

Plastic Money – A Way Forward for Cashless Transactions

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Abstract: Information Technology has transformed the way people work. Plastic money yet another revolution which is changing the way businesses buy and sell products and services. Customers can access services such as banking, insurance and travel reservation without stepping out of these homes or offices. Such technological advances facilitate the development of new electronic markets. The need for adequate security is vital issue in internet banking. If systems used for internet banking are secure, then the banks will use them to provide internet banking and customer will use them because these privacy is not at risk. The study highlights the importance of these cards and its impact on banking trends in India. The sample size selected was 100 which consisted of customers including student's professionals, housewives and senior citizens. The study revealed that in modern world, plastic money is important for customers and issues. Majority usage of plastic card is due to convenience and easy portability. Banks have provided good services to customers. Customers feel safe for using plastic cards. There are some challenges and issues but growth of banking industry depend upon proper use of these plastic cards and to meet challenges E-finance system should be applied properly.

I. Introduction

Intense competition has forced banks to rethink the way they operated this business. Technology in form of electronic banking has made it possible to find alternate banking practices at lower cost. It is beneficial for banks as it increases their productivity and it also improves the delivery of quality service to customer. Plastic money performs the authentication of merchant. It includes debit cards, credit cards, smart cards etc. with increased competition and reduced margins the banks must look for other avenues to increase these profits. The internet is a potential gold use for banks and with computer sales increasing each year, the market just keeps getting bigger. Indian Economy has flourished with the advent of liberalization, privatization and globalization. Banking sector is not exception too. These reforms have presented a challenge before Indian Banking sector to shake hands with the pace of new technology without a sound and effective banking system in India it cannot have a healthy economy. The Banking System of India should not only be hassle free but it should be able to meet new challenges posed by technology and any other external and internal factors (Patil Sushma ,2014). Plastic money in a very recent context replacing the traditional concept of paying through cash. Plastic money is term coined keeping in view the increasing number of transactions taking place on the part of consumer for paying for transaction incurred by them to purchase goods and services physically and virtually (Bisht, Anisha, Nair, Praveen, Dubey Rakshita, Hajela Tany, 2015).

Plastic money will bring us benefits as well as problems. One major benefit of digital cash is its increased efficiency which will open new business opportunities especially for small businesses on the other hand it will bring in problems like taxation and money laundering, instability of foreign exchange rate, disturbance of money supply and the possibility of financial crisis etc. Plastic money are being designed are Credit cards, Debit Cards, Digital Cash and Electronic fund transfers.

II. Review of Literature

Bisht Anisha, Nair Praveen, Dubey Rakshita, Hajela Tanu (2015),worked on paper entitled 'Analysis of use of Plastic money : A boon or a bane'. The research found that consumer prefer plastic money over paper money and major benefit that the card provides to the customer is convenience and accessibility. The finding reveal that majority of respondents use plastic money in one form or another. Therefore, customers are well aware of plastic money and its usage and have been using plastic money for a long time. Most of consumer preferred using debit card over credit card and they use it for buying apparels, paying electricity bills/phone bills and online transactions. Patil Sushma (2014) in her research paper. "Impact of Plastic Money on Banking Trend in India" examined that plastic money is referring to credit cards or the debit cards that we use to make purchases. The study highlights the role of these cards as electronic payment tool to be used by customers and discusses the penetration of these cards in replacement of cash and paper money. Indian customers find it easier to make payment via plastic cards rather than carrying too much cash which contributes to the growth of plastic money in the country. But some customers are not able to utilize cards effectively due to its complex nature and they don't actually know how to operate it for specific purpose. Thus banks should give them some training

regarding its usage. However all these hurdles will diminish over time and positively influencing trends are expected to continue in near future. Sonu R. Nirmala conducted a study on “Analysis of the use of Plastic Money”. The study focused on credit cards and debit cards in order to find out the effectiveness of such cards in real life and factors affecting the customer perception towards plastic money are discussed. The result of the study have stressed upon the convenience and ease of use while paying or shopping by plastic money. Security comes forward as major cause for concern for the population using plastic money. Population is ready as ever to use money. Population is ready as ever to use plastic money at a greater level due to its high levels of ease and convenience.

Objectives of Study:

1. To study the perception of card users towards Plastic Money in India.
2. To study the impact of Plastic Money on banking trends in India.
3. To study the issues and challenges faced by banks for using plastic money.

Plastic Money – Present Scenario

E-Finance: With the introduction of internet and opportunities it has provided, new product and services are emerging that set to change the way we look at money and monetary systems. Smart Card which can store account balances and update the same periodically can be useful to customer for payment of various types of utility bills and can function like electronic purses.

Banking: There has been talk for some time that physical cash, notes and coins will become a thing of past and digital cash, electronically held value will become the norms. Telephone banking and bill payment are just a couples of examples. The emergence of plastic money can throw.

Issues and Challenges faced by Banks

Business Issues:

- Who should be the target customers?
- What should be the scale of operation?
- What should be technology adopted?
- What should be marketing strategy?

Privacy Issues:

- What are the laws, Rules and Regulations governing Privacy issues?
- Are the data collection and data maintenance agreements?

Security Issues

- What security measures are being employed?
- What Electronic authentication, Signature and Certification Systems will be used?

Regulatory issues:

What should be

- Capital Requirements?
- Liquidity Requirements?
- Reporting Requirements?
- Privacy Policies?
- Taxation?
- Control over Supply of E-Cash?

Guidelines of Credit Card/ Debit Card operations by RBI.

RBI working group has brought out draft guidelines in June 2005. Some of features of Proposals are

- Disclosure of terms and conditions of credit agreement in all important communication to customer.
- Cards to be issued to only those consumers with independent financial means.
- Customer complaints to be resolved within 60 days.
- Confidentiality of personal information which cannot be shared with third parties.

III. Data Analysis and Interpretation:

3.1 Impact of introduction of Plastic Money on % usage of Debit Cards, Credit Cards and Cash Cards by customers.

Table 3.1: ANOVA Results for usage of Plastic Money

Variables	SOS between groups	SOS within groups	Df	F value	P value	Significance
Debit Cards	2.234	211.206	3.396	1.396	.244	No
Credit Cards	2.337	200.773	5.396	1.537	.204	No
Cash Cards	1.291	289.699	3.396	.862	.461	No

Table 3.1 indicate that there is no significant relationship between awareness about plastic money and its usage by customer at 5% level of significance.

3.2 Factors affecting Awareness and usage of plastic cards

Table 3.2: Factors affecting Awareness and Usage

Competition	High	Moderate	Neutral	Little	None	WAS	Rank
Competition	103 (51.5)	18 (9)	--	68 (34)	11 (5.5)	0.67	2
Customer's Income	52 (26)	46 (23)	21 (10.5)	54 (27)	27 (13.5)	0.21	3
Demand of Cards	97 (48.5)	35 (17.5)		58 (29)	10 (5)	0.76	1

Table 3.2 shows different factors affecting awareness and usage of plastic cards. The factors considered are customer's income, competition and demand of cards. Out of these factors customer's income and his living standard affect the usage of cards to a maximum extent according to weighted average score calculated for each variable.

3.3 Impact of Challenges faced by issuers on customers:

Table 3.3: ANOVA Results for challenges faced by issuers

Variable	SOS between groups	SOS within groups	Df	F value	P value	Significant
Unsecured lendings	.733	80.227	3.396	1.206	.307	No
Upgradation	6.225	111.215	3.396	7.388	.000	Yes
Low Average Spending	2.081	171.109	3.396	1.606	.188	No
Non-activated card	0.697	202.303	3.396	.455	.714	No

The results shown in Table 3.3 indicate that upgradation of software is the most important challenge faced by the issuers which ultimately put impact on customers at 5% level of significance.

IV. Conclusion

The study concluded that the majority of customers use plastic money. Plastic Money are emerging and getting accepted in the market place. They need to gain both consumer and business acceptance. Debit Card/Credit Card payments are easier way to make payment. It is beneficial for both customer and issuer. But some customers are not aware about utilization of these cards. According to them it is very complex procedure so bank must give training regarding its usage. The bank should give them facility to use plastic cards on trial basis so they can use very confidently. Bank should cut their usage cost. There are some challenges for issuers. Most of challenges faced by bank is non recovery of funds. So there should be system of recovery of these funds. Domestic Card industry will have to upgrade from present magnetic strip on plastic technology to chip based 'Smart Cards' in next years. The growth of banking industry depend upon appropriate use of plastic cards and banks should meet challenges and make use opportunities profitably. There should be E-finance system used effectively so that issuers can able to meet challenges faced for issuing Plastic Cards and to meet Competitive edge for success in plastic card business. Above all, interest of customer is of foremost importance.

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