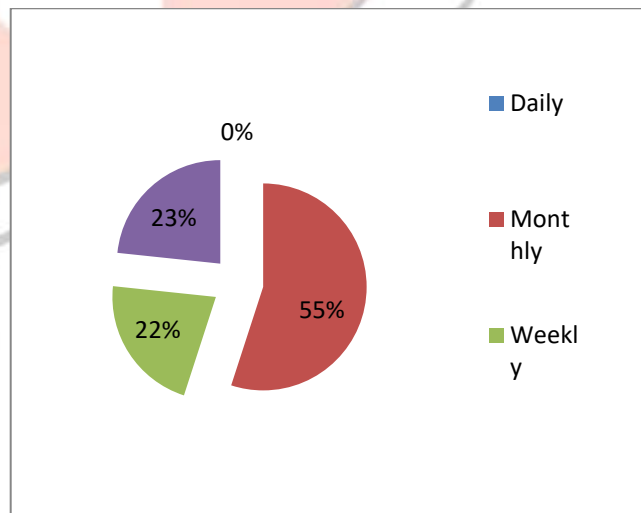
Options	No. of Respondents	Percentage
Misuse of cards	0	0
Non availability of cash at ATM	3	75
Non availability of swipe machines at shops	1	25
Total	4	100



9

9 - How frequently do you use swipe your card?

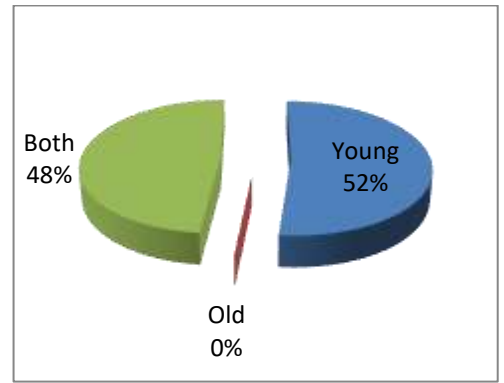
Options	No. of Respondents	Percentage
Daily	0	0
Monthly	33	55
Weekly	13	22
After one month	14	23
Total	60	100



10- Acc. to you who use more Plastic money?

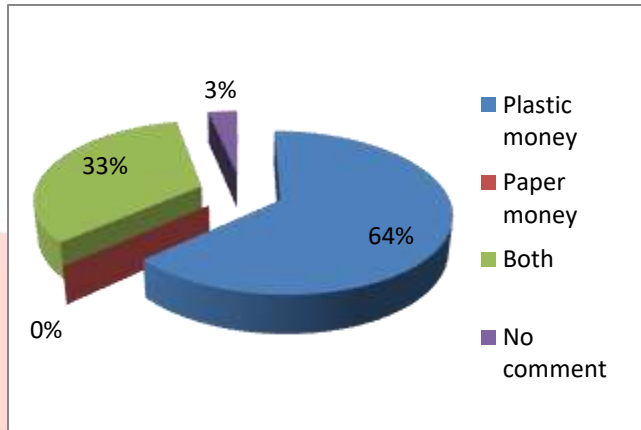
Options	No. of Respondents	Percentage
Young	31	52
Old	0	0
Both	29	48

Total	60	100
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11 -Which you more consider more reliable and secured?

Options	No. of Respondents	Percentage
Plastic money	38	64
Paper money	0	0
Both	20	33
No comment	2	3
Total	60	100



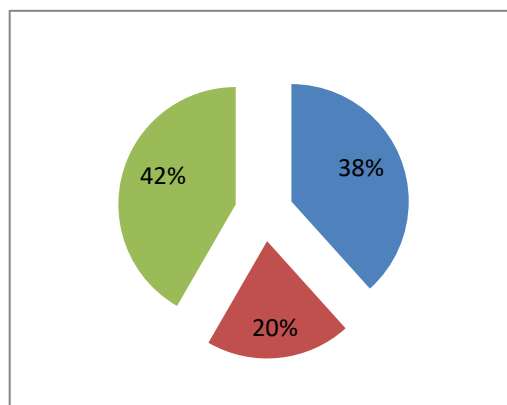
12- Are you sure about that Plastic money has more life?

Options	No. of Respondents	Percentage
Yes	57	95
No	3	5
Total	60	100



13- Do you think about more Credit/Debit card transactions in country over cash transactions will have to curb BLACK MONEY circulation in economy?

Options	No. of Respondents	Percentage
Yes	23	38
No	12	20
No comments	25	42
Total	60	100



FINDINGS

1. 100% people have an idea about plastic money.
2. Sample survey shows Debit cards are preferred over credit cards.
3. ATM cum Debit card use for withdraws only.
4. Plastic money has no fear to be theft and it is easy to use.
5. Be more convenient to carry than cash.
6. Provide a convenient payment method for purchases made on investment.
7. Most of the people are prefer Plastic money because having number of benefits.
8. Plastic money helps to curb BLACK MONEY circulation in economy.
9. Plastic money having more life rather than Paper money.
10. Plastic money is more reliable and secured.
11. Plastic money is the most convenient way to pay.
12. The use of plastic cards has also been increased because banking industries has also provided the 24x7 customer service for their customers.

LIMITATIONS

1. The behavior of the customer is unpredictable which may result in lacking of accuracy in the data.
2. As a sample size of survey was so small and comprise of only 60 respondents, the result of may have some prone to errors.
3. Study accuracy totally based upon the respondents response.

CONCLUSION

The results of the study have also stressed upon the convenience and ease of use while paying or shopping by plastic money. The saving of time and the fact that the plastic money seems to be more portable also seems to further the cause of a possible change in the scenario of money usage in the economy. On the other hand, Security comes forward as a major cause for concern for the population using plastic money. Therefore, it is easy to conclude that the population is ready as ever to use plastic money at a greater level due to its high levels of ease and convenience.

They also need to identify potential customs and target those using mailers. As interest 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'.

SUGGESTIONS

On the basis of analysis, the following suggestion can be given to on increase the Plastic Card usage:-

1. It was found that people don't prefer to pay their utilities bills like Telephone bills, Electricity Bills etc. by cards. In the changings 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. Safety measures pertaining to the fund transfer need to be increased to encourage and assure people so that the use of Plastic money increases.
3. Safety in Plastic money is an important factor that induces its usage. Multiple level of security to be insured like Password, OTP (One Time Password), use of Shttp instead of http etc.
4. Transactions charges on online transactions should be waived off to induce the people to use Plastic cards more.
5. Subsidy on Electronic transactions can also lead to increased usage of Plastic cards.
6. 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.
7. It can play a very important role and in fact a major role in the eradication of corruption in India. These are the reasons that how are it possible:-
 - Every money transaction is maintained and recorded and also the transactions of crores and crores of money cannot go unrecorded.
 - None of money transactions are illegal. As, all the money transfer and transaction happens through bank accounts, none of the illegal money can be transferred.
 - The number of fraudulent money Practices are reduced as no fake paper notes can be printed as they are not useable.
8. Thumb scanning facility can be incorporated with Plastic money usage so that the safety is insured and people get assured to use of plastic cards.

Thus, this study tried to throw some light on factor affecting usage, prospects and growth potential of Plastic cards along with some suggestions to increase the usage.

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