

An Analytical Study on the Use of Plastic Money with respect to Pune City.

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ABSTRACT

The term innovation means that "to create one thing new" banks no longer restrict themselves to traditional banking activities; they have explored newer avenues to extend business and capture new market. Today, we are having a reasonably well developed banking industry with totally different categories of banks. Banks are the main participants of the financial system in India. The Banking sector offers several facilities and opportunities to their customers. Among e-banking, card banking is the most important form of e-banking products. Important card banking products are Debit Cards, Credit Cards, Store Card and Smart Card which are popularly known as Plastic Money.

This Study highlights the use of Plastic money in Pune city. The study is been carried out by taking a survey of 50 respondents by random sampling method. The findings were that there is still scope of improvement in the plastic money infrastructure and it is suggested to make use of plastic money wherever possible, also pay due attention to the security of your plastic cards. At last it is concluded that plastic money has a very bright future in the coming years because of the increasing trend of e-commerce.

Keywords: Plastic Money, Plastic Cards, Debit Card, Credit Card, Technology, E-Banking.

INTRODUCTION

Money is always regarded as a medium of exchange and payment tool. Originally barter system was used as the noteworthy mode of payment. Throughout the years, money has changed its form from coins to paper cash and today it is available in indistinct form as electronic money or plastic card. The major change in banks brought in by the latest technology is via introduction of products which are alternative to cash or paper money. Plastic cards are one among those sorts of innovations through which the purchasers can make use of banking services just by owning the plastic card issued by their respective bank without restricting

himself/herself within the official banking hours. Plastic cards as the integral of e-banking have been in use in the country for many years now.

However, the card-based usage has picked up only during the last decade. Payment by cards is now becoming a much preferred way for making retail payments in the country. Thus, plastic card is a payment tool which offers a customer an opportunity of non-cash payment for goods and services and are designed to facilitate small value retail payments by offering a substitute for bank notes and coins and thus to set off traditional payment instruments.

OBJECTIVES OF STUDY

- To assess the extent of adoption and use of plastic money as payment system.
- To identify the advantages of using plastic money
- To investigate into the problems confronted by cardholders in plastic money deals
- To suggest some of the precautionary measures involved in maintaining security while using plastic money

SCOPE OF STUDY

The present study has been conducted in Pune which is the fastest growing city of Maharashtra. The study has been divided into two parts. The first part discusses about the operation and risk associated and the future prospective of plastic money in India. The second part tells about the experience of plastic money holders collected through a customer survey. The present study covers two different types of cards i.e. Debit Card, Credit Cards.

LIMITATIONS OF THE STUDY

- The sample size is very small compared to population of the study.
- Geographically the scope of this study is limited to Pune City only.
- The present study covers only two types of card.
- Primary data has its own shortcomings which might affect the conclusion of this study.

THEORITICAL BACKGROUND

Plastic Money or Polymer Money, made out of plastic, is a new and better way of paying for goods and services and is used every day in place of actual bank notes. According to Business Dictionary, plastic money is a generic term for all types of bank cards, credit cards, debit cards, smart cards, Automated Teller Machine cards and charge cards. In recent years, there has been a dramatic growth in the usage of plastic money among the people. There are four parties involved in plastic card payment namely Customer or Cardholder, Card issuing bank, Merchants, Bank Card Association such as VISA & MasterCard.

Plastic money is gaining momentum in India as merchant establishments and customers are now realizing the benefits of making payments using plastic money compared to conventional payment. The plastic culture is influencing into the daily purchasing habits of Indian customers and the card payment business is growing like never before. The change in technology and improvement in the payment system has to further

development in plastic money.

TYPES OF CARDS

There are many types of plastic cards available in the market today but we would focus mainly on Credit and Debit card.

Credit Card - The term "credit card" generally refers to a plastic card, issued to a cardholder, with a credit limit, that can be used to purchase goods and services on credit. They also provide overdraft facility and customer can purchase over and above the amount available in his account. Interest charges are levied on the unpaid balance after the payment is due. Equated Monthly Installments (EMI) scheme is also offered by some banks to the customers who make huge purchases so that they can feel convenient while paying back the outstanding amount. Clearing and settlement through credit card is a simple and reliable process in which bank plays a crucial role.

Debit Card - Debit card is a magnetically encoded plastic card issued by banks which has replaced cash and checks. It allows the customers to pay for goods and services without carrying cash with them. In some cases, debit card is multipurpose which can also be used as ATM for withdrawing cash and to check account balances. It is issued free of cost with the savings or current account. It deducts money directly from consumers checking account to pay for the purchase.

ADVANTAGES OF PLASTIC MONEY

Plastic Money is a must need of our busy life. Today it is very easy to carry money with help of plastic cards like debit and credit cards, without having to keep a lot of cash or gold.

Some of the advantages of plastic money are mentioned below :

- Purchasing Power
- Time Saving
- Extra Safety
- In Emergencies
- Additional Features

DISADVANTAGES OF PLASTIC MONEY

We can't ignore the necessity of plastic money in our life. This is the one of the most important needs of our life. Plastic money or credit/debit card was a new idea in its starting but it was welcomed by the people because of its usability and benefits. There is no doubt that credit/debit cards are useful and essential for us but they have some disadvantages too .

- Over Budget
- Increased Debt And High Interest Rates
- Fraud
- Worn out Magnetic Strip

REVIEW OF LITERATURE

Mandeep Kaur and Kamalpreet Kaur (2008), in the article, "Development of Plastic Cards Market: Past, Present and Future Scenario in Indian Banks" discussed that Indian banking sector is accepting the new ways of doing banking with the help of information technology All the groups of bankers have now recognized it as essential to adapt to the latest technologies for their survival and growth in future. Notwithstanding the strong advances in e-payments, an estimated 90 percent of payments in India is still made with cash which indicates the tremendous growth potential of plastic money business.

Bansi Patel and Urvi Amin (2012) in their research paper "Plastic Money : Roadway Towards Cashless Society" discussed that plastic money has been an inevitable part of the transaction and with it life becomes easy and development would take better place and along with the use of plastic money it becomes possible to control the money laundering.

P Manivannan (2013) in his research paper "Plastic Money a way for cashless payment system" discussed that usage of Credit card was seen as a luxury. He examined that plastic money and e- payments was used only by people of higher income group. This facility extended to customers in urban areas as well as to the customers residing in rural areas. Today, with development of banking sector, the fixed income group or salaried classes have also started using the plastic money and e-payment systems.

Tabrez Haq and Bushra Malik, (2014) in their research paper "Consumer response towards the usage of plastic money" examined that with an increase of shift of paper money to plastic money in India by consumers, 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

The sampling frame of this study comprises plastic money holders of Pune City. Simple Random sampling technique has been adopted for this study. The data for this study were gathered using survey questionnaires. Primary data has been collected from 50 respondents. While selecting a respondent, due importance was given to various factors such as age, sex, income, etc. Primary data has been collected from the respondents through structured questionnaires The secondary data for the study was collected from the published journals, magazines and other periodicals, books on research works, etc. Internet services were also used to gain the latest information through various websites.

DATA ANALYSIS AND INTERPRETATION

1. Are you aware about different types of plastic money ?

Table 1.1

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE (%)
Yes	36	72%
No	9	18%
Maybe	5	10%
Total	50	100%

From the table we can see 72% of the respondents are aware about different types of plastic money, 18% respondents are not aware about all the different types of plastic money and only 10% respondents are not completely sure that they know different types plastic money that exist. Thus we can say that awareness seems to be little good but not 100%.

2. Which type of plastic money you use ?

Table 1.2

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE (%)
Debit Card	50	100%
Credit Card	16	32%
Smart Card	8	16%
Store Card	4	8%
Travel Card	1	2%

From the table we can see that all the 50 respondents(100%) use debit cards, 16 respondents (32%) use credit cards, 8 respondents (16%) use smart card, 4 respondents (8%) use specific store cards and only 1 respondent (2%) from the sample size use travel card. Thus we can say that primary plastic card which is available with the people is debit card.

3. How many plastic cards you have ?

Table 1.3

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE (%)
One	23	46%
Two	13	26%
Three	4	8%
More than three	10	20%
Total	50	100%

From the above table we can see that 23 respondents (46%) have only one plastic card, 13 respondents (26%) have two plastic cards, 10 respondents (20%) have more than three plastic cards and 4 respondents (8%) from the sample size have a total of three plastic cards in their possession. Thus we can say that there is at least one plastic card with the sample of the study but they should be encouraged to make use of plastic money more.

4. Do you use supplementary cards for your family ?

Table 1.4

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE (%)
Yes	7	14%
No	43	86%
Total	50	100%

From the above table we can see that majority of the respondents i.e. 86% do not use supplementary cards and rest 14% use supplementary cards for their family members. Supplementary cards are nothing but an additional card that allows you to share almost all the benefits of the primary card with your loved ones without any separate joining fee or annual fees. Thus we can say that the reason behind people not using supplementary cards can be due to lack of awareness about the benefits of the card.

5. What percentage of payments you make using your plastic money ?

Table 1.5

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE (%)
Less than 25%	8	16%
26-50%	15	30%
51-75%	18	36%
More than 75%	9	18%
Total	50	100%

From the table we can see that 18 respondents make use of plastic money by paying around 51-75% of their bill payments, 15 respondents make use of plastic money by paying around 26-50% of their bill payments, 9 respondents make use of plastic money by paying more than 75% of their bill payments, and only 8 respondents use plastic money at a very lower percentage which is less than 25%. Thus we can say that even though all the participants of the survey have plastic money with them but they are not using it for making most of their payments. People should be encouraged more to use their plastic money for all kind of bill payments.

6. Plastic money is the most convenient way of paying .

Table 1.6

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE (%)
Strongly agree	16	32%
Agree	23	46%
Neutral	6	12%
Disagree	3	6%
Strongly disagree	2	4%
Total	50	100%

From the table it is evident that 23 respondents (46%) Agree to the statement, 16 respondents (32%) strongly agree to the statement , 6 respondents (12%) are neutral about the statement while 3 respondents (6%) disagree with the statement and 2 respondents (4%) strongly disagree with the statement. Thus, it can be said plastic money is the most convenient way of paying as the majority of the respondents agree to the statement.

7. For what all purposes you use your plastic cards ?

Table 1.7

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE (%)
Online Purchasing	28	56%
Ticket Booking	20	40%
Shopping	29	58%
Travelling	18	36%
Payment of utility bills	35	70%

From the above table we can see that 70% of the respondents use plastic money for payment of utility bills, 58% respondents use it for shopping, 56% respondents use it for online purchasing, 40% for Ticket booking be it online or offline and only 36% of the respondents use plastic money for travelling purpose. Thus we can say that the use of debit cards is convenient as they can be swiped anywhere with ease and the deduction from respective bank accounts happens immediately unlike the credit cards where a swipe generates a future liability of payment for the customer. The easy access to internet and site like Myntra, Amazon has led to rise in online shopping of the card users, Offers and cash backs available make paying utility bills online more convenient option for the users. The reasons may be varying but the behavior is common among maximum respondents.

8. What according to you are the benefits of using plastic money ?

Table 1.8

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE (%)
Easy to carry	25	50%
Convenient to pay	35	70%
Prestige	8	16%
Alleviate cash Shortages	34	68%
Emergency Fund	20	40%

From the table it is evident that 70% respondents feel plastic cards are convenient method of payment, 68% respondents feel alleviating the cash shortages is the benefit, 50% respondents feel it is easy to carry, 40% respondents feel it is helpful in emergency while only 8% respondents feel is a matter of prestige for the one possessing it. Thus we can see convenient to pay and alleviate cash shortages are the important benefits which people using plastic cards feel.

9. What according to you are the problems faced while using plastic money ?

Table 1.9

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE (%)
Insecurity	14	28%
Fear of losing card	22	44%
Non-availability of POS Machines	32	64%
Slow transaction process	12	24%
Unnecessary formalities	13	26%

Fixed limit	3	6%
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From the table it is evident that 64% respondents feel non-availability of POS machines is the major problem faced while using plastic money, 44% respondents feel that there is fear of losing the card, 28% respondents feel insecurity is the problem, 26% respondents feel there are unnecessary formalities while using plastic money, 24% respondents feel the transaction process is very slow, 6% respondents feel that fixed limit is the problem while using plastic cards. Thus we can say that there is a need to increase the number of POS (Point of Sale) machines in Pune city.

10. Plastic money leads to over consumption and spending.

Table 1.10

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE (%)
Strongly agree	6	12%
Agree	15	30%
Neutral	13	26%
Disagree	9	18%
Strongly disagree	7	14%
Total	50	100%

From the table it is evident that 15 respondents (30%) agree on the statement, 13 respondents (26%) are neutral about the statement, 9 respondents (18%) disagree with the statement, 7 respondents (14%) strongly disagree with the statement while 6 respondents (12%) strongly agree with the statement. This shows that people are spending more due to plastic money.

11. Rate the following on the scale of agreement.

Table 1.11

PARTICULARS	STRONGLY AGREE	AGREE	NEUTRAL	DISAGREE	STRONGLY DISAGREE
Customer care support is provided by the card provider.	19	22	07	02	00
OTP protection is enough for online transactions.	16	26	07	01	00
Offers and discounts while shopping are attractive.	23	19	07	01	00
Contactless payments feature is beneficial	24	21	05	00	00

Customer care support is provided by the card provider - 22 respondents agree with the statement, 19 respondents strongly agree with the statement, while 07 respondents are neutral may be because they haven't used this service before, 02 respondents disagree that customer care support is provided and none of them

strongly disagree with it. Thus we can say that Banking Industries providing plastic money provide customer care support to its users which is beneficial to the users in case they have any problem while using it.

OTP Protection is enough for online transactions - 26 respondents agree to the statement, 16 respondents strongly agree with the statement, 07 are neutral and can't decide whether they agree or disagree while 01 respondent disagrees with the statement and none of them strongly disagree with the statement. Thus we can say that the users feel OTP protection is enough for online transactions.

Offers and discounts while shopping are attractive - 23 respondents strongly agree that offers and discounts persuade them to do shopping be it online or offline , 19 respondents agree with the statement, 07 respondents are neutral with the statement while only 1 respondent disagrees with the statement. Thus we can say that Offers and discounts while shopping are more attractive for the users as it is beneficial for them.

Contactless payments feature is beneficial - Contactless payment is the latest feature which has been inscribed on cards. It is used for one tap payment which is why it is less time consuming. 24 respondents strongly agree that this feature is beneficial, 21 respondents agree with the statement, 05 respondents can't decide so are neutral about the statement and none of them disagrees with the statement. Banks have also made sure that up to Rs 2000 you can make contactless payments for security reasons. Thus we can say that contactless payments feature is proving to be beneficial for plastic card users.

12. . Plastic money is the safest mode of making transactions .

Table 1.12

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE (%)
Strongly agree	05	10%
Agree	32	64%
Neutral	08	16%
Disagree	05	10%
Strongly disagree	00	00
Total	50	100%

From the above table it is evident that 32 respondents (64%) Agree to the statement, 08 respondents (16%) are neutral , 05 respondents (10%) Strongly agree to the statement , 05 respondents (10%) Disagree to the statement and none of the respondents Strongly disagree the statement. This shows that people prefer plastic money as they consider it as the safest mode of making transactions.

13. Do you go through all the terms and conditions of the debit / credit cards before applying for one?

Table 1.13

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE (%)
Yes	20	40%
No	09	18%
Maybe	21	42%
Total	50	100%

From the above table it is evident that 21 respondents (42%) are not sure if they do read all the T&C of plastic cards before applying, 20 respondents (40%) read all the T&C that come up with plastic cards before applying and only 9 respondents from the sample size say that they do not go through all the T&C before

applying. Thus we can say that people should be made well aware of the terms and conditions of all the plastic cards before they apply and if there are any changes in T&C it should be communicated through an effective medium to all the users.

14. Due to duplicity of paper money you are shifting to plastic money.

Table 1.14

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE (%)
Yes	6	12%
No	26	52%
Maybe	18	36%
Total	50	100%

From the table it is evident that 26 respondents (52%) are not shifting to plastic money because of duplicity of paper money, 18 respondents (36%) might be shifting because of duplicity while 6 respondents (12%) have shifted to plastic money because of duplicity of paper money. This shows that Plastic money was not considered as an alternative to paper money.

15. According to you, why do people avoid using plastic money?

Table 1.15

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE (%)
Unstable Income	13	26%
Lack of Knowledge	32	64%
Lack of Trust	22	44%
Fraud	23	46%
Malpractices by outlet owners	2	4%

From the table it is evident that 64% respondents feel lack of knowledge is the reason people are avoiding use of plastic money, 46% respondents feel frauds that happen with plastic cards is the main reason, 44% respondents feel lack of trust in the bank or while using the plastic money is the reason, 26% feel due to unstable income people are not using plastic cards and only 4% think malpractices by the outlet owners is the reason.

FINDINGS

- It is found that majority of the participants are graduate having income between 1 lakh -3 lakhs and are in the age group of 18-30 years.
- Plastic money awareness among the people of Pune city is good but not 100%.
- Sample survey shows most of the people have at least one plastic card with them and the most preferable one is debit card .
- It is seen that people are not much aware about the supplementary cards that is the reason they are not using it for the benefit of family members.
- It is found that even though all the participants of the survey have plastic money with them but they are not using it for making most of their payments.

- It is found that plastic money is the most convenient way of payment because of which people use it mostly for shopping , online purchase and payment of utility bills.
- It is seen that there is a need to increase the number of POS (Point of Sale) machines in Pune city so that people can make maximum use of their plastic money.
- Majority of the plastic money users have the opinion that plastic money has a high impact on their spending pattern.
- The use of plastic money has increased because banking industries provide 24*7 customer service for their customers.
- Offers and discounts on the use of plastic cards encourage people to purchase items even when there is no particular need for it.
- Contactless payment feature is proving to be beneficial for the people.
- It is found that people are not well aware of the terms and conditions of all the plastic card as they don't read it before applying .
- It is seen that people believe there is lack of knowledge regarding plastic money in the city. Frauds and lack of trust are also the reasons because of which people avoid using plastic money.

SUGGESTIONS

For Respondents

- All the terms and conditions should be read carefully before applying for plastic cards so that the user will not feel cheated afterwards.
- Proper attention should be given while entering debit/credit card pin and avoid sharing pins with your family members or friends.
- While making online transactions check if the site is secured and never save your card details in any application or website . It is recommended to type it every time you need it instead of saving it.
- Wherever possible make use of plastic money instead of paper money.
- Fear of losing card can be avoided with insurance policy. Some insurance players, such as Tata AIG, have policies for card protection. Here, cost of replacing lost cards, wallets and so on is covered.

For Financial Institutions

- In the changing scenario of today where everything is paperless there is a need to create awareness about the benefits of using plastic money so that people make the maximum use of it.
- Safety measures pertaining to fund transfer should be increased to encourage and assure people so that the use of plastic money increases.
- Multiple levels of security should be maintained so that there is no data breach.
- Transaction charges on online payment should be waived off to induce people to use plastic cards more.
- Travel companies can give discounts to lure the customers to make use of travel cards while travelling.

CONCLUSION

Plastic money has been helpful in many ways but if we do not manage our plastic cards in a proper way it will lead to overspending, financial burdens, and financial stress. Plastic money is convenient, less risky, and safer than paper money, but it's important to remember that it is not compulsory that you should use plastic money especially if you are not able to manage your money while using the plastic cards. When we spend cash, there is emotional pain associated with handing over our money and concretely knowing we now have less in our wallets. Like every coin has two sides, this initiation also has its own advantages and disadvantages. Availability of POS Machines and Security of transactions is a major concern for people which is hindering to get more inclined towards plastic money. Thus banks needs to take steps to build better and safer payment gateways with high security programmed software which does not give a lead to data theft or hacking of monetary details of the users. Banks should educate people through awareness programs briefing about the uses of plastic and the usage directions to the financially illiterate population as well as the existing customers. At last it is concluded that plastic money has a very bright future in the coming years because of the increasing trend of e-commerce.

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