

Summary

“An Analysis of the Use of Plastic Money in Chhattisgarh ”

**Minor Research Project
Sponsored by
U.G.C;CRO
Bhopal**

**Principal Investigator
Dr. Preeti Lall**

**Dr. Radhabai Govt. Navin Kanya Mahavidyalaya,Raipur
2015-17**

Summary, Conclusions and Suggestions

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 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.

With hundreds of millions of credit cards in circulation today, these Plastic cards have become a way of life. India alone is home to millions of them. Initially positioned as a status symbol these plastic cards have caught on in a big way amongst the educated population of the country.

Extending credit to their customers has always been an extremely common practice. However in the early 1940s, when individual retail merchants in America found it more and more difficult to afford credit to these patrons, financial institutions came into the picture.

From 1940 till 2010, The market has virtually grown to over 4 million cards with over 25-30% of compounded annual growth in new cardholder's base.

Spending pattern through plastic money has changed drastically. Travelling, dining and jewellery are some the top purchases that Indians make through credit cards. Few years ago, it was jewellery and apparel purchases that formed the largest chunk of purchases through plastic money. Fuel accounts for a very small portion of credit card purchases as these are largely paid through debit cards. This growing trend will soon rise up to the point where the plastic money will completely replace the need for carrying cash.

In a country where a decade back people had hardly heard the word plastic money or credit card It has been estimated that there are likely to be around half million potential card users in the near future. This forecasting derives credibility from the fact that more and more local and international financial institutions are exhibiting enthusiasm in this direction. This in turn reflects prospects in Indian market in accommodating numerous credit card competitors operating on the circuit, ensuring healthy and competitive card business deals.

The recent growth in the use of plastic money mainly credit and debit cards has been phenomenal. After the Demonetization in November 2016 by the Prime Minister Mr Narendra Modi and his emphasis on Cashless Transaction, Initially positioned as a status

symbol ,these plastic cards have caught on in a big way amongst the educated population of the country.

The plastic money in the form of cards was introduced by banks in India in 1990's. But it was not very popular among Indian consumer at the time of its introduction. The change in demographic features of consumers in terms of their income, marital status, education level etc. and upgradation of technology and its awareness has brought the relevant changes in consumers' preferences. These changing preferences have also modified their outlook and decision regarding the acceptance and non- acceptance of particular product and services in the market. Thus, the plastic cards are gaining popularity among bankers as well as customers and getting accepted in the market place.RBI is also taking important steps in order to enhance its usage and popularity through initiatives like regulating card market to maintain the security levels and to build up confidence of bankers and customers.

The plastic money can be in the form of Credit cards or Debit cards. Debit and credit cards offer more than a way to access money without having to carry around cash or a bulky chequebook. **Debit cards** are like digitized versions of chequebooks; 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. Most debit cards are free with a checking account at a bank or credit union. They can also be used to conveniently withdraw cash from ATMs. Credit cards have the advantage of rewards programs but such cards often require an annual fee to use. Financial responsibility is a big factor in credit card use; it is easy to overspend and then get buried in overwhelming credit card debt at a very high interest rates.

It's not that only the card numbers have increased, but even the types of cards on offer have seen a surge. Today the domestic card industry is flooded with different types of cards ranging from gold, silver, global, co-branded credit cards, smart to securethe list is endless. Foreign banks have shouldered the major responsibility of increasing the card base and adding value-added services to the card products in the past.The scenario has changed dramatically in the last of couple of years with the entry of State Bank of India (SBI), a domestic major in the banking sector. More and more nationalized banks and private sector

banks like ICICI and HDFC Bank are aggressively launching credit card with value added features.

Indian consumers are also using the plastic money for everyday spends such as petrol, hospitals, telephone services and home furnishing. Consumers in India are also using credit cards more and more to pay school dues for their kids. However, India is at a low 11 per cent in comparison to other countries in the Asia-Pacific region when it comes to using plastic money for recurring bills such as utilities, subscriptions and insurance.

An indepth analysis of use of cashless transactions in the Indian economy particularly in a developing new born state ie. Chhattisgarh, is hence required to estimate and analyze cashless transaction behaviour of house hold families, because now a days the use of plastic mode of transaction in C.G. is very much popular. Transition from the existing cash-based retail payments to cashless payments can occur by promoting payment through debit cards, credit cards or smart cards. This will require rationalizing costs associated with the use of plastic money, making it more secure mode of payment and conducting focused financial education programmes for increasing public awareness. This transition would lead to saving currency management costs and generate valuable information on spending behaviour of the masses. A number of studies have been done regarding the Plastic Card usage like Hirschman 1982; Jonker 2005, Feinberg Richard A. (December 1986). Mandeep Kaur and Kamalpreet Kaur(2008), Subhani (2011), Khurana, Sunayna1, Singh, S. P.(2011), Vimala V. and Dr. Sarala K.S., (2013)., Tabrez Haq and Bushra Malik, (2014).Etc.

The Objectives of the study were as under :-

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.

The research was an exploratory one followed by descriptive design because the entire project was based on questionnaire and analysis which was done was of descriptive nature , followed by Regression Analysis..

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

Individuals who are salaried people and students of various colleges were chosen as samples. Total sample size was **300**. 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 Chhattisgarh State. Secondary data was also collected from journals, internet, reports and publications.

The data was collected from 300 respondents by means of **Questionnaire/Schedules** and then analyzed. The Findings of Analysis revealed respondents response about Convenience, payment of utility bills, usage of cards in Travelling, safety aspect, opinion about misuse of cards, expensiveness of card, beneficiality and reliability aspect of cards, Plastic card as a substitute to duplicity of paper money, future prospects of cards, Plastic money as a solution to black money, corruption, Plastic cards as a symbol of socio economic status, overconsumption and spending aspects of cards etc. When the respondents after considering these various aspects of Plastic card usage, were asked about their usage of plastic cards, The response obtained for the question “Will prefer to pay by plastic money (likeliness to pay by this method)”. it was evident that 104 respondents strongly agreed to the point, 45 respondents agreed to the point, 54 respondents disagreed to the point while 97 respondents strongly disagreed to the point that they will pay by plastic money.

Regression analysis for determination of relationship between dependent and independent variables in this study has been presented below :-

Anova Summary for the Regression Model

<i>Regression Statistics</i>	
R Square	<u>0.826344</u>
Adjusted R Square	<u>0.792215</u>
Observations	300

ANOVA

	<i>Significance</i>	
	<i>df</i>	<i>F</i>
Regression	<u>16</u>	<u>4.35E-23</u>
Residual	<u>283</u>	
Total	<u>299</u>	-

From the table above it is evident that the model can explain **79.2 %** variation in the dependent variable i.e Plastic card usage , using independent variables. From the significance F observation it is evident **that model is a legitimate model as significance F is less than 0.01.**

Regression Summary

	<i>Coefficients</i>	<i>P-value</i>
Intercept	0.436419	0.389015
Convenient	0.814022	1.12E-13
Bl_preference	-0.05062	0.677398
Utility	0.738	0.182
Travel_pref	0.056311	0.0067701
Safe	0.058399	0.00506779
Misuse_pc	-0.14436	0.020757
Creditc_exp	0.102113	0.114387
Cheaper	0.051943	0.00430256
Beneficial	0.12375	0.00778566
Reliable_sec	0.10415	0.0000196523
Duplicity	-0.04877	0.00557386
Penetrate_society	0.029743	0.00705545
Curb_bl_money	0.044061	0.604956
Incres_pl_money	0.033934	0.722554

Corruption	-0.17849	0.055512
Soc_eco_stata	0.084514	0.367784
Consu_spending	0.00674	0.000940328

The variables in bold have significant relationship with the dependent variable. From the table it is evident that one level rise in the convenient to pay from plastic money will lead to likeliness to pay by plastic money by 0.81 level, one level increase in misuse of plastic money will lead to decrease in use of plastic money by 0.14 level while one level increase in corruption will lead to decrease in use of plastic money by 0.17 level. (The significance level used for the analysis is 10% significance level, 90% confidence level). One level up in safety will lead to use of plastic money by 0.06 level. One level up consumer spending will lead to rise in use of plastic money to 0.0067 level. One level up in beneficial level of use of plastic money will lead to rise in use of plastic money by 0.123 level. A one level rise in reliability will lead to rise in use of plastic money by 0.145 level. A one level rise in penetration in society will lead to rise in use of plastic money by 0.029 level. A one level rise in likeliness of you being financial minister of country will lead to rise in use of plastic money by 0.033 level in country.

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 transaction will be done through plastic money, yet there are more further technologies which have been implemented in Japan and US but India is still growing in its first phase. 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. The day will come when the cinema tickets will be purchased through credit cards. Thus in these growing phenomenon there doesn't seem 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 e-commerce.

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 variables which influence the usage of Plastic money in Chhattisgarh, 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 a 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 Chhattisgarh 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 Chhattisgarh 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), use of Shttp (secured sites)instead of http 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 practises 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 Chhattisgarh along with some suggestions to increase the usage.

References

1. Hirschman, E. 1982. "Consumer Payment Systems: The Relationship of Attribute Structure to Preference and Usage." *Journal of Business* 55:531–545.
Jonker, N. 2005. "Payment Instrument as Perceived by Consumers A Public Survey." Mimeo.
2. Feinberg Richard A. (December 1986). "Credit Cards as Spending Facilitating Stimuli: A Conditioning Interpretation *Journal of Research* (Volume 13)
https://noppa.aalto.fi/noppa/kurssi/23e48000/luennot/23E48000_feinberg__1986_.pdf Accessed on: 12th July 2015
3. Brito, D., and P. Hartley. 1995. "Consumer Rationality and Credit Cards." *Journal of Political Economy* 103:400–433.
4. Telyukova, I., and R. Wright. 2005. "A Model of Money and Credit with Application to the Credit Card Debt Puzzle." Mimeo.
5. Zinman. Klee, E. C. 2006. "Families Use of Payment Instruments During a Decade of Change in the U.S. Payment System." Board of Governors of the Federal Reserve System. Finance and Economics Discussion Series 2006-01.
6. Mandeep Kaur and Kamalpreet Kaur(2008), "Development of Plastic Cards Market: Past, Present and Future Scenario in Indian Banks", *Asia-Pacific Business Review*, Vol. IV, No.4, pp. 62-74, ISSN: 0973-2470
7. Alvares, Clifford, *Business Today*; 3/8/2009, Vol. 18 Issue 5, p24-24, 1/3p, 1 Chart
8. *Journal of Post Keynesian Economics* Winter 2010–11, Vol. 33, No. 2255 © 2011 M.E.Sharpe, Inc.
9. Dr. Subhani Muhammad Imtiaz, (2011). "Plastic Money/Credit Cards Charisma for Now and Then". *European Journal of Scientific Research* (Vol.62.No1,pp.123-127)
http://mpira.uni-muenchen.de/34739/1/MPRA_paper_34739.pdf
Accessed on:10th July 2015.
10. Khurana, Sunayna, Singh, S. P. *IUP Journal of Bank Management*; Feb2011, Vol. 10 Issue 1, p71-87, 17p, 31 Charts
11. Loewenstein George and Hafalir Elif Incekara, (2012). "The Impact of Credit Cards on spending for revolvers and convenience users" Carnegie Mellon University, Tepper School of Business (JELcodes:C9,D1)
<http://www.andrew.cmu.edu/user/incekara/CreditCardStudy%202012.09.21.pdf>
Accessed on: 15th July 2015.
12. Bansil Patel and Urvi Amin (2012), "Plastic Money: Roadmap Towards Cash Less Society", *Paripex Indian Journal Of Research*, Vol. 1, No. 11, ISSN-2250-1991
13. Manivannan ,P. (2013), "Plastic Money a way for cash Less Payment System", *Global Research Analysis journal*, Vol. II, No. I Jan 2013 • ISSN No 2277 – 8160.
14. Vimala V. and Dr. Sarala K.S., (2013). "Usage and perception of plastic money among the customers of BOI". *Asian Journal of Research in business Economics and Management* (Vol. 3, Issue 4, pp 24-37)
<http://www.indianjournals.com/ijor.aspx?target=ijor:ajrbem&volume=3&issue=4&article=0> Accessed on: 12th September 2015

15. Anupama Sharma (2012), "Plastic card frauds and the countermeasures: Towards a safer payment mechanism", *International Journal of Research in Commerce, It & Management*, Vol. 2, No. 4.
16. Tabrez Haq and Bushra Malik, (2014). "Consumer response towards the usage of plastic money". *International Journal of Multidisciplinary Research* (Vol.4, Issue 5, pp 93-102) <http://jpbb.indianjournals.com/ijor.aspx?target=ijor:zijmr&volume=4&issue=5&article=009>