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Use of Plastic Cards in Banking: A Study

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ABSTRACT

Banks, now a days, are adopting new technological services like plastic cards, PC banking, Electronic Funds Transfer (EFT), Internet banking etc. to approach the maximum customers inspite of having less physical branches **(Venkatesan and Kumar, 2007)**. Plastic cards are one of the innovations through which the customers can make use of banking services just by owning the card issued by bank without restricting themselves in the official banking hours. Plastic cards as the component 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 few years. Payment by cards is now becoming a much preferred mode for making retail payments in the country **(Report on trend and progress of banking in India 2006-07, RBI).** The main objective of the paper is to find out the views of the respondents regarding use of plastic cards in banking. While preparing this paper a sample of 50 respondents was taken from Rohtak city of Haryana. The future of plastic cards is bright in India, as these are becoming popular among customers as well as banks due to their characteristics. Though the results of the study show that use of plastic cards leads the tendency of over-spending in the people and still plastic card is not the most preferred way to pay utilities and travelling bills by majority of respondents. The plastic cards have immense opportunities in a growing economy like India in both urban as well as rural areas. All types of banks whether public, private or foreign are contributing positively towards the development of plastic cards in India.

Keywords: Plastic Cards, Banking, Payments.

Introduction: Electronic banking is the new trend significantly adopted by banking sector worldwide due to its wider scope for the customers as well as banks at large. Various sophisticated products have been launched by the banks which help them to meet the basic requirements of their customers. Banks, now a days, are adopting new technological services like plastic cards, PC banking, Electronic Funds Transfer (EFT), Internet banking etc. to approach the maximum customers in spite of having less physical branches **(Venkatesan and Kumar, 2007).** Plastic cards are one of the innovations through which the customers can make use of banking services just by owning the card issued by bank without restricting themselves in the official banking hours. Plastic cards as the component of e_banking have been in use in the country for many years now. However, the card-based usage has picked up

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only during the last few years. Payment by cards is now becoming a much preferred mode for making retail payments in the country **(Report on trend and progress of banking in India 2006-07, RBI).** Various types of plastic cards like Credit Card, Debit Card and Smart Card etc. are being used as media for making payments.

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 or obtain cash advances **(Choudhury S., 2007).** However, unlike a borrower availing credit from a bank, the cardholder is required to make the payment only when the issuing agency sends the bill to the cardholder with instructions to pay the bill by the stipulated date.

Various types of credit cards include Standard Credit Card, Reward Credit Card, Secured Credit Cards, Virtual Card and Visa Card etc. The Standard Credit Cards are general purpose credit cards with revolving balance i.e. credit is used up when purchases are made, and is open again once the bill is paid. Reward Credit Cards offer several rewards programs in the form of cash, points or discounts, and are intended to influence your spending. Secured Credit Cards are also known as pay-as-you-go cards. The user first deposits a "secure" amount into a savings account — that makes for the credit line. The credit limit is usually a percentage (50%-100%) of this amount. These cards come with an annual fee and a high APR. The virtual card, or the Citibank e-Card is the first ever web card only in India. Now you don't need a Credit Card to shop online. Accepted wherever MasterCard is, the Citibank e_Card offers you a safe and easy way to shop on the Internet. On approval, you get your card number, valid dates and a card verification number. Unlike with other credit cards, you don't get a physical plastic card. All you get is a card number and expiry date. Therefore, this Card cannot be used for transactions that require in person presentation of a physical MasterCard card. Today Visa International has over 21,000 member financial institutions that have propelled it to the top. Visa International is the world's leading full-service payment network. Visa has a range of cards namely Visa Classic, Visa Gold, Visa debit, Visa commercial cards and the Visa global ATM network in over 300 countries and territories that gives the consumer choice. Visa cards are the world's most widely used and accepted form of plastic payment. **(Lall P.)**

A debit card is issued on payment of a specified amount by the issuing company like a telephone company to a customer on cash payment or on debiting his account by a bank. Smart cards are multipurpose in nature which can serve as an identity card for a cardholder, a medical card that contains the medical history of the holder and as a credit card/debit card,

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facilitating off-line transactions where settlement across different banks is involved **(Niar, 2008).**

Various Types of Debit Card include PIN-only cards, Dual-use cards, Electronic Benefits Transfer cards and prepaid cards. PIN-only debit cards are linked to your bank account and can be used for cash transactions and fund transfer, buy from retailers and pay bills online or by phone. Dual-use debit cards are both signature- and PIN-enabled, and tied directly to your bank account. You can verify your identity either by signing or entering your PIN. Electronic Benefits Transfer (EBT) cards are provided by a state or government agency to users who qualify for food stamps, cash payments, or other benefits. EBT cards can be used to make purchases at participating retailers or to withdraw cash from an ATM, depending on the type of program. Prepaid cards are not linked to a specific account, but provide access to funds deposited directly on the card by you or a third party. **(Lall P.)**

Research Methodology:

The research design of the present paper is mainly descriptive in nature as the main objective of the study is to find out the views of the respondents regarding use of plastic cards in banking. While preparing this paper a sample of 50 respondents was taken from Rohtak city of Haryana from December 01 to December 15, 2019 to know about responses of various respondents chosen for the study. The respondents chosen for study were from various categories i.e. Businessman/Industrialist, Farmers, Homemaker and Service class.

Review of Literature

Some of the studies regarding the Plastic Card usage were reviewed while preparing this paper. A few of them are as under.

- Subhani conducted a study on ‘Plastic Money/Credit Cards Charisma for Now and Then’ in 2011. The main objectives of the study were to find out the charisma of plastic money, its usability and affordability, etc. The results of research showed that the preference to use of plastic money has its pros and cons with its usability and affordability. The study showed 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

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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.

- P Manivannan in his research paper entitled “Plastic Money a way for cash Less Payment System” in 2013 examined that the use of has become the need of the day. But the use of the plastic money and electronic payment system is made 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, conducted a study entitled “Consumer response towards the usage of plastic money” in 2014 with emphasis on increase of shift of plastic money in India by consumers from Credit cards to Debit cards. The paper made an attempt to understand the after effects of recession on plastic money industry and its impact on consumer preference. The study showed that the duplication of users is an important area of concern for the industry which can exaggerate the number of active users. The paper also stated that the acceptability of the cards among the Indian consumers has increased due to the fact that banking sector has become more aggressive.

Here in the context of preparation of the present paper an attempt has been made to know the views of various respondents regarding use of plastic cards in banking. Analysis of primary data received from the respondents, in this context, has been discussed as under.

Table 1: Plastic Card is the most Preferred Way to Pay Your Utilities and Travelling Bills.

Responses	No. of Respondents
STRONGLY AGREE	**04**
AGREE	**06**
DISAGREE	**28**
STRONGLY DISAGREE	**12**

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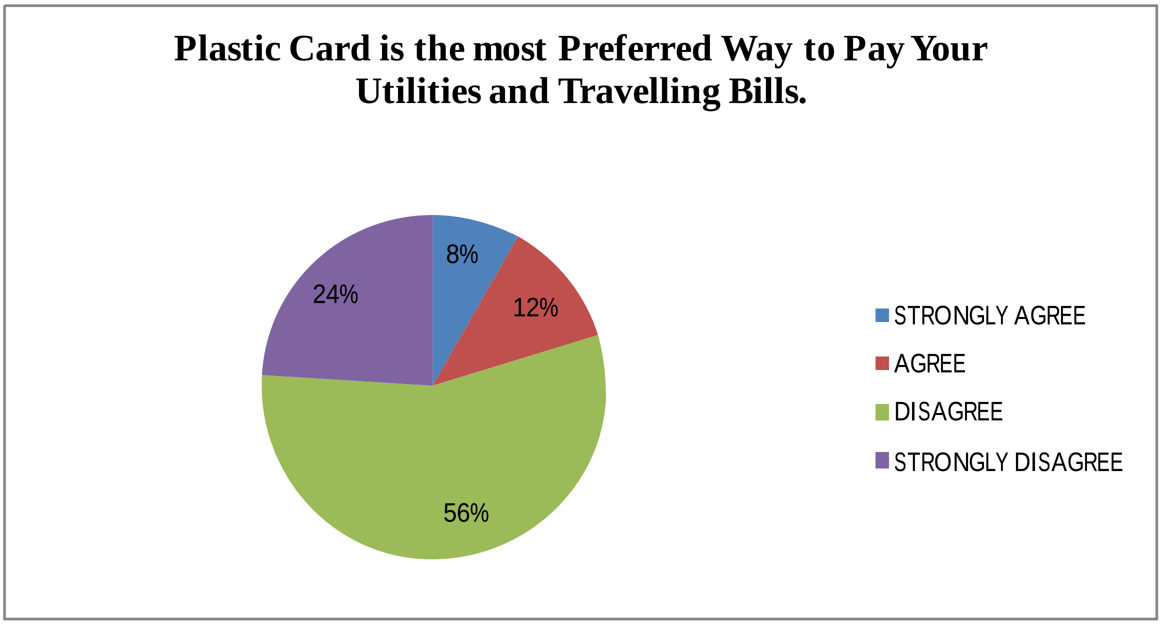

Table 1shows that the responses of majority of respondents regarding the above parameter were reported in 'Disagree' category which were 56% followed by 24% of respondents in 'Strongly Disagree' The percentage of the respondents, inclined to 'Agree' and 'Strongly Agree' category, was 12% and 8% respectively which shows that Plastic Card is not the most preferred way to pay utilities and travelling bills by majority of respondents.

Table 2: Use of Plastic Card is the Safest Mode of Transactions

Responses	No. of Respondents
STRONGLY AGREE	12
AGREE	12
DISAGREE	16
STRONGLY DISAGREE	10

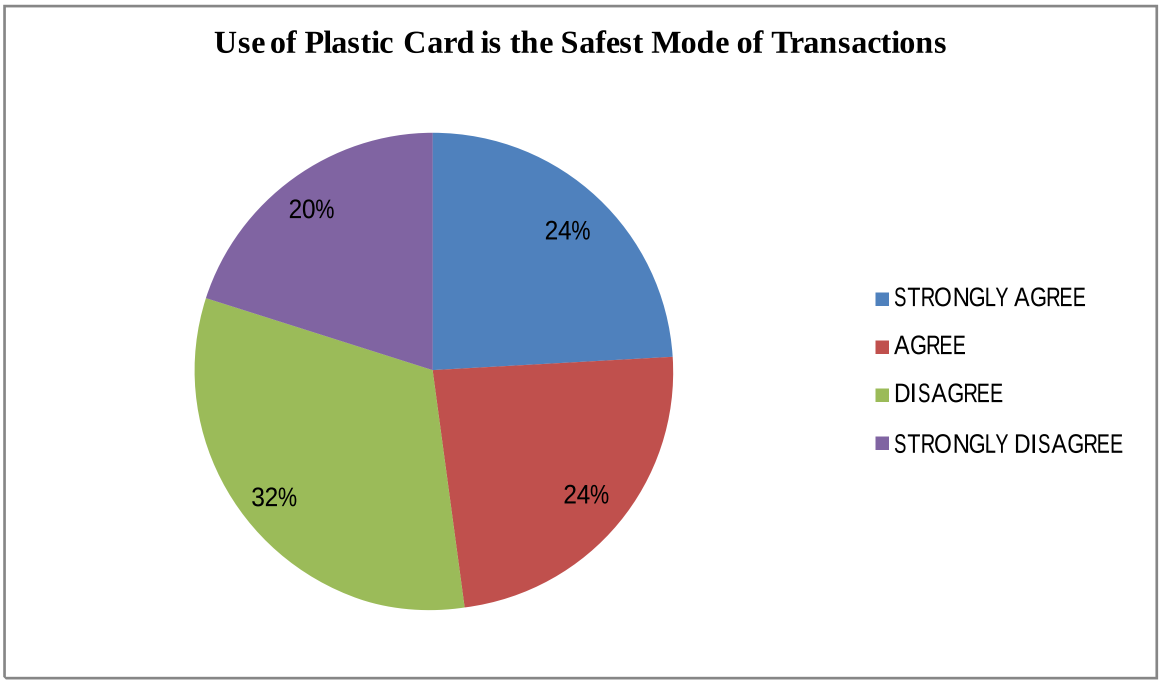

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Table 2 exhibits that 32% of the respondents are 'Disagree' with the statement that the use of plastic card is the safest mode of transaction. 24% of the respondents were in favour of the response 'Strongly Agree' and 'Agree' category. 20% of the respondents opined in favour of 'Strongly Disagree' category. The study shows that 48% of the respondents think that plastic cards are the safest mode of transactions.

Table 3: More credit /Debit card transactions in country over cash transactions will help to solve the problem of corruption in economy

Responses	No. of Respondents
STRONGLY AGREE	**10**
AGREE	**17**
DISAGREE	**17**
STRONGLY DISAGREE	**06**

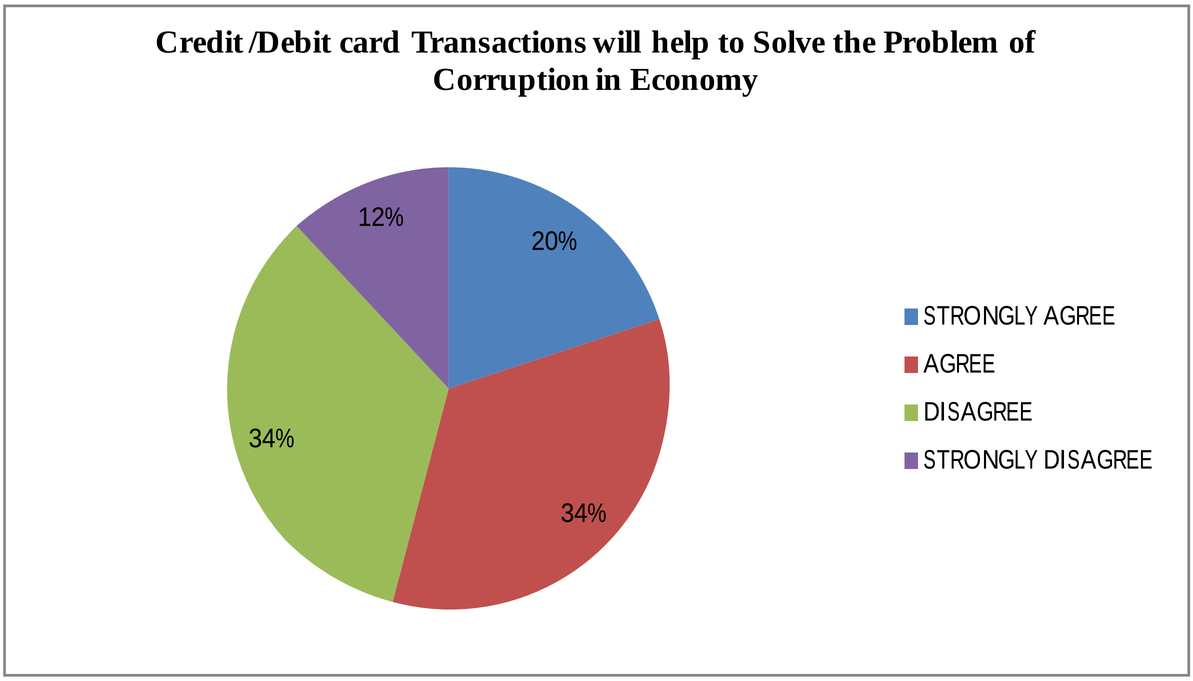

Table 3 shows that the responses of majority of respondents regarding the above parameter were reported in 'Agree' and 'Disagree' categories which were 34% in each category. 20% of the respondents were 'Strongly Agree' followed by 12% of respondents in 'Strongly Disagree' category. The study shows that 54% of the respondents support the statement that Credit/ Debit Card transactions will help to solve the problem of corruption in economy.

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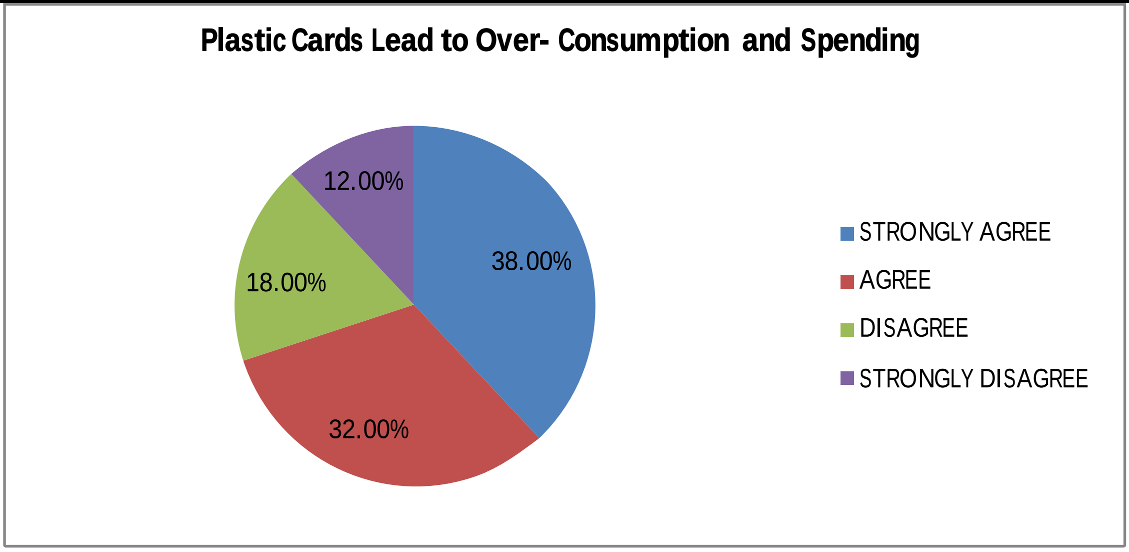
Table 4: Plastic Cards lead to over-consumption and spending

Responses	**No. of Respondents**
STRONGLY AGREE	**19**
AGREE	**16**
DISAGREE	**09**
STRONGLY DISAGREE	**06**



It was very surprising that 70% of the respondents opined if favour of the statement that 'Plastic Cards lead to over- consumption and spending' which includes 38% of respondents in 'Strongly Agree' and 32% in 'Agree' category. 18% of the respondents were 'Disagree' and 12% were 'Strongly Disagree' with the above statement. It shows that use of plastic cards leads the tendency of over-spending in the people.

Advantages of Plastic Money:

There are several advantages of plastic money which include

- Plastic cards eliminate the need for carrying huge load of cash which is risky and inconvenient too. One can use cards for online payments, fund transfers and various other transactions
- In case of cash there is a high risk of losing cash and a chance of cash getting stolen. However, in case of debit/credit card you can report the matter to the bank and block the card to avoid misuse.
- Use of plastic cards allows you the unique advantage and convenience of using it anywhere in the country or even abroad.

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- ❖ In case of credit card you have the option of buying on credit or paying later. Although the charges are high, it helps you in case of emergencies and contingencies.

Disadvantages of Plastic Money:

Some of the disadvantages of plastic money include the following.

- ❖ Use of plastic money is not a complete replacement for cash. You cannot always pay your milkman, servant, paper wala , etc by card.
- ❖ Use of cards can also be risky in some cases. Overuse of credit cards and rolling over your balance is the shortest route to bankruptcy. Once a card is lost you have to immediately report it and get the card blocked to avoid misuse.
- ❖ In some cases the outlets charge additional service charges for cards. So this can be another burden on your pocket.
- ❖ Sometimes the card's magnetic strip gets damaged or scratches or cuts can render the card unusable. So keeping it safe and secure is very important.
- ❖ Whether you use cash or cards, having a control on your spending is very important. Sometimes the use of cards increases the impulsive purchases i.e. the purchases without keeping in view the real benefit or value that you are you getting from it.
- ❖ Sometimes the use of cards in banking increases the unnecessary wasteful expenditure. It improves the habit of overspending **(Sridhar)**

Conclusion: Hence, the future of plastic cards is bright in India, as these are gradually becoming popular among customers as well as banks due to their characteristics. Though the results of the study shows that use of plastic cards leads the tendency of over-spending in the people and still Plastic Card is not the most preferred way to pay utilities and travelling bills by majority of respondents. The target of converting the credit/debit cards with smart cards having magnetic strip with chips has almost been completed. The plastic cards have immense opportunities in a growing economy like India in both urban as well as rural areas. All types of banks whether public, private or foreign are contributing positively towards the development of plastic cards in India.

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