CUSTOMER PERCEPTION TOWARDS PLASTIC MONEY

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ABSTRACT

The Banks are the main participants of the financial system in India. The Banking sector offers several facilities and opportunities to their customers. Indian banking industry has been divided into two parts, organized and unorganized sectors. Among e-banking, card banking is the most important form of e-banking products. Important card banking products are Debit Cards, Credit Cards, Charge card and Petro card which are popularly known as Plastic Money. Research design used for this research is descriptive and method is primary which is collected through structured questionnaire. Objectives of this study include examining the socioeconomic profile of the cardholders so as to ascertain the association of such factors with the use of debit cards and credit cards, charge card and petro card. To investigate into the problems confronted by both types of cardholders and merchants in the plastic money deals, etc.

Keyword: - *Payment Mode, Monthly transaction, Reason for using plastic money, problems in plastic money, satisfaction.*

1. INTRODUCTION

Banking System

A bank is a financial institution that accepts deposits from the public and creates credit. Lending activities can be performed either directly or indirectly through capital markets. Due to their importance in the financial stability of a country, banks are highly regulated in most countries. Most nations have institutionalized a system known as fractional reserve banking under which banks hold liquid assets equal to only a portion of their current liabilities. In addition to other regulations intended to ensure liquidity, banks are generally subject to minimum capital requirements based on an international set of capital standards, known as the Basel Accords.

Banking in its modern sense evolved in the 14th century in the prosperous cities of Renaissance Italy but in many ways was a continuation of ideas and concepts of credit and lending that had their roots in the ancient world. In the history of banking, a number of banking dynasties – notably, the Medicis, the Fuggers, the Welsers, the Berenbergs and the Rothschild – have played a central role over many centuries. The oldest existing retail bank is Banca Monte dei Paschi di Siena, while the oldest existing merchant bank is Berenberg Bank.

1.1 Plastic Money

Plastic money is a very recent context replacing the traditional concept of paying though cash. Plastic money is a term coined keeping in view the increasing number of transactions taking place on the part of consumer for paying for transactions incurred by them to purchase goods and services physically and virtually. It includes credit cards, debit cards, pre paid balance cards, smart cards etc. In our study, we are typically focusing only on credit cards and debit cards in order to find out the effectiveness of such cards in real life and consumers perceive them. Also we would try to find out the specific areas that consumers prefer to spend more through these cards and which out of the two do they prefer for payment.

In India, as in other countries around the globe, an organized mode of payment has emerged over time from the barter system to the more convoluted forms of monetary arrangements. The prevalent mode of settlement across India in the 20th century has been coins, cash and cheques. As we move ahead into the 21st century, payment through cash and cheques itself has encountered a transfiguration. It has moved from being a physical paper-based transfer of value to a virtual electronic one. This is in line with the introduction of advanced technology based systems in banking services world over which resulted in great modification in terms of how financial organizations provide services to customers purchases such as identification along with that it keeps track of transactions as they are incurred with all the specifics of purchases such as store name, date of purchase, price of the product, purchase place etc. Thus holder has the facility to "retrospect" his memory about his purchases which is denied in the case of paper money holder.

Usage of plastic money has come as a form of amenity to financial institution customers. Electronic service is becoming a feasible option for dealings between financial service providers and their clients. This electronic form of payment has far reaching significance – notably for India. Primarily, it helps aligning with the global financial services business by making the systems more competent and cost effective. It also supports in undertaking the unique challenges India faces – the large unbanked society, the deregulated cash economy and need for monetary clarity. Plastic money yields many more benefits than merely facilitating the replacement of cash and cheques for consumer transactions. It has far-reaching impact on the economy as a whole through low transaction costs, increased operational competence, improved financial framework and an opportunity for the expeditiously evolving Indian economy to further globalize. In the following sections, existing literature and factors affecting the consumer perception towards the plastic money are discussed. A research design has been used based on the collected data to predict the consumers" acceptance behavior. Finally, the outcomes are analyzed and presented.

Plastic Money is one of the most evolved forms of financial products. The term 'Plastic Money' is predominantly used in reference to the hard plastic cards we use in place of cash. Today, transactions done using plastic cards are worth billions of dollar. And the recent experiment of demonetization has certainly given more impetus to cashless transactions.

1.2 Types of Plastic Money

Credit cards

Credit cards are the go to financial product for short-term personal loan. It is the most popular form of plastic money. Although credit cards have evolved over the years, the basics remain the same. You get a plastic card (or in some premium versions a metal card) which is linked to a credit card account. You can draw (purchase or

withdraw cash) as much as your credit limit which is fixed based on your payment capabilities (income, other form of credits, etc.). You will be given a certain number of interest-free days during which you can pay whatever you have charged on your card in full or partially.

If you don't pay fully, get ready to pay credit card interest. In any case, at the end of each billing cycle you need to pay the Minimum amount due (5% of the outstanding balance). That is why credit cards are called as revolving credit instruments. Moreover, you may or may not have to pay annual fee depending on the credit card.

Debit cards

Debit cards are always linked to the bank account of the customer who owns it. Whenever you use your debit card, an equivalent amount is deducted from your bank account. It is an ideal substitute for cash. Your cash sits comfortably in a bank account earning interest (however low that may be) and you can still access it anywhere, anytime you want (well, as long as your debit card is accepted).

In India, debit cards are synonymous with ATM Card though later only allows for withdrawal of cash from ATM. But Debit cards, while can be used for instant withdrawal of cash of course, their purpose goes far beyond. You can also use it for payment, money transfer (card-to-card) and checking the balance.

But as it is linked to an account, you can spend only as much as you hold in your account. You can't go over that (some account may allow for overdraft facilities). And that is where a credit card comes in handy. Moreover, the amount you can withdraw from ATM is always fixed for a day (usually between Rs.40,000 to Rs.1 lacs)

Charge card

Charge cards are very similar to credit cards. In fact, credit cards evolved from charge cards only. While most credit cards allow you to carry balance from one billing cycle to next, you can't do that with a charge card. A charge card does not offer you a line of credit as credit cards do i.e. you can't roll over the balance as you do on credit cards. So, this means that you will have to pay the full balance at the end of each month. If payments are not made promptly, then a penalty fee is levied. Generally, the penalty or delinquency fee is kept higher for charge cards to prompt timely payments.

1.3 Advantages of Plastic Money

- ✓ Cards fit into the wallet easily:
- ✓ Crime rates will decrease:
- ✓ Provides credit facility:
- ✓ Tracking transactions becomes easy:
- ✓ 0% Installment options:
- ✓ Convenience of making payments from home:
- ✓ Is internationally acceptable:

1.4 Disadvantage of Plastic money

- ✓ Just plastic money won't help always
- ✓ Plastic Money is also not 100% safe

- ✓ Minimum purchase requirements
- ✓ Service charge in certain cases
- ✓ Card too can get damaged
- ✓ Interest, for nonpayment

1.5 Objective of the study

- ✓ Analyze the usage of plastic money with respect to amount of transaction.
- ✓ Study relationship between need of transaction and usage of plastic money.
- ✓ To assess the problems and reasons for the non usage of plastic money.
- ✓ To examine the satisfaction level of customers in the usage of plastic money.

2. LITERATURE REVIEW

Anisha Bisht, Praveen Nair , Rakshita Dubey, Tanu Hajela conducted a study on analysis of the use of plastic money: a boon or a bane on March 2015. Keeping in mind the changing technology replacing the traditional concept of paying not through cash but by plastic money (credit and debit cards), this research was undertaken to study the awareness and use of plastic money among the consumers. The topic that was hence chosen for this research is **"Analysis of the use of Plastic Money: A Boon or a Bane".** The sample was selected by the Stratified Random Sampling Method and consisted of consumers including students, working professionals, government officials, house makers and senior citizens. The sample size selected was 200. 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.

Loewenstein and Hafalir in 2012 conducted a study on "The Impact of Credit Cards on Spending". The study focused on two types of customers, revolvers (who carry debt) and convenience users (who do not carry debt), and measured the impact of payment with credit card as compared with cash by an insurance company employees spending on lunch in a cafeteria. It was found that there was change in the diner's payment medium from cash to a credit card when an incentive to pay with a credit card was given. It was then found out that credit cards do not increase spending. However, the use of credit cards has a differential impact on spending for revolvers and convenience users. Revolvers spend less when induced to spend with a credit card, whereas convenience users display the opposite pattern.

Subhani in 2011 conducted a study on 'Plastic Money/Credit Cards Charisma for Now and Then'. The study was based to find out the charisma of plastic money, its usability and affordability and its impact on its preference to use. The research found that the preference to use of plastic money/ credit card has its pros and cons with its usability and affordability. According to the consumer behavior, plastic money is a form of conditioning and acts as a stimulus which qualifies a consumer to spend. The study shows that the preference to go for plastic money has a positive association with the easy use of plastic money because the precept of credit card usability is linked with a psychological phenomena that people are likely to spend less with credit card and spend more with the same amount of cash on hand in the same budget and this precept also linked with the consumer self convenience, i.e. convenience and easy use which delves into spending.

Brooker (2004) examines the creation of the credit card how it has revolutionized American business. The author points out the impact of credit cards in modern day business such as FedEx Wal-Mart and eBay Hogarth (2002) explains consumer complaint resolution and the elasticity of the credit card market. (Dr.S.Sudhagar, 2012). Many people have knowledge about credit cards, but do not possess credit cards because of the fear of falling into

debt trap. High income earners and highly educated class use credit cards more by availing high credit limits Credit cards, including store cards and bankcards, serve two distinct functions for consumers: a means of payment and a source of credit (Ausubel 1991; Chakravorti 1997, 2000; Chakravorti and Emmons 2001; Slocum and Matthews 1970; Stavins 2000). Based on the main use of credit cards and the benefits sought, credit card users can be segmented into two groups: convenience users and revolvers (Lee and Hogarth 1999). Convenience users tend to employ credit cards as an easy mode of payment; typically pay their balance in full upon receiving the statement. Revolvers, on the other hand, use the card principally as a mode of financing and chose to pay interest charges on the unpaid balance. According to the consumer behavior literature, consumer usage behavior and the benefits sought from a product or a service are one of the best predictors to explain consumer purchase behavior (Peter and Olson 1999).

3. RESEARCH METHODOLOGY

Research methods or technique refers to the methods the researcher uses in performing research operations. In other words, all those methods, which are used by the researcher others during the course studying his research problem, are termed as research methods. Since the objective of research, particularly the applied research is to arrive at a solution for a given problem, the available data and the unknown aspects of the problem have to be related to each other to make a solution possible.

Research methodology is away to systematically solve the research problem, it may be understood as a science of studying how research is done specifically.

The questionnaire, like the schedule, is designed to collect data from large, drivers and widely scattered groups of people. The researcher can interpret the question when necessary. Webster defines the schedule as "a formal list", a catalogue or inventory", and it may be added that it is counting device, used in formal and standardized inquiries, the sole purpose of which is aiding in the collection of quantitative cross-sectional area.

4. DATA ANALYSIS

4.1. PERCENTAGE ANALYSIS

Table No 4.1.1: Reasons for Encouraging plastic money

Row Labels	Reasons for Encouraging plastic money
Fear of theft	32.73%
Inconvenient	0.91%
Increasing duplicity	21.82%
Not portable	2.73%
Wear and tear of Money	13.64%
Others	28.18%

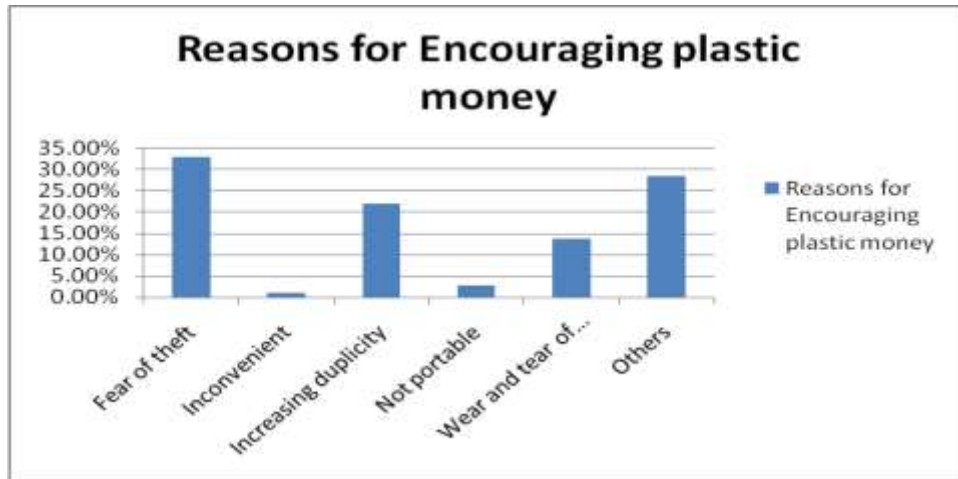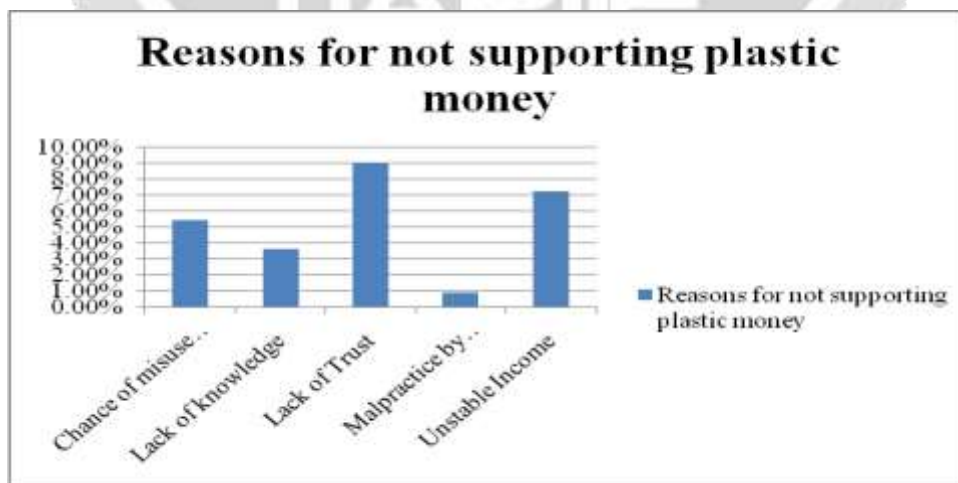**Figure no 4.1.1: Reasons for Encouraging plastic money**

Table no 4.1.2 Reasons for not supporting plastic money

Row Labels	Reasons for not supporting plastic money
Chance of misuse by others	5.45%
Lack of knowledge	3.64%
Lack of Trust	9.09%
Malpractice by bank user	0.91%
Unstable Income	7.27%

Figure No 4.1.2 Reasons for not supporting plastic money

4.2 REGRESSION

Regression for usage of plastic money

H0: There is no significant difference between the independent variables that are Influencing the dependent variable _usage of plastic money

H1: There is significant difference between the independent variables that are Influencing the dependent variable _usage of plastic money

Table 4.2.1 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.421[a]	.177	.146	.904	1.472

Table 4.2.2 Regression and Error values

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	18.461	4	4.615	5.652	.000[a]
	Residual	85.730	105	.816		
	Total	104.191	109			

Table 4.2.3 Coefficients of Dependent Variables and Collinearity Statistics

Parameters		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	.521	.287		1.813	.073		
	[Utility bills]	.093	.077	.120	1.207	.230	.795	1.259
	[Household consumables]	.551	.175	.284	3.153	.002	.963	1.038
	[Luxury and Durable goods]	.173	.095	.181	1.822	.071	.792	1.263
	[Others]	.032	.086	.038	.373	.710	.767	1.304

Regression Equation

STR = a1+ α1PFU + α2 PFH+ α3 PFLAD + α4 PFO+ ε1

Where PFU – Payment for Utility Bills

PFH – Payment for Household Consumables

PFLAD – Payment for Luxury and Durables goods

PFO – Payment for Others

a1 –Constant

α1 - Coefficient of PFU

α2 - Coefficient of PFH

α3 - Coefficient of PFLAD

α4 - Coefficient of PFO

ε1 -- error

By substituting the value from table , the regression equation will be

STR = 0.073 + .120 PFA + .284 PFH +.181 PFLAD+ .038 PFO + .177

4.3 CORRELATION ANALYSIS:

TABLE NO 4.3 Correlation between Satisfaction Variables

		Convenient	Safety	Wide usage	Replacement	Charges	Transaction Process	Problem Free	Grievance Addressed	Additional Benefits	Appearance of the Card
Convenient	Pearson Correlation	1									
	Sig. (1-tailed)										
Safety	Pearson Correlation	.550[**]	1								
	Sig. (1-tailed)	0									

Wide usage	Pearson Correlation	.618**	.559**	1							
	Sig. (1-tailed)	0	0								
Replacement	Pearson Correlation	.562**	.650**	.617**	1						
	Sig. (1-tailed)	0	0	0							
Charges	Pearson Correlation	.193*	.401**	.296**	.396**	1					
	Sig. (1-tailed)	0.021	0	0.001	0						
Transaction Process	Pearson Correlation	.662**	.588**	.587**	.481**	.376**	1				
	Sig. (1-tailed)	0	0	0	0	0					
Problem Free	Pearson Correlation	.412**	.635**	.542**	.585**	.495**	.585**	1			
	Sig. (1-tailed)	0	0	0	0	0	0				
Grievance Addressed	Pearson Correlation	.470**	.593**	.675**	.750**	.460**	.482**	.687*	1		
	Sig. (1-tailed)	0	0	0	0	0	0	0			
Additional Benefits	Pearson Correlation	.448**	.666**	.586**	.627**	.482**	.528**	.670*	.761**	1	
	Sig. (1-tailed)	0	0	0	0	0	0	0	0		

Appearance of the Card	Pearson Correlation	.651[**]	.681[**]	.539[**]	.547[**]	.186[*]	.600[**]	.529[*]	.532[**]	.554[**]	1
	Sig. (1-tailed)	0	0	0	0	0.026	0	0	0	0	

4.4 SCORE ANALYSIS

Score analysis	Highly satisfied	satisfied	Neutral	Dissatisfied	Highly dissatisfied
Convenient	120 (24*5)	208 (52*4)	57 (19*3)	12 (6*2)	9 (9*1)
Safety	120 (24*5)	208 (52*4)	51 (17*3)	16 (8*2)	9 (9*1)
Wide usage	65 (13*5)	152 (38*4)	108 (36*3)	32 (16*2)	7 (7*1)
Replacement	50 (10*5)	148 (37*4)	141 (47*3)	22 (11*2)	5 (5*1)
Charges	30 (6*5)	100 (25*4)	66 (22*3)	82 (41*2)	16 (16*1)
Transaction Process	45 (9*5)	204 (51*4)	90 (30*3)	22 (11*2)	9 (9*1)
Problem Free	60 (12*5)	100 (25*4)	132 (44*3)	38 (19*2)	10 (10*1)
Grievance Addressed	45 (9*5)	124 (31*4)	138 (46*3)	34 (17*2)	7 (7*1)
Additional Benefits	50 (10*5)	124 (31*4)	111 (37*3)	20 (20*2)	12 (12*1)
Appearance of the Card	130 (26*5)	196 (49*4)	72 (24*3)	2 (1*2)	10 (10*1)

5. FINDINGS

From Percentage Analysis,

- ✓ From that table inferred that Maximum of the Respondents are supporting plastic money only few respondents are not supporting plastic money.
- ✓ From that table inferred that 32.37% Respondents supports plastic money, because of fear of theft of using Paper money
- ✓ From that table inferred that 21.82% Respondents supports Plastic money, because of Increasing duplicity in Paper Money
- ✓ From that table inferred that 13.64% Respondents supports Plastic Money, because of Wear and tear of Paper money

- ✓ From that table inferred that 5.45% Respondents not supporting Plastic money, because of chance of misuse by others
- ✓ From that table inferred that 9.09% Respondents not supporting Plastic money, because of lack of trust
- ✓ From that table inferred that 7.27% Respondents not supporting Plastic money, because of unstable income

From Regression,

- ✓ A regression analysis was conducted with dependent variable monthly spending through plastic plastic money and independent variables make payment for utility bills, make payment for household consumables, make payment for luxury and durable goods, make payment for others.
- ✓ There is no multi colinearity problem because there is tolerance value is lesser than 1 & VIF(Variable Influencing Factor) is less than 10.
- ✓ The F value is 0.73 which is lesser than 0.05 i.e. there is insignificant between the Independent and dependent variables. The beta values indicates the positive coefficients between the variables.
- ✓ There is no significant difference between the independent variables that are influencing the dependent variable usage of plastic money.

From Correlation

- ✓ Between 'Convenient' and 'Safety' are positive correlated with each other.
- ✓ Between 'Wide usage' and 'Convenient' are positively correlated with each other.
- ✓ Between 'Replacement' and 'Safety' are positively correlated with each other.
- ✓ Between 'Convenient' and 'Transaction process' are positively correlated with each other.
- ✓ Between 'Problem free' and 'Safety' are positively correlated with each other.
- ✓ Between 'Appearance of the card' and 'Transaction process' are positively correlated with each other.

From score Analysis

- ✓ From the table inferred that convenient and safety variable got 208 score in satisfied, it's indicate maximum of the Respondents satisfied with convenient in using plastic money.
- ✓ From the table inferred that Wide usage variable got 152 score in satisfied, it's indicate that maximum of the Respondents satisfied with wide usage of plastic money.
- ✓ From the table inferred that Replacement variable got 148 score in satisfied, it's indicate that maximum of the Respondents satisfied with Replacement of plastic money.
- ✓ From the table inferred that Charges variable got 100 score in satisfied, it's indicate that maximum of the Respondents satisfied with charges for using plastic money.
- ✓ From the table inferred that Transaction process variable got 204 score in satisfied, it's indicate that maximum of the Respondents satisfied with Transaction process of plastic money.
- ✓ From the table inferred that Problem free variable got 132 score in Neutral, it's indicate that maximum of the Respondents Neutral with Problem free in using plastic money.
- ✓ From the table inferred that Grievance Addressed variable got 138 score in satisfied, it's indicate that maximum of the Respondents neutral with Grievance Addressed of plastic money.
- ✓ From the table inferred that Additional benefits variable got 124 score in satisfied, it's indicate that maximum of the Respondents satisfied Additional benefits of plastic money.

✓ From the table inferred that Appearance of the card variable got 196 score in satisfied, it's indicate that maximum of the Respondents satisfied with Appearance of the card of plastic money.**6.**

CONCLUSIONS

The 1st objective of the study was that analyze the usage of Plastic money with respect to amount of transaction. The findings reveal that there is positive correlation between amount which is monthly spending through plastic money and frequency of using plastic money. The 2nd objective of the study was that study the relationship between need of transaction & usage of Plastic money. The findings reveal that insignificant between amount which spends by plastic money for the paying utility bills, household consumables, luxury and durable goods & others. The 3rd objective of the study reveals that some of the respondents are not using plastic money because of chance of misuse by others, lack of knowledge , lack of trust, malpractice by bank user, unstable income & other reasons. The 4th objective of the study reveals maximum customer satisfied with plastic money.

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