

AN EVALUATION OF BUSINESS DEALS USING PLASTIC MONEY IN KERALA

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under the Faculty of Social Science*



by

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Declaration

I, Rajani V., hereby declare that the thesis entitled '**An Evaluation of Business Deals Using Plastic Money in Kerala**' is a record of bonafide research work done by me under the supervision and guidance of Dr. S. Rajitha Kumar, Reader, School of Management Studies, Cochin University of Science and Technology, Kochi. I further declare that no part of the thesis has been presented before for the award of any degree, diploma, associateship, fellowship or any other title of any University or Board.

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The thesis has not been submitted earlier, to any Institution or University for the award of any degree, diploma, associateship, fellowship or other similar title.


Dr. S. Rajitha Kumar
(Supervising Teacher)

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List of Abbreviations

AVS	-	Address Verification Service
ATM	-	Automated Teller Machine
CISP	-	Cardholder Information Security Program
CRIS	-	Cardholder Risk Identification System
CSC	-	Card Security Code
CVV	-	Card Verification Value
DMA	-	Direct Marketing Agents
DSA	-	Direct Selling Agents
EAD	-	Equal Monthly Instalment Amount Due
EBPP	-	Electronic Bill Presentment and Payment
ECS	-	Electronic Clearing Services
EDC	-	Electronic Data Capturing
EDI	-	Electronic Data Interchange
EFT	-	Electronic Fund Transfer
EMI	-	Equal Monthly Instalment
FEMA	-	Foreign Exchange Management Act
IBA	-	Indian Bank's Association
IT	-	Information Technology
KCC	-	Kisan Credit Card
KYC	-	Know Your Customer
MCMP	-	Merchant Charge back Monitoring Program
MAD	-	Minimum Amount Due
MEs	-	Merchant Establishments
NPCI	-	National Payments Corporation
PCE	-	Personal Consumption Expenditure
PIN	-	Personal Identification Number
POS	-	Point of Sale
RBI	-	Reserve bank of India
SAMEA	-	South Asia, Middle East and Africa
SPNS	-	Shared Payment Network System
SWIFT	-	Society for World Wide Inter-Bank Financial Communication
VSAT	-	Very Small Aperture Terminal

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Chapter **1**

INTRODUCTION

Contents

- 1.1 Introduction
 - 1.2 Statement of the problem
 - 1.3 Scope of the study
 - 1.4 Objectives of the study
 - 1.5 Hypotheses
 - 1.6 Methodology
 - 1.7 Chapter scheme
 - 1.8 Limitations of the study
 - 1.9 Operational definitions
-

1.1 Introduction

Financial Services constitute one of the world's fastest growing industries and the pivot of the modern economy. It largely depends on the quality and variety of services rendered by financial intermediaries such as banking and non-banking institutions. Dynamic explosion of liberalisation, privatisation and globalisation as a part of economic reforms and the growth of information technology has triggered the wind of changes in the nature and mode of banking industry all over the world, which has created major impacts on Indian banking industry too. The conventional branch based banking is rapidly giving way to multi-delivery channels which helps to reach out to customers in any parts of the world. Now, retail banking has become a buzzword in Indian banking sector. The essence of it lies on individual customers. In earlier periods customers had no choice but to be satisfied only with the services provided to them by banks. However, in recent years the emphasis has been changed. Customers are more time conscious, more demanding and are not ready to accept everything that is offered.

With rapid deregulation, technological development and information revolution, customers can enjoy global standards of service at any time by choosing a wide range of banking products of better quality at reduced prices. The success of retail banking largely depends on multi-delivery channels such as Internet banking, Tele-banking, Mobile banking and Card Banking. These self-service channels together constitute the major portion of 'E-banking (Electronic banking)', even though EFT (Electronic Fund Transfer), ECS (Electronic Clearing Services), EDI (Electronic Data Interchange) and EBPP (Electronic Bill Presentation and Payment) have played more or less significant roles in the growth of E-banking. E-banking is one of the fast growing segments of modern banking system using plastic money for cash dealings. Important card banking products include Debit Cards and Credit Cards, which are popularly known as '*Plastic Money*'.

1.2 Statement of the problem

Plastic money which is an important component of modern banking industry has become a popular payment and borrowing instrument in developed and developing countries due to its multifarious advantages to customers, merchants and banks. It is used as a convenient mode of carrying money and also to supplement the paper money. Apart from the benefits to individuals, the business as a whole gains advantages from accepting of plastic money as a medium of payment. It has enormous impact on business, changing the buying habits of customers by making it much easier for them to finance purchases of goods and services. Research studies among a broad range of countries show the wide spread adoption of plastic money and its greater impact on consumer spending. Increased consumer spending ultimately leads to business growth. According to Master Card International Life Style Survey conducted in SAMEA Regions in 2004, most consumers pay for at least half of their purchases with plastic money. It serves as an important driving force and facilitator for economic and business growth through capital accumulation, increased consumer spending, enhanced tax revenues, preventing money laundering and black money.

Traditionally, Indian business transactions are mostly carried out by using liquid cash. But, with the emergence of information technology, growth of internet, improved payment structure, e-commerce (electronic commerce) & e-banking development, entry of foreign banks and new generation banks, high level of competition, easy availability of credit, increase in affluence levels and income of middle group, greater amount of consumerism, fast changes with regard to life style etc., the Indian economy witnessed the growth of plastic money - credit cards and debit cards - in terms of usage by customers and acceptance by merchant establishments.

Despite of huge un-banked population, plastic money in India shows an increasing level of growth over the past years. India has over 150 million people having bank accounts, which is very small in number i.e. about 20 per cent of the total

population for a country with population exceeding 1.1 billion and compared with other countries; it is 98 per cent in Germany, 95 per cent in Singapore and 46 per cent in South Africa. Of the total banked population in India, 30 millions are eligible for credit cards and all are eligible for debit cards¹. In fact, since each cardholder may also have multiple cards in use, there is plenty of opportunities for expansion of cards and cardholders in India. In India Banks had issued a total of 26.7 million credit cards and 122 million debit cards and the number of merchant establishment accepting cards reached 4,28,479 at the end of October 2008. The average value of transactions at the Point of Sale (POS) using debit card and credit card was Rs. 161 and Rs. 2415 respectively². The convenience and acceptability of plastic money as a mode of payment increase the frequency of its use.

ATM net works paved the way for the rapid growth in the number of debit cards in India. Number of ATMs has been increased from 28,704 in June 2007 to 36,314 in June 2008³. Debit cum ATM cards are now used for both cash withdrawals and for payment of purchases at POS terminals and online. The annual spending on cards jumped from Rs. 920 crore in 1983 to Rs. 18,000 crore in 2005. According to a recent report the total spending through POS terminals increased to Rs. 55,000 crore during 2005-2006. Total spending in India on payment cards are still less than one per cent of the country's PCE (Personal Consumption Expenditure), the comparison of which shows very poor with the global average of 5 per cent PCE on cards and is miniscule when compared to the 15 per cent PCE of developed nations⁴. It indicates that the growth potential for payment card industry in India is enormous.

The vast majority of merchants continue to be cash-based although the number of merchants accepting cards is on the increase – reflecting the Indian consumers' willingness to use cards for every day to day purchase as well as for big-ticket transactions. The volumes and the number of card transactions will witness an exponential growth aided largely by the factors such as the annual growth in credit and debit cards in India which is approximately 30 per cent to 40 per cent. The other factors that influence this growth include the amount of annual spending on cards,

wider acceptance of plastic money by merchants, aggressive marketing campaigns by new generation banks and foreign banks, prompt payment by cardholders, growth of co-branded cards, innovative schemes and privileges offered by cards, retail boom, changes in consumer behaviour, increased level of socio-economic environment of people, explosive rise in corporate citizens, and emergence of e-commerce as a main stream business channel. India is going to be one of the premier visitor destinations attracting a large number of foreign tourists and the supportive role of RBI, also increases the growth of card usage. The desire on the part of the middle class and upper middle class to enhance the lifestyles by accessing more products and undertaking too encourages its growth. It is a primary mode of payment promoting e-commerce and m-commerce. They are rapidly gaining a foothold in the financial service industry. The convenience and reliability of plastic money confer to the customers and the merchants have already made the plastic money as an irreplaceable mode of payment instrument in the present cashless society. Plastic money also has become a part of the modern life style of people today. All these highlight the scope and potential for plastic money as a payment instrument in India.

The growing recognition of plastic money increases the usage and acceptance of it in the business deals all over the world. The success of card usage depends upon the cardholders awareness about the features and benefits of cards, various problems/risks connected with the card their satisfaction level and decision to choose the cards in place of cash, promotional measures adopted by banking authorities and above all the extent to which merchants are ready to accept it as a medium of payment in the business dealings. Investigation revealed that no detailed study on plastic money in Kerala has so far been attempted and it is in this context the present study 'An Evaluation of Business Deals Using Plastic Money in Kerala' is undertaken.

1.3 Scope of the study

The role of plastic money and its benefits are well accepted in the Indian economy. Kerala, the southern most state in the country is rapidly becoming the most preferred industrial destinations of the world, featured by high literacy level,

technology oriented and computer savvy people and well developed e-commerce growth have shown remarkable growth in using plastic money by cardholders and its acceptance as medium of payment by merchant establishments. The present study aims at analysing how far plastic money as a medium of payment instrument benefits the cardholders and the merchant establishments in business dealings in Kerala.

1.4 Objectives of the study

The present study entitled ‘An Evaluation of Business Deals Using Plastic Money in Kerala’, is undertaken with the following specific objectives:

1. to assess the popularity of plastic money in Kerala;
2. to examine the socio-economic profile of the cardholders so as to ascertain the association of such factors with the use of debit cards and credit cards;
3. to identify the benefits of plastic money by cardholders and merchants in business deals;
4. to investigate into the problems confronted by both cardholders and merchants in the plastic money deals; and
5. to examine the precautionary measures involved in maintaining security while the cards are used.

1.5 Hypotheses

The following hypotheses are formulated for the study.

- H1 There exists significant association between socio-economic factors of cardholders and their preferences for choosing plastic money.
- H2 There exists significant association between usage of plastic money and the perceived benefits and privileges derived thereon.
- H3 There exists significant association between the positive impact on the impulse for more purchases by the cardholders and the use of plastic money by them.

H4 There exists significant association between the problems confronted and the use of plastic money by the cardholders.

1.6 Methodology

The present study is descriptive and explanatory in nature. Both primary and secondary data were collected and used.

1.6.1 Primary data source

Primary data required for the study were collected from two categories of respondents namely individuals using credit cards and debit cards in the state and merchant establishments accepting credit cards and debit cards from the customers to make payments.

1.6.2 Secondary data

The secondary data for the study were collected from books, journals, periodicals, RBI publications, publications of various banks, Government publications and web sites of various banks.

1.6.3 Sample frame

The sample size of the study include 900 individual cardholders in Kerala using plastic money for their deals and 150 merchant establishments in Kerala accepting plastic money from their customers for payment.

Multi-stage sampling was adopted for selection of respondents for the study. In the first stage the State of Kerala was divided in to three regions namely southern, central and northern regions. Southern region consists of Thiruvananthapuram, Kollam, Pathanamthitta and Alappuzha revenue districts of the State. The central region includes Kottayam, Idukki, Ernakulam and Thrissur revenue districts of the State. Northern region of the State covers Palakkad, Malppuram, Kozhikode, Wayanad, Kannur and Kasargod revenue districts. In the second stage Thiruvananthapuram district from the southern region, Ernakulam district from the central region and Kozhilode district from the northern region were selected for the study giving due consideration to geographical location. The another feature of these

districts are Thiruvananthapuram district the State Capital, Ernakulam district the Industrial Capital and Kozhikode district the Trade Capital of the State. Another factor considered to select these districts was the large number of merchant establishments located in these three districts compared to other districts in the State. In the third stage, 300 cardholders each from these three districts were selected by judgment sampling method. Thus, the total sample size comes to 900 cardholders. Judgment sampling method adopted to select cardholders for the study facilitated to cover and include various categories of cardholders having varied socio-economic profile such as gender, age, income level, education, occupation and area of residence so as to ensure representativeness of the society. In addition to cardholders, 50 merchant establishments from Thiruvananthapuram, Ernakulam and Kozhikode districts each were selected to make total sample size of 150 establishments. The lists of merchant establishments were taken from the Corporation/Municipal offices concerned and simple random sampling method was adopted for selecting the merchant establishments covered under the study.

1.6.4 Instruments used for collecting primary data

Primary data were collected using two separate sets of interview schedules developed after a pilot study. The interview schedule developed for collecting data from cardholders was finalised after a pilot study among 50 individual cardholders in Ernakulam district. The interview schedule used for collecting data from merchant establishments was also subjected to a pilot study among 20 merchant establishments in Ernakulam district. The reliability of these schedules was assessed by using Cronbach Alpha, the most commonly adopted index of assessing reliability. The Cronbach Alpha Coefficient calculated was 0.834 and 0.796 in the case of schedules used for collecting data from cardholders and merchant establishments respectively which were above the minimum acceptable level, thereby confirmed the reliability of the schedules used for collecting primary data. A group of experts/consultants in the field of banking has been interviewed and their suggestions were made incorporated while finalising the schedule. This was needed to ensure the content validity of the instruments used for collection of primary data.

The interview schedule developed for collecting data from cardholders was administered among 900 cardholders covered in the study. It includes 300 cardholders each of debit cards, credit cards and both. The heads of the merchant establishments covered under the sample were personally interviewed and obtained responses with the help of another set of interview schedule developed for the purpose.

1.6.5 Tools used for analysis of data

The data collected for the study were tabulated and analysed by employing mathematical and statistical tools like percentage, weighted mean, Chi-square test and Friedman ANOVA. Weighted Mean was used to rank the responses of various questions. Chi-square Test and Friedman ANOVA were used to test the significance of results obtained based on analysis.

1.7 Chapter scheme

Thesis is presented in eight chapters, viz;

Chapter 1 - Introduction

Chapter 2 - Review of Literature

Chapter 3 - Plastic Money for Business Deals – An Overview

Chapter 4 - Socio - Economic Profile of Cardholders

Chapter 5 - Business Deals Using Plastic Money by Cardholders - An Assessment

Chapter 6 - Business Deals Using Plastic Money in Merchant Establishments - An Evaluation

Chapter 7 - Transactions Using Plastic Money: Problems and Precautions

Chapter 8 - Summary of Findings, Suggestions and Conclusion

1.8 Limitations of the study

The major limitation of the present study is that it does not cover the entire online business transactions using plastic money even though it is meager in Kerala. Further, the inherent limitations associated with the responses generated

from memory might have affected the present study to a certain extent. It also requires special mention that few merchants were reluctant to show the relevant documents and records to counter verifying the responses during the interview. However, maximum care was exercised to counter check the responses through observation and cross questions to counter verify the validity of the responses.

1.9 Operational Definitions

1.9.1 Plastic money

Plastic money is referred to the mode of payment for goods and services bought; through use of specific cards made of plastic (hence, plastic money) which will substitute the use of currency notes at the time of purchase/payment. As it is made up of plastic and performs the functions of legal tender money, it is called as *Plastic Money*. Plastic money facilitates buying and selling much easier without carrying and handling cash both for the buyer (cardholder) and the vendor (merchant). Plastic money includes both debit card and credit card.

1.9.2 Debit card

Debit cards give the cardholder the right to purchase goods and services within the value of the card, which should be deducted from his/her bank account i.e., buys now, pay now. Debit cards are also attached with the facility of ATM which is used for withdrawing cash from ATM to meet the cash requirements of cardholders. Now majority of the debit cards are debit cum ATM cards i.e., two in one. Debit card is just like its counter part credit card and processed in the same way as credit card. It provides access to ones own money deposited in bank.

1.9.3 Credit card

Credit card is issued by banks to their selected customers. It is a kind of personal loan, with the help of which cardholders can borrow/withdraw cash from ATMs and purchases goods and services from merchant establishments within the limit (withdrawal/credit) assigned by banks and pay for them later to their bank i.e., buy now and pay later. It provides access to bank's money. It gives the cardholders the right to pay for their cash needs on deferred terms and in return

they will pay interest over the credit after the due date if they cannot afford to pay the credit within the time limit fixed by bank.

1.9.4 Merchant establishment

Merchant establishment means any business establishment including a company, corporation, firm or person, wherever located, with whom arrangements exist for acceptance and honour of plastic money in settlement of sale of goods and services. The acquiring banks enter into a contract with merchant establishments and assigned a floor limit for each merchant for transactions through cards and provide charge slips, EDC/POS terminals etc. Merchants are paid by the acquiring bank for the amount of sale made through accepting plastic money. Wherever in the report, simply the use of merchant indicates the merchant establishment.

1.9.5 Business dealings

The term business dealings used in the study is referred to the purchase and sale of goods and services made by customers using plastic money and it is accepted by merchant establishments as medium of payment instrument.

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Chapter **2**

REVIEW OF LITERATURE

Review of Literature

A review of theoretical and empirical literature pertaining to the topic of the study is an integral part of any research work. Hence, an attempt has been made in this chapter to present a review of various studies relating to 'Plastic Money', as reported by experts, professionals and researchers at national and international level.

Slocum, J. and L. Mathews (1970)¹, in their study “ Social class and income indicators of consumer credit behaviour”, studied the influence of social and income variables on credit card selection and usage among cardholders in USA. They found that members of the lower socio-economic class tend to use their cards for installment financing much more than higher socio-economic classes. Upper classes tend to use their cards as a convenient method of payment. Lower classes showed more impulse buying than the middle class, who feels that they should save money and postpone purchases. The upper classes do not need to save and defer gratification, and since there is no reason for installments they use credit cards for convenience. It also showed that age, sex and marital status are the significant determinants of credit card selection and its usage.

Mandel, L. (1972)², in his research “Credit card use in the US”, found that primary determinants of credit card usage were family income and education of the cardholders. Higher income and better educated families were more likely to use credit cards than lower income families. This is because credit card was initially marketed to higher income people. Another finding of his research was that families living around the largest cities are more likely to use credit cards. This finding matches with the Greek cardholders demographic profile, where a very high concentration of cardholders is observed in urban areas. He also found that families with different incomes perceived differently the advantages and disadvantages of credit cards. Lower and middle income families considered the credit facility as a definite advantage, while high income families found safety and convenience to be definite advantages.

Awh, R.Y and O. Waters (1974)³, in their study “A discriminant analysis of economic, demographic and attitudinal characteristics of bank charge cardholders: A case study”, tries to find out the relationship between card use and economic, demographic and attitudinal variables to know the differences between active and inactive card holders. They found that attitude towards bank credit cards are the most differentiating factor distinguishing active and inactive cardholders. Other factors were age, socio-economic standing, types and number of other cards held by an individual, general attitude towards credit, education and income.

Hirschman, E. C. (1979)⁴, in the paper “Differences in consumer purchase behaviour by credit card payment system”, focused on the influence of method of payment on purchasing behaviour. It was found that individuals who possess both credit bankcards and in store cards are more likely to buy than those who own only bankcards or in-store cards. The study also found that cardholders were more likely to make bigger purchases than non-card holders. It was also mentioned that credit cards facilitate and induce purchases, as compared to cash.

Ingram and Pugn (1981)⁵, in their paper “EFT and bank cards: House hold attitudes and practices”, examined the consumer ownership and usage of bank credit cards and found that young married couples, retired heads of households, sole survivors and single member house holds tend to own fewer bank credit cards. It also revealed that the level of household income and education are positively associated with bank credit card ownership.

Kinsey, J. (1981)⁶, in his paper “Determinants of credit card accounts: An application of Tobit analysis”, investigated the determinants of credit card accounts. In this study it was found that although income is a very important determinant in the number of credit card accounts held, low income does not decrease the number of card accounts held as much as living in a small town or rural area. High income on the other hand, is the most important determinant for increasing the number of credit card accounts.

Kaynak, E. and K. Ugur (1984)⁷, in their study “A cross-cultural study of credit card usage behaviours: Canadian and American credit card users contrasted”, evaluated cardholders attitudes towards credit cards. Both Canadian and American cardholders agreed that credit cards are useful in a sense that cards are safer than cash and help making impulse buying payments. The conclusion of the study was that both Americans and Canadians have similar patterns in attitudes toward ownership of credit cards, but their behavioural characteristics are different.

Avery, R.B., et al. (1986)⁸, in their study “The use of cash and transaction accounts by American families”, in which credit cards were treated merely as one of several forms of payment methods. Findings from this study was further supported the strong positive correlation between income, education, wealth, urbanicity and middle age and credit card use.

Canner, G.B. and A.W. Cyrnak (1986)⁹, in their study “Determinant of consumer credit card usage patterns”, examined more specifically bank card holding and its use patterns. The study found a decline in the proportion of families with two bank card accounts between the years 1978 and 1983. They also noted that the ‘house hold’ segment is likely to hold a wide variety of cards; that higher income and more financially sophisticated families are likely to be credit cardholders and that nearly half of all cardholders use their cards primarily for ‘convenience’ purposes. ‘Convenience use’ is positively related to family, age, income and financial liquidity and inversely related to a family’s relative debt position.

Feinburg, R. A. (1986)¹⁰, in his paper “Credit cards as spending facilitating stimuli: A conditioning interpretation”, showed credit cards as the causal factor in facilitating spending and concluded that since credit card stimuli are also closely associated with spending, they might activate a sequence of behaviour that increases the motivation to spend, the amount spent and the probability of spending and decrease the decision time to spend.

Chebat, J. C., M. Laroche and H. Malette (1988)¹¹, in their study “ A cross – cultural comparison of attitudes towards and usage of credit cards”

reported some cross – cultural differences in attitude towards credit cards for English - speaking and French - speaking Canadians. For both groups, the largest factors in usage are the user’s financial situation and the preference towards credit cards. Concern about the ability to pay is unique to the English – speaking group, which is concerned about costs, accuracy, safety, practicality and facilities. Those in the French – speaking group are concerned about costs, accuracy, over consuming and over spending indicating that they are afraid credit card use would affect their spending behaviour. Income and education are positively related to frequency of credit card usage. Their findings are consistent with the belief that credit card penetration is lower among French Canadian than English Canadian.

Worthington, Steve (1992)¹² in his paper “Plastic cards and consumer credit”, discussed how recent changes in credit card terms and societal attitudes influence the consumer borrowing. It is also said that plastic cards in general will be used more as paper transactions decline. In Europe there may be convergence of plastic cards usage with eventual reduction in the number of credit card issuers.

Caskey, John P. and Gordon H. Sellon Jr. (1994)¹³ in their article “Is the debit card revolution finally here?”, analysed the factors that have limited the debit card’s success and examined the prospects for future growth. They also proposed that consumers who used credit cards for the benefit of having credit available were unlikely to be interested in debit cards. Most consumers based their decision of using debit cards on non-price factors such as convenience and availability. They suggested that convenience users of credit cards might find debit cards desirable because they did not need to write cheques at the end of each month to pay off credit card debts, and convenience users might find debit cards were helpful in controlling their spending since they could spend only what they had in their account.

Delner, Nejdet and Herbert Katzenstein (1994)¹⁴ in their paper “Card possession and other payment systems: Use patterns among Asian and Hispanic consumers”, explored the socio-economic and demographic characteristics of Asian and Hispanic credit card holders. It also outlined a conceptualisation of the

relationship between alternative payment systems and various demographic and behavioural variables, which may serve as a preliminary theoretical framework for analysis of payment systems. It also discussed the implications and their importance to marketers.

Worthington, Steve (1994)¹⁵, in the paper “Retailer aspirations in plastic card and payment systems - An international comparison”, seeks to focus attention on the power relationships between retailers and their suppliers of financial services. Using international example, it draws attention to the different ways in which retailers are seeking to enhance their position in the payment system supply chain. The economics of this supply chain are explained and the rationale behind the acceptance of payment by plastic card is developed. Hypotheses are advanced; for each of international examples, as to how aspirations might affect the payment system, supply chain and the concluded that the balance of power is shifting from traditional payment system provides to the payment system users – the retailers.

Kayanak, Erdener, Orsay Kueukemiroglu and Ahemt Ozmen (1995)¹⁶ in their study “Correlates of credit card acceptance and usage in an advanced developing Middle Eastern country”, indicated that there are certain relationship between socio-economic and demographic characteristics of Turkish consumers and their credit card holding and usage behaviours. In light of the survey findings, a number of marketing strategies were developed for remaining competitive in this growing service industry.

Worthington, Steve (1995)¹⁷, in the paper “The cashless society”, outlined the rationale of those who are keen to promise the cashless society and the implications for marketers charged with winning consumer acceptance for payment by plastic card. Commencing with a European wide view of the European plastic card market, focuses on recent developments within the U.K in the use of plastic cards as a means of payment. The plastic card payment product is analysed under the three headings of pay later, pay now and pay before and a view is offered as to the future prospects for each type of plastic card in contributing to the development of the cashless society.

Santomero, Anthony M. and John J. Seater (1996)¹⁸, in their paper “Alternative monies and the demand for media of exchange”, analysed the various alternative monies such as prepaid cards, cash cards electronic purse, smart cards etc and their demand for media of exchange with the help of Baumol - Tobin Model. Important findings were - range of asset use decreases as household income falls, usage patterns of media of exchange differ and households with the same income but different allocation of income among consumption goods and house holds tend to use the higher interest medium of exchange to buy the good that constitutes the largest share of its income etc.

Worthington, Steve (1996)¹⁹, in the paper “Smart cards and retailers – Who stands to benefit?”, explained that the smart card is increasingly being held and used by consumers in the U.K. It also described the current major payment options open to consumers and accepted by retailers with a review of the costs and benefits of each payment options. It includes that the acceptance of smart card as a new payment option depends heavily on retailers attitudes and this will be formed by the so - far unquantified balance of costs and benefits that will accompany the introduction of the smart card.

Ausubel, Lawrence M. (1997)²⁰ in his article “Credit card defaults, credit card profits and bankruptcy”, presented available data on credit card delinquencies and charge offs and examined the relationship with data on the number of personal bankruptcy with two general economic factors- the cyclical state of the economy and the house hold debt burden. The effect of credit card profitability has had on credit card defaults are analysed. The effect, which deregulation has had on credit card profits is also discussed. He also explored the likely consequences of recent proposals to limit the discharge ability of credit card debt on bankruptcy. This article concluded that various proposals for limiting the discharge ability of credit card debt are likely to lead to an increase in the expected profitability of lending to marginal consumers.

Chan, Ricky Yee-Kwong (1997)²¹ in the study “Demographic and attitudinal differences between active and inactive credit card holder: The case of

Hong-Kong”, said that as far as demography is concerned, income is found to be the most important variable that influences the card usage rate. By employing MAA model, the survey re-confirms the positive relationship between attitude and usage rate. It also indicate that the importance of monetary incentives in influencing the attitudes of cardholders. The survey results provide the card makers with further insight in to the importance of transaction and financing convenience and possibly card design in activating apathetic cardholders.

Puri, Vishal (1997)²², in his paper “Smart cards – The smart way for the banks to go?”, examined the many innovative smart card applications covering areas such as telecommunications, transport, banking, health care and employee/membership schemes. It looked at how the banks, financial services firms, information companies and card issuers are gradually reconceptualising their delivery strategy as well as their businesses to meet the growing need for remote delivery, brand equity and differentiation. Smart cards could act as payment vehicles, access keys, information managers, marketing tools and customized delivery systems. It also explored the possibilities of an electronic purse ranging from a possible stored value and to a reloadable stored value card, which could literally replace low-value cash transactions. Smart cards would then become integral to the bank’s concept of remote delivery system in the future, because smart cards are not just a product; they are a new delivery system. Besides, the paper focused on some of the issues that might be of deeper concern to banks and suggests collaboration between banks and providers in the mass introduction of smart cards.

Munro, J. and J. B. Hirt (1998)²³, in their paper “Credit cards and college students: who pays, who benefits?”, studied about credit card usage patterns among college students. They found that there were significant difference between demographic factors such as race and academic qualification with credit card payments.

Evans, David S. and Richard L. Schmalense (1999)²⁴ in their book “Paying with plastic- the digital revolution in buying and borrowing” described

major innovations and developments in payment fields. The role of payment card companies on co-ordinating payment systems also mentioned.

Shaffer, Sherril (1999)²⁵ in his paper “The competitive impact of disclosure requirements in the credit card industry”, tested the impact of the Fair Credit and Charge Card Disclosure Act of 1988, enacted specifically to increase the degree of competition in the credit card industry. Results revealed the failure of the Act to achieve its objectives.

Trask, N.T. and M. V. Meyerstein (1999)²⁶ in their paper “Smart cards in electronic commerce” explored the areas where smart cards are becoming a critical enabler for electronic commerce and also discussed the short term barriers to the widespread adoption of smart cards. The important influences in terms of standards, working groups and the action of major players in the smart card arena are also highlighted.

Wright, Julian (2000)²⁷ in his paper “An economic analysis of a card payment network”, presented a model of a four – party card payment system to address the social optimality of the rules that govern such systems based on Rochet and Tirole (1999) model. They showed that no-surcharge rule which credit card associations have adopted to prevent merchants surcharging customers for the use of their cards, is generally welfare improving. They also characterised the socially optimal interchange fee and explained why regulating interchange fees on the basis of cost is likely to be inefficient.

Abdul, Alhassan G.-Muhmin and Ibrahim A. Alzamel (2001)²⁸ “Retailers experiences with and attitudes towards the Saudi Arabian EFTPOS system” examined the experience of merchants – benefits/problems towards debit/credit cards. Overall, retailers, which have adopted this system feel that they have benefited from such adoption. They have not experienced serious problem. All of them showed positive attitude towards such system.

Kaynak E. and T. Harcar (2001)²⁹ in their study “Consumers attitudes and intentions towards credit card usage in an advanced developing country”, have

attempted to investigate consumer attitudes and intentions towards credit card ownerships and usage in an advanced developing country. In particular, knowledge structure, beliefs, likes and dislikes as well as attitudes of credit card owners in the possession and the use credit cards are investigated. Data for the study were collected from 673 credit card holders and non-card holders in the largest Turkish city of Istanbul with a total population of over ten million managerial and public policy implications for banks and credit card issuing firms are offered for orderly decision making purpose.

Roberts, James A. and Eli Jones (2001)³⁰, in their study, “Money attitudes and intentions towards credit card use and compulsive buying among American college students”, used a casual modeling approach to investigate the role of money attitudes and credit card use in the campus buying within a sample of American college students. It was found that the money attitudes, power, prestige, distrust and anxiety are closely related to compulsive buying and that credit card uses often moderate these relationships

Snellman, Jussi S., Jukka M. Vesala and David Humphrey (2001)³¹ in their study “Substitution of non-cash payment instruments for cash in Europe,” has pointed out that the substitution of non-cash (cheque, giro, credit and debit card) payments for cash transactions is of interest for monetary policy and for determining central bank’s future seigniorage revenue. They developed a novel method for approximating the share of cash transactions using public information on currency stocks, non-cash payments and card payment technology for 10 European countries. Forecasts of future cash use are also developed. The trend in cash substitution across countries is quite similar, but the countries themselves are at significantly different stages in this process. The spread of debit and credit card payments has been the key factor behind the substitution away from cash as the use of electronic cash is still in its infancy.

Caron, Kenneth A. and Michael E. Staten (2002)³² in their “Plastic choices: Consumer usage of bank cards vs proprietary credit cards”, examined the

substitution of general purpose (bank) cards for proprietary cards and how issuers can predict which consumers are most likely to substitute convenience and rebates are the primary reasons for using a bank card. However, consumers use their proprietary retail cards to obtain better service. These results help to explain the growth in popularity of 'co-branded cards'.

Ramayah, T., Nasser Noor and Azzat Mohd. Nasarudin (2002)³³ in their study "Cardholders attitude and bank credit card usage in Malaysia: An exploratory study", aimed at validating attributes that influence the differences in attitudes among active and in active cardholders. By focusing on relevant attributes that have been identified, it is believed that credit card issuing banks can position themselves effectively via their marketing strategies to active their existing cardholders usage rate as well as to attract new active cardholders. Thirteen important attributes were used to measure credit cardholder's attitude. These attributes include acceptance level, credit limit, interest free payment period, annual fees, application approval period, ancillary functions, handling of card holder's complaints, issuing bank image, gift/bonus to new applicants, card design, leaflet to describe the card and advertising by the issuing bank. Acceptance level, credit limit, interest free repayment period, ancillary functions, handling of cardholder's complaints, bank image and bank advertising were found to be the most important attributes that influenced cardholders attitudes in distinguishing active fro inactive cardholders. Based on the study, several suggestions are forwarded to credit card issuing banks as a step to simulate credit cardholder's usage level. Among those are to work closer with various retailers to promote the credit card payments mode, to provide adequate credit limit to cardholders, to extend interest free payment period from 20 days to 30 days, to implement strategic alliances with firms involved in traveling, entertainment, insurance and telecommunications and advertise more so as to create a brand name for the issuing bank.

Chakravarti, Sujit (2003)³⁴ in his paper "Theory of credit card networks- A survey of the literature", examined the credit cards usage and their benefit to consumers and merchants by comparing other payment instruments. Recently,

credit card networks have come under scrutiny from regulators around the world. The costs and benefits of credit cards to network participants are also discussed. Focusing on interrelated bilateral transactions several theoretical models have been constructed to study the implications of several business practices of credit card networks. The results and implications of these economic models along with future research topics are also discussed.

Gans, Joshua S. and Stephen P. Bing (2003)³⁵ in their paper “A theoretical analysis of credit card reforms in Australia”, developed a model of payment systems designed to analyse the impact of credit card reforms in Australia based on Reserve Bank of Australia’s (RBA) main assumptions. RBA moved to reform credit card associations by increasing entry, allowing merchants to surcharge for card payments and regulating the interchange fee. Allowing merchants to surcharge may eliminate much of their concern over the interchange fee.

Guthrie, Graeme and Julian Wright (2003)³⁶ in their paper “Competing payment schemes”, presented a model of competing payment schemes. The models highlights the fact that, in a payment system, one type of user (merchants) competes to attract users on the other side of the market (card holders). It also analysed how competition between card associations affects the choice of interchange fees and thus the structure of fees charged to cardholders and merchants.

Hayashi, Fumiko and Elizabethe Klee (2003)³⁷ in their paper “Technology adoption and consumer payments: Evidence from survey data” commented that payment choices depends consumers propensity to adopt new technologies and nature of transactions. This paper also analysed the use of consumer payment instrument at the point of sale. It is indicated that consumers who use new technologies and computer are more likely to use e-payment instruments such as debit cards, credit cards, smart cards etc.

Hunt, Robert M. (2003)³⁸ in his article “ An introduction to the economics of payment card networks”, provided an overview of the economics of the card industry and explained some of the differences from the text book model of

competitive markets. Such differences are important factors for the antitrust analysis of payment card networks.

Mc Andrews, James J. (2003)³⁹ conducted a survey on “Automated teller machine net work pricing-A review of literature” and disclosed the ways that ATMs have altered the relationship between banks and their depositors as well as the competitive relationships among banks and concluded with suggestions for further research.

Rob, Mohammad A. and Emmanuel U. Opara (2003)⁴⁰, in their paper “Online credit card processing models: Critical issues to consider by small merchants”, attempted to address the current state of the online credit card processing system. An overview of the credit card processing mechanism, followed by a discussion of various credit card processing systems also are provided. They also focused on the various models of online, real-time credit card processing system and discuss several factors such as cost, complexity and security issues related to implementing such a system and also give suggestions which are extremely valuable to small business that are venturing in to internet commerce.

Robert, Till and Hand David (2003)⁴¹ in their paper “Behavioural models of credit card usage”, examined the repayment and transaction behaviour with credit cards by using behavioural models. They describe the development of Markov Chain Models for late re-payment, investigate the extent to which there are different classes of behaviour patterns and explore the extent to which distinct behaviours can be predicted. They also developed overall models for transaction time distribution used to predict likely future behaviours and can also serve as the basis of predictions of what one might expect when economic circumstances change.

Baddeley, Michelle (2004)⁴² in his paper “Using e-cash in the new economy: an economic analysis of micro-payment systems”, analysed the micro-payment systems and especially the use of e-cash in the new economy. The key characteristics of successful e-payment innovations are analysed by using binary

dependent variable estimation techniques on data derived from the E- Payment System Observatory (EPSO) data base.

Goyal, Anitha (2004)⁴³, in her study “Role of supplementary services in the purchase of credit card services”, focused on understanding the significance of supplementary services as non-personal source of information to consumers for pre-purchase evaluation, the impact of supplementary services

Gupta, Promod (2004)⁴⁴ in his article “The future of plastic money”, discussed the use of plastic money and its growth in India in recent years.

Metwally, M. M. and J.N. Prasad (2004)⁴⁵ in their paper “Factors restricting the use of credit cards in GCC countries”, used Logit and Probit Regression Analysis to examine factors determining the probability of using credit cards more frequently in domestic transactions in the members of the GCC (Gulf Corporation Council) which include: Baharain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE. The state of Qatar is used as a case study where a sample of 385 consumers were surveyed. Respondents who hold credit cards, were asked to indicate their degree of agreement using a five – point scale, with 23 statements relating to their reluctance to use credit cards frequently in domestic transactions. The paper also tested the effect of demographic variables on use of credit cards in GCC countries. The Logit – Probit Regression results suggest that there is a high degree of similarity between the GCC countries and the Developed countries regarding the impact of these variables on the intensity of use of credit cards.

Prasad, P. Siva Rama (2004)⁴⁶ in his article “ATM VS KCC (Product development and innovation)”, provides an outlook for ATMs and credit cards, benefits of technology to agriculturists, extension of ATM facilities to agriculturists etc.

Rao, Durga S. (2004)⁴⁷, in his study “Marketing strategies: Study of bank credit cards”, aimed at comparing the marketing strategies of two of the commercial banks – Citi Bank and Andhra Bank. He also evaluated the customer satisfaction

with respect to their credit cards and suggested necessary steps for promoting credit card business by considering its benefit and scope in the business.

Rysman, Mare (2004)⁴⁸ in his paper “An empirical analysis of payment card usage” exploited a unique data set on the payment card industry to study the issues associated with net work effects and two sided-markets. The study showed that consumers concentrate their spending on a single payment net work (single - homing), although many maintain unused cards that allow the ability to use multiple networks (multi-homing). A regional correlation between consumer usage and merchant acceptance within the four major networks (Visa, Master Card, American Express and Discover) were established. This correlation is suggestive of the existence of a positive feedback loop between consumer usage and merchant acceptance.

Srinivas, Y. (2004)⁴⁹ in the article “Bio- metric ATMs” mentioned the use of biometric technology in ATMs for preventing the frauds connected with it and also points out some of its limitations.

Stix, Helmut. (2004)⁵⁰ in his paper “How do debit cards affect cash demand? Survey data evidence”, analysed how EFTPOS payments and ATM withdrawals affect cash demand. The result revealed that cash demand is significantly and sizeably affected by debit card usage and that there are significant differences in cash demand for individuals with different debit card usage frequencies. In addition, the effect of EFTPOS payments on cash use at the point-of -sale is also discussed.

Wright, Julian (2004)⁵¹, in the paper “The determinants of optimal interchange fees in payment systems”, presented a model of a card payment system as a two-sided market that allows for partial participation by heterogeneous consumers and merchants. Taking in to account the strategic effects arising from competition between merchants, the model is used to characterise the optimal structure of fees between those charged to cardholders and those charged to merchants and more specifically, the level of the interchange

fee that banks charge each other. It examining the existing characterisations of the interchange fee and explain the source of potential deviations between the privately and socially optimal levels of the fee.

Bernthal, Mathew J., Crockett, David and Rose, Randall L. (2005)⁵² in their study, “Credit cards as lifestyle facilitators” found credit cards as an important facilitator of consumer emancipation through lifestyle within the current market structure. Authors analyse the accounts provided by consumers, credit counselors and participants in a credit counseling seminar in order to develop a differentiated theory of life style facilitation through credit card practice. The skills and tastes expressed by credit cardholders helped to distinguish between the life styles of those with higher cultural capital relative to those with lower cultural capital. Differences in life style regulation practice are pointed to originate in cultural discourses related to entitlement and frugality. They also developed a model of credit card practices related to life style regulation.

Cabral, Luis M.B. (2005)⁵³ in the paper “Market power and efficiency in card payment systems: A comment on Rochet and Tirole”, commented on the main ideas of R and T models used for economic analysis of card payments and lay down a simple basic model that essentially captures the features of R and T model.

Dube, Vijaye (2005)⁵⁴ in his article “Credit card frauds – Prevention is better than cure”, briefly explained various credit card frauds and suggested suitable measures to prevent it.

Jin, Rui and Sharon A. Devaney (2005)⁵⁵ in their study entitled “Determinants of debit card use: A study from the consumers perspectives”, investigated the debit card use from the perspective of the demand side ie. the consumer. The impact of consumer’s demographic, socio – economic and credit-related characteristics on debit card use was examined by using data from the 2001 Survey of Consumer Finances (SCF). Logistics regression analysis showed that

household heads who were younger, more educated and with more income were more likely to use debit cards. In addition, household heads who were hispanic, renters and credit card revolvers were more likely to use debit cards than household heads who were white, home owners and convenience users of credit cards.

Kataria, Neera (2005)⁵⁶ in the article “Credit cards—challenges ahead”, pointed out the growth of credit cards in India, market share of each individual banks, challenges faced by bankers etc.

Klee, Elizabeth (2005)⁵⁷ in his paper “Paper or plastic?” the effect of time on check and debit card use at grocery stores”, use scanner data from grocery store transactions to examine time costs associated with media of exchange. It shows that time factors significantly determine the use of media of exchange and sensitivity to these time factors depend on the income, age and demographic characteristics local market

Mann, Ronald J. (2005)⁵⁸ in his paper “Credit cards, consumer credit and bankruptcy”, analysed the effects of credit card use on broader economic indicators, specifically consumer credit, savings and consumer bankruptcy filings. Using aggregate national level data from Australia, Japan, the UK and the US, it is found that credit card spending, lagged by 1-2 years has a strong positive effect on consumer credit. There is no significant relation between credit card use and savings. There is strong relation between credit card debt and bankruptcy and weaker relation between consumer credit and bankruptcy. The relations are robust across a variety of different lags and models that include variables to control for the effects of economic cycles on bankruptcy.

Mann, Ronald J. (2005)⁵⁹ in his paper “Global credit card use and debt: Policy issues and regulatory responses”, dealt with global use of the credit card connected policy questions. The pressures of globalisations are rapidly driving convergence in card usage except in those countries that have dropped substantial ‘speed bumps’ to slow the growth of cards. Main focus is to devise policies that will be useful to confine the problems related to credit cards without creating

undue inefficiencies in retail payment systems. It also analysed different reforms that might be useful to policy makers of different perspectives.

Masters, Adrain and Rodriguez (2005)⁶⁰ in their article “Endogeneous credit card acceptance of precautionary demand for money”, pointed out with a model, how the use of credit cards can differ so widely across countries. Retailer’s propensity to accept cards reduces the need for buyers to hold cash as the chance of a stock-out- (of cash) is reduced. When retailers make their decision with respect to credit card acceptance they do not take in to account the effect that decision has on other seller.

Saha, Tapas Ranjan (2005)⁶¹ in the article “Credit card and frauds”, provided awareness about various credit card frauds, suggestion about precautionary measures and tips for safety use of it.

Vincent, L. (2005)⁶² in the article “Credit cards - Modern payment system”, provided information about credit card functioning in India and settlement and concluded that it is a blessing to both the traders and customers.

Vivek, T. R. (2005)⁶³ in his article “A gentle swipe”, showed the growth of credit cards, the spending patterns at restaurant, jewelry etc. and demand the need for issuing fresh guidelines by RBI connected with payment cards to prevent frauds.

Bansal, N. K. (2006)⁶⁴ in his article “Plastic card currency – A convenient mode of payment”, explained the role of plastic money, its various forms and the positive impact of plastic money on the lives of people of all walks of life and being accepted as a convenient mode of payment in the modern era of electronic technology driven commerce.

Goyal, Anitha (2006)⁶⁵ in her study “Consumer perception towards the purchase of credit cards”, focused on understanding how consumers perceive and consider service product features (core benefit, facilitating services and supplementing services) in pre-purchase evaluation and to understand the position of supplementary services at product levels. The data analysis indicated that consumers consider service product features during pre-purchase evaluation of credit cards and

respondents find it easy to make a purchase decision on the basis of supplementary services. Responses revealed that existing supplementary service elements are perceived more of expected features than augmented features of credit cards.

Jain, P.M (2006)⁶⁶ in the article “E-payments and e-banking” opined that e-payments will be able to check black money. Taking fullest advantage of technology, quick payments and remittances will ensure optimal use of available funds for banks, financial institutions, business houses and common citizen of India. He also pointed out the need for e-payments and modes of e-payments and communication networks.

Makhija, Anil (2006)⁶⁷ in the article “Managing rural financing: Smart cards is the way ahead”, mentioned about the scope of smart cards in rural financing and KCC schemes are also mentioned.

Orr, Bill (2006)⁶⁸ in his article “Virtually cashless society”, showed the emerging changes in the field of payment industry and bring forth the benefits of cashless society and the need for micro payments infrastructure.

Reddy, Ramakrishna (2006)⁶⁹ in his article “Card products in India”, commented about the reasons for not attaining full growth potential among card products and suggest remedies for growth in this field for the benefit of all players.

Saha, Tapash Ranjan(2006)⁷⁰, in the article “Debit cards overtaking credit cards in India”, provided comparative features of both credit cards and debit cards and its volume of transactions from 1995 to 2005, shows that debit cards growth is out placing the credit cards.

Slagel, Shayna Lee, et al. (2006)⁷¹ in their study “Credit card debt reduction and developmental stages of the lifespan” examined the link between theory based developmental stages of the lifespan and factor associates with troubling debt and change. Results are based on survey responses of 263 participants. Stages of the lifespan were linked to anxiety over credit card debt

and the confidence participants felt in their ability to get out of debt. Results were tied to events at each lifespan that encourage credit card usage.

Srinivas, N. (2006)⁷² in his study “An analysis of the defaults in credit card payments”, has tried to analyse the socio-economic profile of the defaulters of credit cards, to identify the set of factors which contributed to such defaults and suggest relevant measures to minimize the default cases. Analysis of reasons indicated that economic hardship is the major reason identified by majority of the sample units follows by rigid payment structure and loss of job/business. The main suggestion is that the banks concerned should redesign the payment structure of credit card defaulters in a flexible and affordable installment.

Jia Loke Yiing (2007)⁷³ in his study “Determinants of merchant participation in credit card payment scheme” aimed to empirically establish the determinants of merchant participation in credit card payment schemes. It is also found that a merchant’s personal background, type of business and total value of sale are significant in determining a merchant’s acceptance of cards in payment transactions. Further, it is also found that customer’s usage of credit cards and other merchants acceptance of credit cards in payments have a significant influence on a merchants decision. Findings also indicated that non-pecuniary strategic factors are stronger drivers and barriers to a merchant’s participation in credit cad payments services compared to monetary related factors.

Rangaswamy and Ramesh Kumar S. (2007)⁷⁴ in his article “Plastic money in retail distribution” highlighted the growth of plastic money particularly ATM cum debit cards, its importance in retail distributions, cost effects, benefits, suggest some tips to avoid frauds and necessity of increasing its usage.

Annamalai, S. and Muthu R. Iakkuvan (2008)⁷⁵ in their article “Retail transaction: Future bright for plastic money” projected the growth of debit and credit cards in the retail transactions. They also mentioned the growth factors, which leads to its popularity, important constraints faced by banks and summarized with bright future and scope of plastic money.

Nayak, Tapan Kumar and Manish Agarwal (2008)⁷⁶ in their paper “Consumer’s behaviour in selecting credit cards” discussed about the factors influencing the selection of credit cards among consumers. The major factors points out by them are service offers, promotional offers, interest benefits, cash benefits, ease of payments, payment charges, card benefits and time benefit.

Sarangapani, A. and T. Mamatha (2008)⁷⁷ in their article “The growing prominence of debit cards and credit cards in the Indian banking industry”, highlighted the growing prominence of debit and credit cards by giving necessary statistics, comparative features of both cards and also pointed out more popularity of debit cards than credit cards.

From the review of studies cited above, it can be found that most of the studies are related with determinants of usage patterns of credit cards and debit cards, security aspect of plastic money, debit card and credit card frauds and their prevention, economics of card usage, attitude towards plastic money, comparative studies of old and modern instruments, customer acceptance and usage patterns, general view of plastic money etc. Studies pertaining to plastic money on business deals are very few in numbers and hence, the present study on the evaluation of plastic money on business deals in Kerala has been undertaken.

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Chapter **3**

**PLASTIC MONEY FOR BUSINESS
DEALS - AN OVERVIEW**

Contents

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3.1 Introduction

Financial sector reforms initiated in the country as a part of the economic reforms since 1991 have brought far reaching changes in the operational environment, organisational structure and ownership pattern of the banks. Interest rate deregulation, operational flexibility and functional autonomy rendered greater freedom to banks. Rapid changes in economic sphere and the entry of new generation private sector banks and foreign banks, with innovative financial instruments, products and services, better technology, market orientation and cost effective measures increased the competition among banks. Before the reforms, most of the products offered by banks were mass banking products, which the customer had no other option than to accept or leave them. In the years of reforms, to withstand competition and to maintain the existence of massive expansion in products and services has taken place in Indian banking sector and the focus has shifted from mass banking to class banking with value added and customised products.

Computerisation and other technological developments enable banks not only to reach higher level of operational efficiency through reduction in costs but also to enhance customer satisfaction by providing quality products and services. Due to faster life style customers have become very demanding and banks have to deliver customised products through multiple channels and allowing customers access to the bank round the clock. Thus, with the objective of providing customer services banks started new delivery channels like ATMs, Tele-banking, Internet banking etc. by providing anywhere, any time and any how banking facilities to them round the clock. Use of VSAT, networking and SWIFT changes the complexion of banking operations. All these gave birth to the emergence of a new banking system known as “e-banking (electronic banking)”. It is also known as Multi-Channel banking. In short, ‘Brick and Mortar’ banking is giving way to ‘Mouse and Click’ banking

E-banking implies provision of banking products and services through electronic delivery channels. It is a means whereby banking business is transacted using automated process and electronic devices such as personal computers,

telephones, fax machines, internet, card payments and other electronic channels. Branch banking is losing much of its significance with the onset of e-banking. It elevated banking beyond the barriers of time and space. E-banking utilises the technology to allow a bank's customers to interact and transact with the bank. It enables the customers to access their accounts directly from terminals placed anywhere in the world. It offers faster access, more convenient, available around the clock irrespective of the customer's location, getting improved and quality services and increased speed of response to customer requirement, which in turn enhances the customer satisfaction. For banks, they are much more efficient, cost saving facility through various delivery channels and generate revenue through increased accounts; access fee and benefits from cross-selling of products. Similarly advantages can also be gained by merchants/business organisations. Guaranteed settlement and payment by avoiding all risks of handling cash and bad debts, increased flexibility in business dealings, better customer service etc. attracted many merchants to adopt e-banking facilities. Besides the above, more transparency in business transactions, which are possible under e-banking, creates good human and trade relations among various nations. At present, about 46 lakh¹ Indians are using e-banking. Higher internet and mobile phone penetration increase in cards usage, higher acceptance of technology by banks and customers, adoption of legal and security measures for protecting customers' interest and privacy etc.. highlights that e-banking has bright future and scope in India.

3.2 Plastic money

Banking products are the services, benefits, functions and facilities. offered by banks to their customers. E-banking products refer to the delivery/offering of banking products through electronic delivery channels. Important e-banking products are card banking, phone/tele-banking, home banking, intranet banking, internet banking, ECS (Electronic Clearing Services), EDI, EFT, EBPP, collaborative banking, mobile banking and TV banking. Among them, card banking is the most important form of e-banking products. Important card banking products are Debit Cards and Credit Cards, which are popularly known as *Plastic Money*.

Millions of people all over the world are using plastic money for their immediate gratification. They are used as a convenient instrument for buying and borrowing without much complexity. As it is made up of plastic and also performs the functions of legal tender money, it is called as *plastic money*. Plastic money plays an important role in the present e-economy by facilitating buying and selling much easier without carrying and handling cash both for the buyer (cardholder) and the vendor (merchant). It also acts as a tool for promoting e-commerce and u-commerce, which in turn leads to the development of whole economy around the world. Major plastic money products are credit card, debit card, prepaid card and other cards.

3.3 Credit card

Credit card is one of the most important financial innovations in 20th century. A credit card is a financial instrument issued by banks, which provides instantaneous credit facilities to its holders to pay for varieties of goods and services at the merchant outlets. It is actually a loan. Credit cardholder is the borrower and the credit card issuer is the lender. Credit card acts as an effective device for payment and for borrowing. As a payment device it is cheaper to process, easier to use and easier to accept than cash. It is more flexible in its operations while dealing with business. Its' dealings is more secured and safe compared to cash. The convenience in using credit cards makes it very popular through out the world. Credit card is a major financial service used by majority of households across all economic classes. Some consider credit card as safety net to meet the unexpected expenses. It is also providing for traceability of transactions. Credit card offers a number of privileges and facilities, which are rarely associated with other payment and credit instruments. All these make it a popular credit instrument all over the world. It is issued on the basis of the credit status of the cardholders. Its cost of borrowing is very less and involves less procedures and formalities. The banks issuing the cards have prescribed forms in which the person seeking card has to furnish information as to whether the applicant has the paying capacity, willing to pay promptly all charges on the card indulging the cost of goods, services purchased, in case of default by the cardholder, whether it will

be possible to recover the charges from him etc. and also necessary documents. After satisfying these factors, the card is issued by bank to the applicants. Card contains the features such as cardholders name, issuing bank's name, card number, place of validity of the card, period of validity, photograph of the cardholder, logo, hologram, magnetic stripe, signature panel and customer verification value. It consists of five parties namely the issuer bank, the cardholder, the merchant, the acquirer bank and the card association.

3.3.1 History of credit cards

Credit was first used in Assyria, Babylon and Egypt 3000 years ago. The bill of exchange was founded in the 14th century. Paper money followed only in the 17th century. The first advertisement for credit was placed in 1730 by Christopher Thornton, who offered furniture that could be paid off weekly. From the 18th century until the early part of the 20th, tallyman sold clothes in return for small weekly payments. They were called *tallymen* because they kept a record or tally of what people had bought on a wooden stick. One side of the stick was marked with notches to represent the amount of debt and the other side was a record of payments. In the 1920s, a shoppers plate - a *buy now, pay later* system was introduced in the USA. It could only be used in the shops, which used it. In the late 1930s, American Telephone and Telegraph introduced the *Bell System Credit Card*. Soon, railroads and airlines introduced similar cards. Credit cards grew in popularity until the beginning of world war-II. When restrictions were put on the use of such cards during the war and it was temporarily suppressed the growth of the new payment alternative. After depression and World War-II, the popularity of credit cards again increased. In 1946, a New York banker developed a credit system called *charge-it*. When customers charged local retail purchases, the merchant deposited the charges at Biggins Bank (Mr. John C. Biggins, a consumer credit specialist) and the bank reimbursed the merchant for the sale. The banker later collected payment from the customer. In 1950, Diners Club and American Express launched their charge cards in the USA, the first *plastic money*. This card could be used for a number of different locations.

The first credit card in modern line was issued by Franklin National Bank in New York in 1951². The customers of Franklin National Bank submitted an application for a loan and were screened for credit and the approved customers were given a card to make retail purchases. The merchant copied the customer information from the card into a sales slip and called the bank for approval of transactions over a certain amount. The bank would credit the merchant account for the loan minus a fee to cover the cost of providing the loan. Cardholders liked the convenience and the line of credit offered by the new cards. By 1959, many banks were offering the option of revolving credit, which allowed customers to make regular payment on the balance owed rather than having to pay off the entire balance at one time. Bank Card Associations began in 1965, when Bank of America formed licensing agreements with other banks. This enabled them to issue Bank Americard and interchange transactions among participating banks. By 1966, fourteen banks in U.S. formed interlink, bank interested in issuing cards, became members of either Bank Americard or Master Charge. Their members shared card programme costs, making the Bankcard programme available to even small financial institutions.

As credit card processing became more complicated, outside service companies began to sell processing services to VISA and Master Card association members. This reduced the cost of programs for issuing banks and acquirers and increased the size of the bank and standardised procedures for handling the bankcard paper flow in order to reduce fraud and misuse of cards. The two associations also created international processing systems to handle the exchange of money and information and established an arbitration procedure to settle disputes between members. In 1977, Bank Americard became VISA and in 1979, Master Charge changed its name to Master Card. Both organisations originally set out signing up member banks to issue cards, enroll merchants and / or both. Presently, the major credit card organisations are VISA, Master Card, American Express, Diners Club, Discovery and JCB. In 1991 the Andhra bank introduced first credit card in India.

3.3.2 Classification of credit cards

Depending on the necessity of the customer and trade competition, banks issue different types of cards. Classification of cards is done to differentiate the level of services appended to each card. They are classified on the basis of mode of recovery, status, geographical validity, franchise/tie-up and issuer.

3.3.2.1 Based on the mode of recovery

Based on the mode of recovery credit cards are classified into two types namely revolving credit card and charge card.

Revolving credit card is also called pure credit card or simply credit card. It is the most popular type of credit card, which offers an option for revolving credit to the cardholders. A holder of this type of credit need not settle his account at the end of every month. Instead he is allowed to make partial payment every month subject to a minimum amount that varies from 5 to 10 per cent. Interest charged is also varying from 30 to 36 per cent p.a. on the outstanding amount.

Charge card is also called premium charge card and also travel and entertainment card. The bank fixes the amount of credit by considering the financial details supplied by the customers at the time of application. The cardholder can usually charge as much as he wants but he is required to pay off his entire balance when the bill arrives. This card is highly useful to meet travel, entertainment, official and personal expenses. Usually banks issuing Charge cards make their profit by charging very high annual fee and by charging merchants fairly high fee each time a customer pays using the charge cards.

3.3.2.2 Based on status of credit card

Based on the status credit cards may be standard card, business card, silver card, gold card, platinum card, titanium card, student credit card, affinity group card and kissan credit card.

Credit cards regularly issued by all card-issuing banks are called *standard card/classic card*. The cardholders can make purchases without

having to pay cash immediately. It, however, offers only limited privileges to cardholders. These cards are generally issued to salaried people. **Business cards**, also known as executive cards, are issued to small partnership firms, solicitors, firms of chartered accountants, tax-consultant and others, for use by executives on their business trips. These cards enjoy higher credit limits and more privileges than the standard cards. These cards are issued in the name of the executives of the firms. Credit card with a higher credit limit and additional perks other than the classic card is called **silver card**. **Gold card** offers high value credit for the elite group of people. It offers many additional benefits and facilities such as higher credit limits, more cash advance limits etc. that are not available with standard or business card. A credit card with a higher limit and additional perks other than gold card is called **platinum card**. **Titanium card** is a credit card with a higher credit limit than a platinum card.

Student credit card is a credit card issued to students. It usually offers a lower limit of credit and are available to young people who had never before a credit card in their name. Many banks offer a special student card instead of a regular credit card because it is hard to obtain an unsecured credit line for people who have no credit history. By offering credit cards with attractive interest rates to students, banks hope to gain a lifetime customer just when a young person is getting settled into adulthood and adult ways of spending.

Affinity group cards are VISA or Master Cards issued by banks to groups with some form of common interests or relationship. Cards issued to groups of physicians, lawyers, teachers, members of retired person's organisations or military personnel are examples of affinity group cards. The graphic design of the card is tailored to suit the specific affinity group to whom the card is issued. For instance, a card issued to a group of physicians contains a Red Cross Mark, which is conventionally used by the physicians. This is a card offered by two organisations, one a lending institution and the other a non-financial group. Usually, use of the card entitles to special discounts or deals from the non-financial group.

Kissan credit card (KCC) emerged as an innovative credit delivery mechanism for meeting the production requirements of the farmers in a timely and adequate manner. It is proposed that smart cards be used as KCC. The card will carry personal details about farmer, his landholding, credit worthiness, loan details, repayment details etc. Total number of KCCs given by National Bank for Agriculture and Rural Development as on March 31st 2007 are 74,70,240 through which amount sanctioned is Rs. 40, 29,958. Out of which number of KCCs issued by co-operative banks, RRBs and commercial banks are 2297,640; 14,05,874; 37,66,726 respectively. Farmers can draw loan amount in cash for crop production - agricultural equipments, manures, seeds, fertilisers etc. as well as to use household expenses, medical expenses marriage expenses, education expenses etc. within the sanctioned credit limit.

3.3.2.3 Based on geographical validity

Credit card can be classified based on its' geographical validity viz. domestic card and international card.

Credit cards that are valid only in India and Nepal are called *domestic cards* and all transactions will be in rupee terms. These cards are issued by banks in India. Credit cards that have international validity are called *international cards*. They are issued to people who travel abroad frequently. These cards are honored in every part of the world except in India and Nepal. The cardholder can make purchases in foreign currencies subject to RBI and FEMA rules and regulations.

3.3.2.4 Based on franchise/tie-up

Franchise/tie-up wise classification of credit card include proprietary card, domestic tie-up card, co-branded card, master card, VISA card, American express card, diners club card, JCB card, discover card and china union card.

Cards that are issued by the banks without any tie-up are called *proprietary cards*. Bank issues such cards under its own brand. *Domestic tie-up cards* are issued by a bank having a tie-up with domestic credit card brand. E.g. Indian Overseas bank has a tie-up with Can Card. These banks issue cards to users

through the original banks. However, they can have their bank name engraved on the card. Credit is available on similar lines to the original card. **Co-branded card** is a mix of convenience between two service providers who wants to trade off with others strength. Specific facilities are made to members through tie up. SBI-GE capital has a co-branded card for retail loans. Co-branded cards are particularly popular for the points and benefits they offer. Tie-ups with retail chains provide additional loyalty points whenever the customer uses the card, which is a huge incentive both for the retailer and for the card company.

Master card is a type of credit card issued under the umbrella of Master Card International. The issuing bank has to obtain a franchise from the Master Card Corporation of USA. The franchised cards will be honoured in the Master Card Network. 749.3 million cards are issued by more than 25000 financial institutions in 220 countries and territories. Master cardholders can use their cards at more than 24 million acceptance locations around the world. Master card is one of the most widely recognised credit and debit card brands in the world, representing instant buying power. immediate deposit access convenience, security worldwide and flexible payment options. **Visa card** is a product of VISA International USA. The banks issuing cards have a franchise with VISA International. Visa have more than 16,600 financial institutions, followed by 1.6 billion cards, 29 million merchant establishments, 1.2million ATMs, 50 million transactions processed, \$ 3.8 trillion volume of transaction and 30 worldwide offices as on 31st December 2007.

American express cards are very popular in the USA, Canada, Europe and Asia and are widely used in the retail and every day expenses segment. **Diners club card** is the world's No.1 Charge Card. Diners club cardholders reside all over the world and the Diners card is all time favourite for corporates. There are more than 8 million Diners club cardholders. They are affluent and are frequent travelers in premier businesses and institutions, including Fortune 500 companies and leading global corporations. **JCB card** has a merchant network of 10.93 million in approximately 189 countries. The JCB philosophy of

“identify the customer’s needs and please the customer with Service from the Heart” is paying rich dividends as their customers spend US \$ 43 billion annually on their cards. JCB is a major global payment brand and leading credit card issuer and acquirer in Japan. JCB launched its card business in Japan in 1961 and began expanding overseas in 1981. *Discover card* is a major credit card issued primarily in United States. It was originally introduced by Sears in 1985 and was part of Dean Witter Reynolds (a brokerage organisation) and then Morgan Stanley until 2007, when Discover Financial Services became an independent company. Most cards with discover brands are issued by Discover Bank. Discover card transactions are processed through the Discover Network Payment Network. As of February 2006, the company announced that it would begin offering Discover Debit Cards to banks, made possible by the Pulse Payment System, which Discover acquired in 2005. *China union pay* is the only credit card organisation in the Peoples Republic of China. It is an association for China’s banking card industry.

3.3.2.5 Based on issuer category

Based on issuer category credit cards can be grouped into two categories viz. individual card and corporate card.

Individual cards are the non-corporate credit cards issued to individual customers. *Corporate cards* are exclusively designed to assist in managing business expenses of the company as well as their employees. Logo and name of the company, photo card etc. of the employees is imprinted on the card. Employees enjoy the benefits of the cardholders. Company gets the benefits of better guidelines for management of information system. Corporate card system provides detailed information, which can help in controlling expenses. It gives the management and employees a complete expense tracking mechanism. This will reduce the time and cost associated with expense control. The report package provides both summaries and itemize of charges and payments. The reports help them to streamline expense control, analyse spending patterns and forecast future spending.

3.3.3 Steps involved in credit card transactions

Cardholders present cards at the time of purchases. Merchant runs cards through the POS unit. Merchant transmits the credit card data and sales amount with a request for authorisation of the sales to their acquiring bank. The acquiring bank processes the transactions, routes the authorisation request to the card agencies such as Visa, Master card etc. In the case of card-not-present transactions, the account number and other information may be digitally or key-entered. If the cardholder has enough credit in their account to cover the sale, the card agency passes the request to the issuer bank. The issuer bank approves or declines the transaction. Then the card agency forwards the issuer bank's authorisation to the acquirer bank. The acquirer bank forwards the authorisation to the merchant. Merchant receives the authorisation response and completes the transaction accordingly. The Electronic Data Capture (EDC) Terminal records the details of the credit card from the magnetic stripe of the card. The details of the transaction are keyed on to the keypad to be printed on the charge slip. Thereafter, the cardholder signs on the charge slip after checking all the details. The merchant establishment collects three copies of the charge slips, one for his own record, one for the cardholder and one for the bank. The merchant sends a copy of the charge slip to the acquiring bank and the acquiring bank credits the merchant's account the amount of transaction minus its own commission, on the basis of charge slip and electronically submits the transaction to the card agencies – Visa/Master Card for settlement. They pay the merchant bank and debit the card issuer account, then send the transaction to the card issuer/issuing bank. The issuing bank posts the transaction to the cardholder's account and sends monthly statement to the cardholder. On receipt of the statement the cardholder have two options. The first option is that on receiving the statement or bill, he pays-off the full amount due on his card on or before the due date. The other option is that he pays the minimum amount due before the due date or any percentage greater than the minimum amount due and roll over the balance amount to the next month. The banks charge 1.5 to 3 per cent per month as finance charge for the amount roll over. If the cardholder fails to pay the

minimum amount due, the bank charges a service charge or a fixed finance charge plus the interest.

3.4 Debit card

Debit cards are just like their counterpart credit card and or in the form of ATM card, processed as well as accepted by the merchants in the same way as the credit card. It is generally used for smaller value payment. Merchant is assured of immediate payment. In this, the user has to maintain account with the bank. It allows the customers to spend only what is in their account. It is issued by bank and connected through ATM. It is an immediate pay now deal. It is also used for withdrawing money. It gives a clear idea about the money spent by the cardholder and act as a check on high spending. Like credit card, bank charges the merchants for all transactions made by him and some bank charges the customer an annual fee. The merchants who generally accept the credit cards also accept the debit cards. Debit cards are fuelling India's card market. Debit card transactions are more cost effective compared to credit cards.

3.4.1 Types of debit cards

There are two types of debit cards issued by banks namely direct/on-line debit cards, deferred/off-line debit cards and ATM cards.

Direct/on-line debit card must be swiped through the credit card terminal and a PIN (Personal Identification Number) pad must be installed on the terminal. Instead of signing the receipt for the transaction the customer will be prompted to enter the PIN number in to the PIN pad. The terminal will pass the encrypted number to the bank for verification. The merchant account owner will then be paid for the transaction in the same manner and time frame that they would be paid on a credit card sale. Retailers favour PIN purchases, on which they pay lower fees. Currently most debit cards are on-line. Debit cards have PIN offer greater security, because it is more difficult for unauthorised people to use them. They are fast and convenient. Charge backs are virtually less. It helps the individual to receive cash back facility when making a purchase; it is not possible in the case of signature.

The merchant accepts the *deferred/off-line debit card* in the same way as they would accept a normal credit card. Off-line debit card swiped through the credit card terminal and the customer signs the receipt. Bank collects higher fee from merchants on signature purchases. The cards may be used everywhere credit cards are accepted, including over the internet. A typical off-line debit card transaction follows a similar procedure with three exceptions. First, as with a credit card transaction, the customer generally signs a paper slip to authorise the purchases rather than entering a PIN number. Second, in order to approve the transaction, the network checks whether the customer's total purchases over the previous two or three days are within some preset limit, rather than verifying that there are sufficient funds in the customer's account to cover the payment. Third, the customer's account is debited and the merchant's account credited two to three days after the purchase.

ATM (Automatic Teller Machine) which is popularly known as *Any Time Money* is a menu driven device which displays step-by-step instructions, as how to operate it. All the activities have a time set. Transactions processed through ATM are less costly. Customer access the ATM with the help of a plastic card called *ATM card*. ATM cards are issued to the accountholders of the bank in making a written request in a pre-printed application format, which also contains the terms and conditions of the issue, the eligibility criteria, validity period, annual fees etc. The issue procedures and terms of ATM card differ from bank to bank. Each bank issues different types of ATM cards with different daily limit for withdrawal. ATM card contains the information such as the name and logo of the bank printed on its face, name of the customer and the date of the issue embossed on the front and the other side of the card, there is a magnetic strip where other details are encoded and a space for the cardholder signature. Availability of low cost ATMs, convenience and easy acceptability, increased banking transactions through ATMs by customers, SPNS (Shared Payment Network System) and its associated benefits, increased demands from tourists etc. are some of the factors promoting ATM growth. In India, HSBC introduce ATM first in 1987. Use of

ATM, as an electronic machine, has a lot of influence on banking transactions. This service will emerge as an important profit center for banks. The use of ATMs is increasing year after year. In India the total number of ATMs has increased from 28,704 at the end of June 2007 to 36,314 at the end of June 2008³.

3.5 Prepaid card

It is one of the fastest growing payment methods. A set amount of money is 'loaded' on to the card prior to use and many prepaid cards can be re-loaded over and over again. Pre paid cards are of two types namely single purpose cards and multi purpose cards. These are designated for a specific merchant/purpose and include store-branded cards, prepared tele-phone cards and benefits cards offered by employers. Multi-purpose/open-loop cards are branded with the logo of a bank card association. Gift, payroll and EBT cards are multi-purpose cards. It can be used like any other plastic money in merchant locations such as restaurants or retail outlets. Prepaid cards are PIN based. Their validity is subjected to the period mentioned in the card or entire realisation of amount whichever is earlier. Banks need not be involved since the cards are prepaid and the card, rather than the customer's bank account, is debited at the point of sale. When the balance on the card is depleted, the consumer may dispose of the card or in some cases, may be able to replenish the balance by paying an additional fee. The greatest advantage of prepaid card is that it does not need an account with the bank or have a credit trade record. Most banks allow a top up on the card at an extra charge and also a free add-on card facility.

3.6 Other cards

Other cards category include smart card, cash card, remittance card, cheque guarantee card, private label card, in-store card, virtual card, secured card, artisan credit card, entrepreneurial credit card, laghu udyami credit card, EMI card and electron card.

Smart card is a chip based card, is a kind of an electronic purse. It is a truly powerful financial token, which carries out all the functions of magnetic strip

cards like ATM card, credit card and debit card. It was invented by the Frenchman Ronaldo Moreno, who patented the idea in 1974. It has more storage capacity than magnetic strip cards. Important security features, which help to prevent card-related frauds in smart card, are Chips, PIN/Bio-metric system, dynamic signature verification, encryption techniques etc. Basically, smart card use contact technology-based card which are memory, processor based and web-enabled cards. These cards are used in educational institutions, hospitals, telecommunications, etc. to record personal data and are used as an e-payment mechanism. **Cash card** is an alternative to credit card and is available in various values up to Rs. 10,000. It is mainly used for railway/air ticketing, booking hotels, travel packages, utility payments etc. It is also used for online shopping through selected websites. Important cash cards are I.T.Z cash card, Done cash card and Eye cash card. It is now targeting to extend its services to rural areas. Its main limitation is high transaction cost/expenses.

Remittance card is meant for people who receive remittances from abroad. Its aim is to make the procedure of receiving money from relatives abroad easy and hassle free. It is just like a normal debit card. Important features are carrying quarterly interest rate, protection against loss of card, payment of utility bills etc. It is a rupee-denominated card, which can be used at all Visa affiliated ATMs and merchant establishments in India and has a withdrawal limit of Rs. 50,000 per day. This card has 10 year validity. Beneficiaries of non-resident Indians could use this card for a lifetime fee of Rs. 400. **Cheque guarantee card** is a plastic card issued by banks that guarantees payment up to a specified limit through cheques, provided that the merchant follows proper steps in accepting the cheque. It is attached to a line of credit associated with a personal account with cheque facility. Holder presents the card to a merchant to validate a purchase. With the help of this, card cheques can be encashed at a merchant's store. If credit is used for making purchases, customer pays the normal interest and fee associated with the personal line of credit to the bank. Merchants accepting the cheque on the strength of the card enjoy the benefit of guaranteed payment. In order to avail of

the benefit, the merchant has to follow the terms and conditions printed on the back of the card. These cards are generally used by travellers and business people. It also provides a guarantee against dishonor of cheques.

The concept of *private label card* in banking started to gain popularity during the 1970's. Private label cards are just like retail charge cards. These cards are issued by banks in favour of single retail store. The cardholder can use this card only in the store of the retail whose name appears on the card. Thus, there is one-to-one credit relationship between the retailer and the customer. The main difference between private label card and conventional bank card is that the latter can be used at any shop located anywhere in the world. The *In-store cards* are issued by retailers or companies. These cards can be used only at the issuer's outlets for purchasing products from them. Payment can be on monthly or extended credit basis. For extended credit facility interest is charged. In India, such cards are normally issued by five star hotels and big resorts.

Virtual cards can be generated by anybody at any time provided the customers have already registered their names in the bank's website. One can also set monetary limits for each card; usually it is limited to the value of the item the customer intends to purchase. Of course, this value should be limited to the customer's bank balance or the credit limit. The important features of virtual cards are the card lapses after the use, it cannot be revised, it prevents misuse and it cannot be used beyond 24 to 48 hours after its generation. It is a kind of facility offered to existing card holders at free of cost. The HDFC bank has introduced its 'Net Safe' card for its credit/debit card holders at free of cost is an example of virtual card. *Secured card* is a credit card that secures with a savings deposit of the cardholder to ensure payment of the outstanding balance if the cardholder comits default in payment.

Artisan credit cards are issued to meet the working capital/investment needs of artisans involved in manufacturing activity. Preference will be given to artisans

registered with development commission and who have joined SHGs. Validity of the card is limited for a period of 3 years. The primary security of this card is on stocks/assets of the units. But there is no collateral security up to a limit of Rs. 2 lakh. **Entrepreneurial credit card** helps to meet the credit needs of small artisans, weavers, fishermen, self-employed persons, micro- entrepreneurs etc. The credit limit of this card is Rs. 25,000 per borrower or higher limit is given as composite loans. It is valid for 5 years subject to satisfactory operation of account and review process. Swarozgar credit card scheme is an example of this card. **Laghu udyami credit cards** are given to small businessmen, retail traders, small industrial units, professional and self-employed persons enjoying working capital up to Rs. 10 lakh. Hypothecations of stock in trade, receivables, machines etc are accepted as collateral security. These cards are valid for 3 years subject to reviews and have insurance protection.

EMI card is a unique credit facility, where the customers' monthly EAD (Equated Monthly Instalment Amount Due) is fixed. This EMI (Equated Monthly Instalment) amount due per month is inclusive of all charges. Any incremental purchases will not increase the EMI amount due paid by the customer but only the tenure will increase proportionately. EMIs are fixed in 6 or 12 or 24 month periods. Customer can make any purchases up to the purchase limit and pay a fixed EAD as applicable. Interest free period is nil in these cards. EMI selected as Rs. 1,000 to 4,000 respectively. EMI facility Cards are ICICI Bank EMI Cards, Bank of India Credit Cards, Corp Bank International Credit Card, UBI International Card, UBI Gold Card, ICICI Bank Pride Cards, ICICI Bank True Value Credit Card, ICICI Bank Cash Gold Card, Standard Chartered EMI Card etc. **Electron cards** are used for card present transactions. Electron cards have slightly different security features compared to other Visa cards. The front of the card contains an electron rather than a dove hologram and the 16 - digit account number is printed, not embossed. Examples of such cards are Central Card Electronic Card, Federal Bank Visa Electron Debit Card, ICICI Bank-Mega Mart Card, Citi Bank World Money Card, Citi Bank Cash Back Card etc.

3.7 Terms and conditions of issue and use of plastic money

Following paragraphs enumerate the terms and conditions related to ownership and control of cards, issuance and liability, usage of cards at ATMs and merchant establishments, billing and payment of dues, fees and charges, loss/damage of the cards and other regulations of plastic money.

3.7.1 Issue of cards

The bank shall issue cards to the applicants who qualify for the issuance as indicated in the banks card issuance policy, as applicable from time to time. The cards so issued are valid for use in India or abroad and it depends upon the type of card namely domestic or international card. The card issued is the property of the bank and the cardholder shall return the card unconditionally and immediately to the bank upon demand by the bank even without assigning any reasons for that. The bank reserves the right to cancel the card and to stop the operations unilaterally without assigning any reason or on occurrence of any of the events such as failure to comply with terms and conditions, in the event of default under any agreement or commitment entered into with the bank, the cardholder becoming the subject of any bankruptcy, insolvency proceedings or proceedings of similar nature, demise of the cardholder, reported lunacy/insanity/unsound mind of the cardholder, it is deemed by the bank that the facility is being misused. Bank shall be under no liability whatsoever to the cardholder in respect of any loss or damage arising directly or indirectly out of the transaction instruction made other than by a cardholder, any statement made by any person requesting the return of the card or any act performed by any person in conjunction, any injury to the credit character and reputation of the cardholder alleged to have been caused by the repossession of the card and/or, any request for its return or the refusal of any merchant establishments to honour or accept cards etc. The bank shall at its sole discretion add any new or withdraw any existing facility available to cardholder under the terms and conditions and the cardholder shall be bound by the same.

The cardholder shall be deemed to have unconditionally agreed to be bound by the terms and conditions by acknowledging receipt of the card in writing or by

signing on the signature panel on the reverse side of the card. To enable the cardholder to use the debit card, a PIN will be issued to him. It is the cardholder's personal liability to keep the card in safe custody to prevent any loss and misuse. Cash withdrawals or deposits are not the permitted transactions at POS as per section 23 of the Banking Regulation Act 1949. If the card is not used for any transactions by the cardholder within 180 days of the issue of the card, the card will be deactivated. The cardholders shall only use the cards. Card should not be used on internet for purchase of prohibited items like lottery tickets, gambling, any unlawful purpose including the purchase of goods or services prohibited by law etc. At the time of issue of cards the transactions under the card shall be strictly in conformity with the RBI guidelines or rules framed under Foreign Exchange Management Act or any other law being in force in India. For any violations cardholder is directly and personally liable to the appropriate authorities. The cardholder must also notify the bank of any changes in the information provided in the application for issuance of card including change in his employment and/or office or residential address and telephone numbers.

The bank shall also in its sole and exclusive discretion to decide upon the credit limit and/or cash withdrawal limit to be granted to any cardholder. Cardholders can increase/alter the limits by writing a request to the bank along with all necessary documents that may be sought by the bank. Based on such new documents provided, bank if satisfied may increase/alter the credit limit and/or cash withdrawal limits of the cardholder. The cardholder shall use the card strictly within their overall credit card limit determined as per the sanction conveyed to him. Any use beyond the said limit shall entitle the bank to recall the card and demand payment of charges due under the card account. It may lead to terminate the agreement, impose penalties or take any other action as deemed fit. In the event that an add-on credit card is issued by the bank, the primary cardholder shall exclusively be responsible towards the total amount payable to the bank, on account of transactions made by the primary and the add-on cardholder.

Card is valid up to the last day of the calendar month of the year indicated on the face of the card unless cancelled earlier by the bank. Some cards have no expiry date. If the cardholders use the card beyond the validity period, the bank shall not be liable in any manner whatsoever for any consequences that may arise. Upon expiry or earlier cancellation, card may be renewed or reinstated at the sole discretion of banks. On expiry, the card must be destroyed by cutting it in half over the magnetic strip/chip. Cardholder must intimate the bank at least 30 days prior to the expiry of the card currently being used if he/she does not wish to renew the card. In absence of such intimation of cancellation of the card by the cardholder, the renewal fee shall be charged to card account and shall be non-refundable.

3.7.2 Use of plastic money

Cards are accepted at the ATMs of bank, displaying the VISA/Master Card logo/sticker Worldwide. There will be separate service charge as announced by the bank from time to time, for availing services through ATMs, by use of card. The bank will not be liable for any deficiency of service or to perform any obligation there under, where such failure is attributable, directly or indirectly to any malfunction of the ATM or the card, temporary insufficiency of funds, any dispute or other circumstances beyond its control. The availability of ATM services in a country other than that in which the card was issued is governed by the local regulations in force in the said country. Bank will not be liable directly/indirectly if these services are withdrawn. The printout or receipt or statements generated at ATMs when acquired through card is a record of the operations of the ATMs and shall not be construed as the bank's record. The bank's record of transactions shall be accepted as conclusive and binding for all purposes.

The card is accepted at all merchant establishments using EDC Machines or POS terminals that have displayed VISA/Master Card Logo and PIN is not required for using card at the merchant establishments for making payments. A ceiling limit per transaction per day for different categories of merchants has been fixed for each card, to prevent any misuse of cards. Therefore, even if cardholder's account has sufficient balance in the card limit, the purchases exceeding these

limits will not be authorised, and in that event no claim would lie against the bank for such non-authorisation. Surcharge may be levied on purchase of certain products and services as notified by the bank from time to time. Payment of surcharge is mandatory and the same may vary from time to time. The bank will not be responsible if any merchant establishment refuses to accept the card or levies a surcharge on the card. However, the cardholder should notify the bank of such refusal to accept the card or levy of surcharge by the merchant establishments. The bank shall not be in any way responsible and/or liable for merchandise, price, rate, quality, quantity, warranty, privileges, benefits, facilities including but not limited to deficiency/ delay in services, delivery or non-delivery etc. purchased or availed of by cardholder from merchant establishments and/or third party suppliers including any mail order placed by cardholder. Any dispute arising thereto should be settled directly by the cardholder with the merchant establishments/third party suppliers and failure to do so will not relieve the cardholder any obligations to the bank. No claim by cardholder against merchant establishments will be a subject of set off or counterclaim against the bank. It is further clarified that the cardholder shall pay for the purchase of any/all goods/services including but not limited to air/rail tickets etc. as it appears on the statement to avoid incurring finance or fee charges even if the purchase has been cancelled subsequently. Credit of refund on account of cancellation will be made to the card account only when received by the bank. No cash refund will be given to cardholder. If a credit is not shown in the statement of account within a reasonable time, cardholder must notify the bank, immediately. Cardholder agrees that goods purchased through the use of the card shall remain the property of the bank till such time the charges pertaining there to are fully paid by cardholder to the bank. The cardholder accepts full responsibility for use of the card in contravention of laws, rules, regulations and terms and conditions of the agreement and further undertake to indemnify the bank and to make good any loss, damage, interest, conversion, including but not limited to any other financial charges and outgoings, costs and consequences that the bank may incur or suffer on cardholder account and cardholder acts of omission/commission and/or

negligence. Cardholder agrees and hereby authorise the bank to convert charges incurred by him in foreign currency to Indian rupee equivalent at such rate as the bank may designate in its sole discretion from time to time. Cardholder must sign and/or collect the charge slip; cash advance slip or mail order coupon at the time of deal. Failure to sign a charge slip will not discharge him of the liability for the charges. Cardholder must retain the copy of the charge slips for at least six months. Upon cardholders' request, the bank may, at its sole discretion, provide copies of charge slips, subject to payment of an additional charge at the prevailing rate. Any charge slip or other payment requisition received by the bank for any transaction on the card account for payment shall be conclusive proof that the amount recorded on such charge slip or other requisition was incurred by the use of the card by the cardholder. Where a charge slip or voucher is not available in mail order or telephone order or e-commerce and cardholder dispute that transaction, will first clear the outstanding on the card and shall resolve the dispute directly with the concerned merchant establishments. The bank shall not be liable, in any manner whatsoever for the same.

3.7.3 Fee/charges

The bank reserves the right at any time to charge the debit cardholder for the issue or re-issue of a card and/or any fee/charges for the transactions carried out by the cardholders. Any such fee and charges will be deducted automatically from the cardholders account at the time the fee or charge is incurred. In addition, operators of shared networks may impose an additional charge for each use of their ATM/POS terminal/other device and any such charge along with other applicable fee/charges will be deducted from the cardholders account. In the situation that the account does not have sufficient funds to deduct such fees, the bank reserves the right to deny any further transactions. The decision of the bank is binding on the cardholder. Any government charges, duty or debits or tax payable as a result of the use of the cards shall be the cardholders' responsibility and if imposed upon the bank (either directly or indirectly), the bank shall debit such charges, duty or tax against the cardholders' account. The cardholder also

authorises the bank to deduct from his account and indemnifies the bank against any expenses it may incur in collecting money owed to it by the cardholder in connection with the card.

In the event of an account being overdrawn due to card transactions, the bank reserve the right to setoff this amount against any credit lying from any of the cardholders' other accounts held jointly or singly without giving any notice. Cardholder is required to maintain sufficient balance in the designated account to meet cash withdrawals and service charges. The cardholder gets his passbook updated at least once in a month. The cardholder can check and verify the transaction in the statement/pass book discrepancies/ irregularities if any should inform the bank within 7 to 15 days. If the bank does not receive any information to the contrary within 15 days the bank may assume that transactions in the statement of account are correct. If any discrepancies the bank shall make bonafide and reasonable efforts to resolve aggrieved cardholder disagreement with the applicable charge indicated in the account statement within the time mentioned of receipt of notice of disagreement and informs the cardholder about banks agreement/disagreement with regard to such amount. If after such effort the bank determines that the charge indicated is correct then it shall communicate the same to the cardholder along with details including a copy of the sales slip or payment requisition. Any dispute in respect of a shared network ATM transaction will be resolved as per the card agencies regulation.

3.7.4 Billing and Payments

Bank will send to the credit cardholder a monthly statement showing the payments credited and the transactions debited to the cardholder's account since the last statement. The bank will mail a statement of transactions in the card account every month on a pre-determined date, to the cardholders. If the balance outstanding is less than Rs. 200 and there is no further transaction pending billing since the last statement, no statement will be issued. The monthly statement of account shall be prima-facie proof of the charges incurred by cardholder. In the event cardholder disagree with a charge indicated in the statement, the same

should be communicated to the bank in writing within 30 days of the statement date, failing which the charges in the statement of account shall become conclusive proof of cardholders liability to pay to the bank. In case any discrepancy is found to be legitimate by the bank, the bank may reverse the charge on a temporary basis until the completion of subsequent investigation by the bank to its full and final satisfaction. Notwithstanding the provisions herein, the bank shall not exceed the duration of 60 days in informing the said cardholders, the result of investigation conducted by the bank.

The credit cardholder shall pay to the bank, the amount shown to be due in the bill at the earliest but not later than the due date stipulated in the bill for payment. The said payments shall be made at the designated collection points notified by the bank. Non-receipt or delayed receipt of the bill shall not be cited as a reason for non-payment of the amounts due and as such the cardholder shall not be entitled to any waiver of service/financial charges on this count. Service/finance charges shall be levied to the cardholder's account at the prescribed rates or at such rates as amended from time to time on the balances as remained unpaid on due dates. The applicable service tax or any other tax levied by Government from time to time shall be charged to the card account at the prescribed rates or at such rates as amended from time to time by the Government and the cardholder agrees to pay all such charges. If any cheque, demand draft or electronic clearing service mandate is not honoured for full payment, for each such cheque, demand draft or electronic clearing service mandate, the bank shall charge to the card account appropriate charges to cover the bank's cost. If the minimum amount due payable by the cardholder does not get paid, his/her name may be liable for inclusion in the defaulters databases to be shared with other lenders and credit rating agencies. The right to do so lies with the bank. The bank will have the right of lien/set off in respect of all money and securities, which the bank holds in the name of the cardholder under any of the branches of the bank against the outstanding in the card account without any notice to the cardholder. The legal heirs, assignee, legatees and nominees of the cardholder will remain liable to the bank for the amount due on the cardholder's account in case of death of the cardholder. Bank

credit cards offer the cardholder the facility of revolving credit. The cardholder may choose to pay only the MAD (Minimum Amount Due) printed on the statement. The balance outstanding can be carried forward to subsequent statements. The cardholder can also choose to pay the total amount due or any part of the amount above the MAD. Such payment should be made before the payment due date. Any unpaid MAD of the previous statements will be added to the cardholder's current MAD in addition to the outstanding exceeding the cardholder's credit limit. MAD is calculated as 5 per cent of the total payment due subject to a minimum of Rs. 200. Payments made towards the card outstanding are acknowledged in subsequent statements. Payments received against the cardholder's outstanding bill will be adjusted against all taxes, fees and other charges, interest charges, cash advances and purchases in that order. The bank will debit the card account for all the debits received from merchant establishments charges incurred and credit the card account for all payments made by the cardholder to the bank. Non-payment of the MAD by the payment due date shall render cardholder liable to risk of withdrawal or suspension of the credit card. A fee may be levied for such non-payment as well. The bank may at its sole discretion also instruct the merchant establishments not to honor the credit card and/or to take custody of the card by listing the card number in the Warning Bulletin issued by the bank from time to time or otherwise. In the event the cardholder deposits part of the total payment due from him or the MAD (not less than the MAD under any circumstances) the balance outstanding amount payable shall be carried forward to subsequent statements. This amount will attract finance charges till the date of full and final payment. Duplicate monthly statements of account will be provided by the bank to cardholder only up to a period of twelve months preceding cardholders request subject to payment of service charge specified in the Tariff of Charges and which can be changed at the discretion of the bank.

3.7.5 Loss/Damage of cards

In the event the card is lost/stolen/copied, the cardholder shall inform the bank by any means forthwith, but the same should be confirmed to bank's customer care center in writing. The cardholder shall also lodge a complaint with

the police. The bank upon adequate verification will temporarily suspend the card and will subsequently hot list/cancel the card during working hours on a working day following the receipt of such intimation. If the cardholder loses his card overseas, he may either follow the above procedure or may report the loss through the Global Emergency Assistance help lines of card agencies. In case the cardholder uses these services, then the charges for the usage of such services shall be borne by the cardholder. The add-on card is rendered invalid when the primary card is reported lost. Similarly, if the add-on card is reported lost, the primary card account and other add-on cards are invalidated. If cardholder recovers the credit card after reporting its loss, cardholder shall not attempt to use it. Instead, should destroy the credit card by cutting it into several pieces. The cardholder shall indemnify the bank fully against any liability, loss, cost, expenses or damages that may arise due to loss/theft or misuse of the card in the event that it is lost and not reported to the bank, or lost/stolen and misused before the same is notified to the bank. The cardholder will be fully liable for all the charges on the lost/stolen card. The bank is not liable or responsible for any transactions incurred on the card account prior to time of reporting of the loss of the card, and the cardholder will be wholly liable for the same. After the receipt of proper notification of the loss by the bank, the cardholder's subsequent liability is zero. If the cardholder has acted fraudulently/ acts without reasonable care, the cardholder will be liable for all losses. If card becomes defective/gets damaged, mutilated, lost or stolen, cardholder may ask for a replacement card at any of the Bank's Card Division Centers. All such replacement credit cards shall be provided at the discretion of the bank upon such charges prevailing at the time of replacement. The damaged card must not be used and should be cut in half over the magnetic strip/chip and returned immediately to the bank.

3.7.6 Recovery

Credit card accounts are monitored continuously and are identified on the basis of age of overdue amounts and recovery reminders are sent to the cardholders by post, fax, telephone, e-mail, SMS messaging etc. In case the cardholder is an

employee of a reputed organisation a letter is sent to the employer as well. Upon persistent delinquency of the cardholder the card is put in the warning bulletin, thus preventing further use. Details of the card accounts are handed over to the approved recovery agents for further follow-up and recovery. Any third party so appointed, shall adhere to the Indian Bank's Association (IBA) code of debt collection. The cardholder details will then be posted in the negative lists like Credit Information Bureau India Ltd. or such other agency for which the cardholder has already consented to at the time of signing the application form. If the matter still remains to be settled, legal action is initiated. All revenues for recovery such as compromise settlements will be open to the cardholder for making repayments. Upon death or permanent incapacitation of the cardholder, the bank tries to recover the amount and amicably settle the account with the cardholder's legal heir. Cardholder accepts that any default in discharging the obligations under the cardholder agreement shall be deemed to be default under the cardholder agreement and the bank reserves the right to exercise any or all rights under the said agreement. Cardholder acknowledges the right of the bank to terminate the credit card facility in the event of default in respect of any other loan/financial credit facility extended to him/her by the bank and vice versa. The events of default are the cardholder consistently fails to pay any amount due to the bank within the stipulated period, the cardholder fails to perform the obligations as per cardholder agreement, any cheques and/or ECS/standing instructions delivered to the bank are not encashed/acted upon for any reason whatsoever on presentation/being made etc. Procedure for withdrawal of default report and the period within which would be withdrawn after settlement of dues.

3.8 Plastic money scenario in India

Plastic money is gradually displacing cash in many areas such as daily consumer payments and even for corporate and government transactions. Cards offer greater convenience, security and flexibility than cash. It is a great payment tool that complements the modern life style of consumers providing them easy and safe payment channel.

Well-managed payment system fundamentally improves public trust. It provides customers financial flexibility and secure lines of credit for venture and working capital can be extended more effectively by development banks and commercial banks with payment card solutions. They are the most popular instruments on the internet with rising interest in e-commerce. Higher compliance helps to bring down the large revenue/fiscal deficits at the centre and state levels. Card payments for activities like tax collections and other administrative purposes may facilitate a more effective use of public funds make government transactions and accounts more transparent and easily traceable. Impacting credit and debit card usage in taxation, which tends to add to the customers' expenditure. Tax reduction would acts as an incentive with benefits to the economy. Bankers said that a reduction or even a waiver would be revenue positive. This implies that revenue list on the withdrawal of the tax would be more compensated with increased mopping up by other sectors. More merchant establishments in the country would have to be wired into the card network for making any e-payment successful.

Cardholders enjoy the convenience of plastic money as well as the line of credit offered by it. Merchants found that credit card customer usually spent more than what they had to pay with cash. Accepting cards was safer for the merchant than dealing with cash (more secure from internal and external theft and error) and less expensive than creating and maintaining a merchant specific credit program. Wider merchant acceptance of payment cards along with more ATM facilities could increase tourism expenditure and India's foreign exchange earnings. A currency conversion ranks as a major issue for incoming tourists; greater acceptance of payments cards by merchant establishments could boost tourism. Improvements in India's card payment infrastructure – better tele-communication, connectivity at lower cost, more advanced technology and equipment as well as wider card usage, the number of merchants accepting cards in India has been growing rapidly. Card offers a number of benefits and privileges. All these benefits increase the purchasing behaviour of cardholders, which in turn increases

spending and consumption pattern in the economy. To meet the high consumption, large scale production will start which in turn will increase the employment opportunities and wage level. High wage level increases the standard of living and social status. The demand for better quality of goods/services automatically rises and increases the sale and profit of business. Increased sales and profit is a sign of business growth, which is an essential component of economic growth and development.

3.8.1 Credit card scenario

Credit card business is a major activity of retail finance for most banks in the developed world since it constitutes more than 50 per cent of the retail banking activity. Credit card arrived in India about two decades ago. In the early stages its growth was very low in terms of number and value. However, in the recent past, the scenario has changed dramatically. The dramatic increase of credit card use in India in recent years by consumers has accelerated transforming India to a mass consumption society. More and more banks are encouraging their customers to go in for credit cards. People perceive the credit card as a status symbol. Apart from being a source of revenue for banks, credit cards play an important role in the country in reducing the cost of currency management, increasing the safety of transactions, providing for traceability of transactions etc. The progress has taken place not only in the number of cardholders but even the type of cards offered. Today, the domestic card industry is flooded with different types of cards ranging from gold, silver, co-branded cards, smart cards etc. The number of nationalised and private banks issuing credit cards has increased significantly. Credit card business in India is regulated according to the guidelines of RBI, IBA and Central Government.

Kisan Credit cards (KCC) introduced by commercial banks provide hassle free and revolving credit to agriculturists is a major step towards the growth of credit cards in rural areas. The convenience and reliability it confers to the consumer and the merchant has already made the credit card as an irreplaceable mode of payment in the cashless society. It has become a part of the norm today. Credit cards growth is due

to wider acceptance of cards by merchants because it requires only low deployment, aggressive marketing by private and foreign banks, prompt payment by cardholders, co-branded cards, innovative schemes and card privileges, changes in consumer behaviours etc.

Spending pattern in India is more or less similar to that of international standards, in travel & entertainment, retail shopping and jewellery being the top categories where the credit cards are used. A recent American Express 'share of wallet' study among cardholders across the six cities of Delhi, Mumbai, Kolkata, Chennai, Bangalore and Hyderabad revealed that card usage is the highest for dining and shopping, where it is also popular for travel related expenses such as air tickets hotels and car rentals. Retail spending in India is largely done by credit cards according to recent published reports. According to credit card companies; retail has been instrumental in boosting average consumers spending per card at stores. According to AT Kearney report, credit card transactions value in organised retail has been growing at 35 per cent in India. So card issuers have been tying up with retail chains with an eye on large prospects when online shopping opens up in India. Indians have started using plastic money just like the western countries, although the number of users is too less. The credit card companies say that consumers spend Rs. 50,000 crore annually. At present about 87 per cent of the entire plastic money transactions are done through credit cards. It is mainly used to meet travel expenses, purchase of jewellery, purchase of textile products, purchase of consumer durables etc. On-line shopping and payment through cards are fast catching up in India. Official estimates show that currently 35 per cent of the consumers like to buy books online, 22 per cent for videos and 21 per cent clothes and over 36 per cent consumers prefer online ticketing. According to global market analyst Euromonitor/international, India will be Asia's fastest growing market for online travel retail by 2010. According to Visa Research, Indians spend 1 per cent of their expenditure through credit cards compared to Koreans who make 20 per cent where the global averages hovers at round 9 per cent of the total expenditure keeping in mind all the above given facts it is a simple guess what potential does Indian market hold for credit card companies.

RBI proposed the need for a national card which combines the benefits of both credit and debit card. But, the banks and service providers may fear about the loss of revenues. According to various, in-depth analysis shows that it would help the banks to improve the quality of their assets by lending to credit worthy customer's, tracking money-laundering activities and adhering to know-your customer and Basel II – guidelines will be easier. Now, even though both credit and debit cards can be used at ATMs and POS terminals, in nine out of ten cases, customer's use debit cards only to withdraw cash at ATMs and credit cards to make payments at POS terminals. On the flipside, the usage of debit cards at POS outlets and that of credit cards at ATM is less than one per cent. A single card would not only benefit cardholders but also card issuers. It helps the banks to ensure better control and check usage. It is safer and has the added advantage of less expenditure on plastic money. It helps the banks to maintain credit quality. This would in turn promote better usage of cards and reduce the number of inactive cards in the market. Private and foreign banks card base is in favour of credit card and public sector have more debit card use. IBA official points out that national/domestic card would bring in benefits like lower interchange fees, a legally defined national jurisdiction and better security due to a closed group of users. These types of cards have been in existence in countries like Hong Kong. It makes the customer more specific. Currently it has been observed that there is no uniformity as far as rules and regulations for lending against credit cards is concerned so far customers a single card would prevent overspending, thus, protecting the customers from falling in to debt trap. According to IBA officials in order to put such a system in place. RBI would need to adopt standards and mandates akin to those implemented by China Union Pay and also to undertake mass marketing exercise. It helps to maintain financial discipline among cardholders.

3.8.2 Debit card scenario

Debit card provides access to one's own money credit card provides access to the bank's money. Credit cards came in to India in 1979 whereas debit card was

launched almost two decades later in 1998 but now debit cards are more popular than credit cards. The popularity of debit card is due to the fact that unlike in the western world, where the culture is to live on loan, Indians are credit-shy people i.e. Indian being predominantly risk-averse. They are not comfortable with debt. To obtain debit cards, an account in the bank is only what is needed. Debit cards are mostly used for low value transactions. Since, purchases and ATM withdrawal are listed on monthly statement; cardholder can track his/her spending. It is a good financial management tool. Debit cards are typically used as substitutes for cash and cheques to pay or every day items such as groceries, restaurant meals and department store purchase. Seventy per cent of cards in India today are debit cards, usage are widening that can be a major catalyst in changing consumer behaviour. It is mostly used for payment of low end use. In 1998, Citibank was the first to offer debit cards in India to its customers in a pilot project, through the Suvidha Package, in Bangalore.

ATM cards are slowly being transformed into value added debit cards. Consolidation of ATM and debit card networks began in the mid 1980's and continues today. Bankers and analysts see tremendous scope for growth in debit cards. The potential is much higher than that of credit card. Both debit cards and credit cards exist as complementary products. Banks are now giving a new thrust to debit card, since it reinforces the habit of using plastic money, which saves the banks substantial transaction costs. In case of debit card, banks need not worry about recovering the money or about risk assessment of the customer as in case of credit card. Most banks that have the debit card facility, offers its account holder an optional, bi-functional ATM/Debit card either at its nominal fee or free of cost. The debit card can be used to withdraw cash from ATMs of other banks depending on whether the debit card maker has a VISA or Maestro tie-up. The future growth of debit card is also likely to depend on promotional efforts, technological changes and changes in the pricing of existing payment services. There will be a time when almost every person, who has an account, will hold a debit card. RBI issues separate guidelines for issuance of debit/smart cards to protect the consumer's interest and ensure fair dealings. Although banks need not obtain prior approval of the RBI, the

card issuing banks should review the operations of smart/debit cards on a half-yearly basis. Table 3.1 shows the card based payment in India from 2004-05 to 2007-08 in India.

Table 3.1 Card-based payments in India (2004-05 to 2007-08)

Types	Volume of Transactions (000s)				Value of Transactions (Rs. in crore)			
	2004-05	2005-06	2006-07	2007-08	2004-05	2005-06	2006-07	2007-08
Credit Cards	129,472 (29.2)	156,086 (20.6)	169,536 (8.6)	228,203 (34.6)	25,686 (45.4)	33,886 (31.9)	41,361 (22.1)	57,958 (40.1)
Debit Cards	41,532 (10.0)	45,686 (10.0)	60,177 (31.7)	88,306 (46.7)	5,361 (10.0)	5,897 (10.0)	8,172 (38.6)	12,521 (53.2)

Figures in brackets denote percentage increase over the previous year

Source: *RBI Annual Report 2007– 08*

Although cash continues to be used heavily in retail transactions in India, the use of plastic money such as credit card and debit card on the whole has been increasing in recent years as seen in the above Table. The use of payment cards, in volume and value showed increasing trends from 2004-05 to 2007-08, indicates the high growth rate, acceptance and usage of it in the business deals by cardholders and merchants which in turn leads to the overall growth of e-commerce and consequently e-economy.

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Chapter **4**

**SOCIO – ECONOMIC PROFILE OF
CARDHOLDERS**

Contents

- 4.1 Profile of cardholders
 - 4.2 Motivational factors to choose plastic money
-

4.1 Profile of cardholders

In this chapter the socio-economic profile of the cardholders and the factors that motivated them to choose plastic money are presented.

The data required was collected from 900 individual cardholders from Thiruvananthapuram, Ernakulam and Kozhikode districts of Kerala, selecting 300 from each district comprising 100 each who holds either credit card or debit card or both. They were further classified as users of debit cards, credit cards and both debit and credit cards comprising 300 in each category.

Tables 4.1, 4.2, 4.3, 4.4, 4.5, 4.6 and 4.7 show gender, age, area of residence, marital status, educational qualification, occupation and income wise analysis of cardholders covered under the study.

4.1.1 Gender

Gender wise classification of cardholders covered in the study is presented in Table 4.1. It shows that out of 900 cardholders, male respondents constitute 684 (76 per cent) and female respondents 216 (24 per cent). Among the 684 male respondents, 212 (30.9 per cent) are using debit cards, 228 (33.4 per cent) are using credit cards and 244 (35.7 per cent) are using both these cards. In the case of female respondents, 88 (40.8 per cent) are using debit cards, 72 (33.3 per cent) are using credit cards and the rest 56 (25.9 per cent) are using both these cards.

Table 4.1 Gender wise classification of cardholders

Gender of cardholders	F %	Type of cards used						Total	
		Debit Cards		Credit Cards		Debit and Credit Cards		F	%
		F	%	F	%	F	%		
Male	F	212	70.7	228	76	244	81.3	684	76
	%	30.9		33.4		35.7		100	
Female	F	88	29.3	72	24	56	18.7	216	24
	%	40.8		33.3		25.9		100	
Total	F	300	100	300	100	300	100	900	100
	%	33.3		33.3		33.4		100	

F- Frequency; % - Percentage to total of respective columns/rows

Source: *Field Survey*

The analysis of data based on the type of cards used by respondents revealed that out of 300 respondents using debit cards alone, 70.7 per cent is male and 29.3 per cent is female. In the case of 300 respondents using credit cards alone, 76 per cent is male and 24 per cent is female. The other 300 respondents using both these cards include 81.3 per cent male and 18.7 per cent female. It indicates that majority of the card users are male.

4.1.2 Age

People of different age groups have different choices, needs, buying behaviour etc. so it is important to analyse the respondents according to their age. Table 4.2 shows the age wise classification of respondents covered under the study. They are grouped under five age groups namely 20 - 30, 30 - 40, 40 - 50, 50 - 60 and 60 and above. Out of 900 cardholders, 171 (19 per cent) are in the age group of 20 - 30, 234 (26 per cent) are in the age group of 30 - 40, 330 (36.7 per cent) belong to the age group of 40 - 50, 123 (13.7 per cent) are in the age group of 50 - 60 and only 42 (9.6 per cent) are in the age group of 60 and above.

Table 4.2 Age wise classification of cardholders

Age of cardholders	F / %	Type of cards used						Total	
		Debit Cards		Credit Cards		Debit and Credit Cards			
		F	%	F	%	F	%	F	%
20 - 30	F	58	19.4	56	18.7	57	19	171	19
	%	33.9		32.7		33.4		100	
30 - 40	F	79	26.3	78	26	77	25.7	234	26
	%	33.7		33.4		32.9		100	
40 - 50	F	114	38	111	37	105	35	330	36.7
	%	34.6		33.6		31.8		100	
50 - 60	F	36	12	41	13.7	46	15.3	123	13.7
	%	29.3		33.4		37.3		100	
60 & above	F	13	4.3	14	4.6	15	5	42	9.6
	%	30.9		33.4		35.7		100	
Total	F	300	100	300	100	300	100	900	100
	%	33.3		33.3		33.4		100	

F- Frequency; % - Percentage to total of respective columns/rows

Source: *Field Survey*

Analysis about the use of plastic money by the respondents revealed that out of 300 debit card users, 38 per cent belongs to the age group of 40 - 50, 26.3 per cent belongs to the age group of 30 - 40, 19.4 per cent belongs to the age group of 20 - 30 and the rest 16.3 per cent belongs to the age group of 50 and above. At the same time, as far as 300 credit cardholders are concerned, 37 per cent belongs to 40 - 50 age group, 26 per cent belongs to 30 - 40 age group, 18.7 per cent belongs to the age group of 20 - 30 and the rest 18.3 per cent belongs to the age group of 50 and above. As far as the users of both these cards are concerned, 35 per cent belongs to the age group of 40-50, 25.7 per cent belongs to the age group of 30 - 40, 19 per cent belongs to the age group of 20 - 30 and the rest 20.3 per cent belongs to the age group of 50 and above. Thus, the majority of the debit cardholders, credit cardholders and the holders of both these cards belong to young and middle age group of 30 - 40 and 40 – 50.

4.1.3 Area of residence

Area of residence is another important demographic variable that explains the behaviour of customers. On the basis of area of residence, cardholders are classified into three groups namely those residing in rural, semi-urban and urban areas. From Table 4.3, it can be noted that among the 900 cardholders, 215 (23.8 per cent) are residing in rural area, 241 (26.8 per cent) are residing in semi-urban area and the rest 444 (49.4 per cent) are residing in urban area.

Table 4.3 Area of residence wise classification of cardholders

Area of residence of cardholders	F %	Type of cards used						Total	
		Debit Cards		Credit Cards		Debit and Credit Cards		F	%
		F	%	F	%	F	%		
Rural	F	73	24.3	75	25	67	22.3	215	23.8
	%	33.9		34.8		31.2		100	
Semi-urban	F	86	28.7	75	25	80	26.7	241	26.8
	%	35.7		31.1		33.2		100	
Urban	F	141	47	150	50	153	51	444	49.4
	%	31.8		33.8		34.4		100	
Total	F	300	100	300	100	300	100	900	100
	%	33.3		33.3		33.4		100	

F- Frequency; % - Percentage to total of respective columns/rows

Source: *Field Survey*

Analysis on the basis of type of cards used and area of residence revealed that out of 300 debit cardholders, 141 (47 per cent) are residing in urban area, and the rest 86 (28.7 per cent) in semi-urban area and 73 (24.3 per cent) are residing rural area. As far as the 300 credit cardholders are concerned 150 (50 per cent) are residing in urban area; followed by equal number of respondents i.e. 75 (25 per cent) are residing in semi-urban and rural areas. Among the 300 users of both these cards, 153 (51 per cent) are residing in the urban area, 80 (26.7 per cent) are in semi-urban area and the rest 67 (22.3 per cent) are in rural area. Thus, majority of the respondent cardholders are residing in urban area. It is due to the fact that people living in urban area are more accessible to modern banking facilities than people living in semi-urban and rural areas.

4.1.4 Marital status

Marital status is another important variable that influence the spending pattern of people. Marital status wise classification of respondents presented in Table 4.4 shows that out of 900 cardholders 612 (68 per cent) are married and 288 (32 per cent) are single. Out of 612 respondents who are married, 211 (34.4 per cent) are using debit cards, 204 (33.4 per cent) are using credit cards and the rest 197 (32.2 per cent) are using both debit and credit cards. In the case of 288 unmarried respondents, 89 (30.9 per cent) are using debit cards, 96 (33.3 per cent) are using credit cards and 103 (35.8 per cent) are using both debit and credit cards.

Table 4.4 Marital status wise classification of cardholders

Marital status of cardholders	F %	Type of cards used						Total	
		Debit Cards		Credit Cards		Debit and Credit Cards		F	%
		F	%	F	%	F	%		
Single	F	89	29.7	96	32	103	34.3	288	32
	%	30.9		33.3		35.8		100	
Married	F	211	70.3	204	68	197	65.7	612	68
	%	34.4		33.4		32.2		100	
Total	F	300	100	300	100	300	100	900	100
	%	33.3		33.3		33.4		100	

F- Frequency; % - Percentage to total of respective columns/rows

Source: *Field Survey*

Type of card wise analysis of the respondents revealed that out of 300 debit cardholders, 70.3 per cent is married and 29.7 per cent is single. In the case of credit cardholders married and single are 68 per cent and 32 per cent respectively. As far as the users of both these cards are concerned, 65.7 per cent is married and 34.3 per cent is single. Thus, it is revealed that majority of the cardholders covered under the study are married people. Usually family expenses are high among married people than unmarried people. Use of plastic money helps married people to meet their emergency requirements of cash.

4.1.5 Educational qualification

Education that equips a person to make better choices with confidence is a very important factor to be analysed in the use of plastic money. The cardholders are grouped according to their educational qualifications such as high school level, plus-two/pre-degree course, diploma/technical, graduation, post graduation and others. The data tabulated based on the educational qualification of respondents are presented in Table 4.5. Out of 900 cardholders, 45 (15 per cent) passed high school level education, 108 (12 per cent) passed plus-two/pre-degree course, 279 (31 per cent) are possessing diploma/technical qualification, 327(36.3 per cent) are graduates, 135 (15 per cent) are post graduates and only 6 (0.7 per cent) are having other qualifications.

Type of cards wise analysis of the respondents revealed that out of 300 debit cardholders, 33.7 per cent is graduates, 29 per cent is diploma/technically qualified persons, 19 per cent is post graduates, 10.7 per cent passed plus-two/pre-degree course, 6.3 per cent passed high school level education and only 1.3 per cent possessing other qualifications. Among the 300 credit cardholders, 37 per cent is graduates, 30 per cent is diploma/technically qualified persons, 15 per cent is post graduates, 12 per cent have passed plus-two/pre-degree course, 5.3 per cent of them have high school level education and only below one per cent possessed other qualifications.

Table 4.5 Educational qualification wise classification of cardholders

Educational qualification of cardholders	F %	Type of cards used						Total	
		Debit Cards		Credit Cards		Debit and Credit Cards			
		F	%	F	%	F	%	F	%
High School Level	F	19	6.3	16	5.3	10	3.4	45	15
	%	42.3		35.5		32.2		100	
Plus-two/PDC	F	32	10.7	36	12	40	13.3	108	12
	%	29.7		33.3		37		100	
Diploma/Technical	F	87	29	90	30	102	34	279	31
	%	31.2		32.3		36.5		100	
Graduation	F	101	33.7	111	37	115	38.3	327	36.3
	%	30.8		33.9		35.2		100	
Post Graduation	F	57	19	45	15	33	11	135	15
	%	42.2		33.3		24.4		100	
Others	F	4	1.3	2	0.6	-	-	6	0.7
	%	66.7		33.3		-		100	
Total	F	300	100	300	100	300	100	900	100
	%	33.3		33.3		33.4		100	

F- Frequency; % - Percentage to total of respective columns/rows

Source: *Field Survey*

As far as the 300 cardholders using both credit and debit cards, 38.3 per cent is graduate, 34 per cent is diploma/technically qualified, followed by 13.3 per cent, 11 per cent and 3.4 per cent have passed plus-two/pre-degree course, post graduation and high school level education respectively. The analysis, thus, revealed that majority of the respondents possess graduation and diploma/technical qualification.

4.1.6 Occupation

Occupation is another important variable which affect the purchasing and spending behaviour of people. Table 4.6 deals with occupation wise classification of the respondents. On the basis of their occupation, they are grouped into government employee, private employee, business people, professional and others. Out of 900 cardholders, 300 (33.3 per cent) are business people, 207 (23 per cent) are professionals, 144 (16 per cent) are private employees, 72 (8 per cent) are government employees and 177 (19.7 per cent) are engaged in other occupations such as mechanics, contractors etc.

Table 4.6 Occupation wise classification of cardholders

Occupation of cardholders	F %	Type of cards used						Total	
		Debit Cards		Credit Cards		Debit and Credit Cards		F	%
		F	%	F	%	F	%		
Government Employee	F	21	7	24	8	27	9	72	8
	%	29.2		33.3		37.5		100	
Private Employee	F	43	14.3	48	16	53	17.7	144	16
	%	29.9		33.3		36.8		100	
Business People	F	109	36.3	96	32	95	31.7	300	33.3
	%	36.3		32		31.7		100	
Professionals	F	62	20.7	71	23.7	74	24.6	207	23
	%	29.9		34.3		35.8		100	
Others	F	65	21.7	61	20.3	51	17	177	19.7
	%	36.7		34.5		28.8		100	
Total	F	300	100	300	100	300	100	900	100
	%	33.3		33.3		33.4		100	

F- Frequency; % - Percentage to total of respective columns/rows

Source: *Field Survey*

Analysis of type of cards used by the respondents revealed that out of 300 debit card users, 36.3 per cent is business people, 20.7 per cent is professional, 14.3 per cent is private employee, 7 per cent is government employee and 21.7 per cent is engaged in other occupations. As far as the users of credit cards, 32 per cent is business people; followed by 23.7 per cent is professional, 20.3 per cent engaged in other occupations, 16 per cent is private employee and 8 per cent is government employee. Among the users of both these cards, 31.7 per cent is business people, 24.6 per cent is professional, 17.7 per cent is private employee, 17 per cent has other occupation and the rest of the 9 per cent is government employee. Thus, it is revealed that majority of the respondents are business people and professionals. These people prefer plastic money to meet emergency and routine transactions more easily than other categories of respondents.

4.1.7 Income

Income is an important variable that influences both the cardholders and the card issuing banks. Monthly income of respondents are grouped in to six categories (Table 4.7) such as below Rs. 10,000, Rs. 10,000 - 20,000, Rs. 20,000 - 30,000, Rs. 30,000 - 40,000, Rs. 40,000 - 50,000 and Rs. 50,000 and above. Out of 900 cardholders covered under the study, 69 (7.7 per cent) belong to the income group of below Rs. 10,000, 117 (13 per cent) come under Rs. 10,000 - 20,000 income group, 156 (17.3 per cent) are in the income group of Rs. 20,000 –30,000, 309 (34.3 per cent) belongs to the group of Rs. 30,000 - 40,000, 180 (20 per cent) are in the group of Rs. 40,000 - 50,000 and the rest 69 (7.7 per cent) come under Rs. 50,000 and above income group.

Table 4.7 Income wise classification of cardholders

Monthly income of cardholders (Rs.)	F %	Type of cards used						Total	
		Debit Cards		Credit Cards		Debit and Credit Cards			
		F	%	F	%	F	%	F	%
Below 10,000	F	26	8.7	24	8	19	6.3	69	7.7
	%	37.7		34.8		27.5		100	
10,000-20,000	F	35	11.7	39	13	43	14.3	117	13
	%	29.9		33.3		36.8		100	
20,000-30,000	F	57	19	51	17	48	16	156	17.3
	%	36.5		32.7		30.8		100	
30,000-40,000	F	102	34	102	34	105	35	309	34.3
	%	33		33		34		100	
40,000-50,000	F	61	20.3	60	20	59	19.7	180	20
	%	33.9		33.3		32.8		100	
50,000& above	F	19	6.3	24	8	26	8.7	69	7.7
	%	27.5		34.8		37.7		100	
Total	F	300	100	300	100	300	100	900	100
	%	33.3		33.3		33.4		100	

F- Frequency; % - Percentage to total of respective columns/rows

Source: *Field Survey*

Type of cards wise analysis of respondents showed that out of 300 debit cardholders, 34 per cent is in the income group of Rs. 30,000 - 40,000, 20.3 per cent belongs to Rs. 40,000 - 50,000 income group, 19 per cent is in the income group of

Rs. 20,000 - 30,000, 11.7 per cent comes under Rs. 10,000 - 20,000 income group, 8.7 per cent is in the income group of below Rs. 10,000 and the rest 6.3 per cent comes under Rs. 50,000 and above income group. Among the 300 credit cardholders, 34 per cent is in the income group of Rs. 30,000 - 40,000; followed by 20 per cent belongs to Rs. 40,000 - 50,000 income group, 17 per cent comes under Rs. 20,000 - 30,000 income group, 13 per cent is in Rs. 10,000 - 20,000 income group and 8 per cent each comes under below Rs. 10,000 and Rs. 50,000 and above income groups. As far as the 300 respondents using both these cards 35 per cent belongs to Rs. 30,000 - 40,000 income group, 19.7 per cent is in the income group of Rs. 40,000 - 50,000; followed by 16 per cent, 14.3 per cent, 6.3 per cent and 8.7 per cent respectively come under Rs. 20,000 - 30,000, Rs. 10,000 - 20,000, below Rs. 10,000 and Rs. 50,000 and above income groups. Thus, it shows that the income of 71.6 per cent of the cardholders ranges from Rs. 20,000 to 50,000. Since majority of the respondents are professionals and business people, their income level is comparatively higher.

4.2 Motivational factors to choose plastic money

Plastic money performs the functions of legal tender money. Just like cash, it also facilitates buying and selling and is very suitable for customers and merchants in their business dealings. Major plastic money products are Debit Cards, Credit Cards, Prepaid Cards, Smart Cards, Cash Cards etc. Among these, popular and major plastic money products used by individual customers are Debit Cards and Credit Cards. Hence, the present study focused on the use of credit cards and debit cards by customers. The motivational factors to choose plastic money by customers are analysed here.

4.2.1 Source of inspiration for using plastic money

Source of inspiration is an important factor that motivates people to accept plastic money. These sources help the cardholders to know the overall features of cards, the benefits of using cards and finally to select cards that suit their needs. The sources of inspiration include bank staff/agents, advertisements of banks, family members and friends/colleagues. The responses on the sources inspired them to take plastic money are tabulated and presented in Table 4.8.

Table 4.8 Sources of inspiration for using plastic money -Type of cards used wise analysis

Type of cards used	Sources of inspiration				Total
	Bank Staff/ Agents	Advertisements	Family Members	Friends/ Colleagues	
Debit Cards	196 (65.3)	71 (23.7)	15 (5)	18 (6)	300 (100)
Credit Cards	205 (68.3)	68 (22.7)	18 (6)	9 (3)	300 (100)
Debit and Credit Cards	202 (67.3)	59 (19.7)	21 (7)	18 (6)	300 (100)
Total	603 (67)	198 (22)	54 (6)	45 (5)	900 (100)

(Figures in brackets denote percent to total)

Source: Field Survey

The analysis about source of inspiration for using plastic money by respondents revealed that out of 900 cardholders, 67 per cent was inspired by bank staff/agents, 22 per cent was influenced through advertisements, 6 per cent by family members and 5 per cent by friends/colleagues. The analysis with respect to use of specific cards revealed that 65.3 per cent of debit cardholders got inspiration to take cards from bank staff/agents; followed by 23.7 per cent through advertisements, 5 per cent from their family members and 6 per cent from their friends/colleagues. In the case of credit cardholders, 68.3 per cent obtained information about cards and its use from bank staff/agents, 22.7 per cent through advertisements, 6 per cent from their family members and 3 per cent from their friends/colleagues. As far as the users of both these cards are concerned, 67.3 per cent is motivated by bank staff/agents; followed by 19.7 per cent who got inspiration through advertisement, 7 per cent from family members and 6 per cent from friends/colleagues. Thus, majority of them have taken cards under the inspiration of the bank staff/agents. Discussion with respondents during data collection also revealed that bank staff/agents could easily explain the features of cards, privileges/benefits offered by card issuing banks and clarify their doubts than other sources.

4.2.2 Reasons for choosing plastic money

Usually people buy a product to satisfy certain demands and meet their specific requirements. Purchase of financial products is also not an exception to this. Based on the review of literature and from the pilot study the specific reasons - which are common to debit cards and credit cards - for choosing plastic money were identified and included in the interview schedule for collecting data. These reasons include factors like cards are more convenient, safe and secure than carrying cash; ease of use at anywhere anytime; saving of cost and time; effective device for payment and borrowing; influence of social change in borrowing and spending, and symbol of social status and pride. The respondents were asked to rank these reasons as one, two, three, four, five and six in the order of importance they had given at the time of purchase of cards. The ranks given by them were analysed with the help of weighted mean and assigned ranks to these reasons accordingly. The result, thus, obtained is presented in Table 4.9.

Table 4.9 Reasons for choosing plastic money by cardholders

Reasons for choosing plastic money	Mean Scores	Rank
More convenient, safe and secure than carrying cash	5.660	1
Ease of use at anywhere any time	4.663	2
Saving of cost and time	3.727	3
Effective device for payment and borrowing	3.609	4
Influence of social change in borrowing and spending	2.010	5
Symbol of social status and pride	1.337	6

Source: *Field Survey*

The analysis of reasons for choosing plastic money by customers (Table 4.9) revealed that the first important reason for choosing plastic money was that it is more convenient, safe and secure than carrying cash. The second important reason was its ease of use at anywhere any time. Third and fourth reasons were it helps in saving of cost and time and it is an effective device for payment and borrowing respectively. The reasons for choosing specific cards by the respondents were analysed and the mean scores and the ranks assigned are presented in Table 4.10

Table 4.10 Reasons for choosing plastic money - Type of cards used wise analysis

Reasons for choosing plastic money	Type of cards used					
	Debit Cards		Credit Cards		Debit and Credit Cards	
	Mean	Rank	Mean	Rank	Mean	Rank
More convenient, safe and secure than carrying cash	5.673	1	5.626	1	5.680	1
Ease of use at anywhere any time	4.673	2	4.626	2	4.690	2
Saving of cost and time	3.684	3	3.879	3	3.620	4
Effective device for payment and borrowing	3.633	4	3.475	4	3.720	3
Influence of social change in borrowing and spending	2.082	5	1.869	5	2.080	5
Symbol of social status and pride	1.245	6	1.505	6	1.260	6

Source: *Field Survey*

Friedman ANOVA Test Result

Table	Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
4.10	3904.944	6	12.592	<0.001	Significant

The analysis of reasons for choosing a particular card by the respondents (Table 4.10) revealed that there was no difference in the preference of reasons for users of debit cards only as well as users of credit cards only. But, in the case of users of both these cards the first two reasons such as card is more convenient, safe and secure than carrying cash and its ease of use at anywhere anytime, were same. For them the third reason was it is an effective device for payment and borrowing, fourth reason was it helps in saving of cost and time and in the order of fifth and sixth reasons there were no changes.

Friedman ANOVA Test at 5 per cent level shows that there exists significant association between the users of debit cards alone, users of credit cards alone and the users of both these cards with regard to the reasons for choosing plastic money.

From the overall analysis of reasons for choosing plastic money, it can be noted that the first important reason was that it is more convenient, safe and secure than

carrying cash and the second important reason was its ease of use at anywhere anytime; followed by third to sixth reasons such as it helps in saving of cost and time, it is an effective device for payment and borrowing, its influence of social change in borrowing and spending, and symbol of social status and pride. The cardholders revealed that, they choose the cards that suit their needs and the services they are expected.

4.2.3 Reasons for preferring debit cards by customers

Debit card is one of the most important forms of plastic money. People all over the world widely use it for withdrawal of cash through ATMs and as a payment instrument for purchase of goods/services. There are various factors exclusively attracting customers to prefer debit cards, such as it has the advantages of immediate cash, it is useful for small purchase, it helps to avoid credit and pay immediately, it helps to control high spending and also enjoy a few privileges and exclusive offers. The respondents were asked to rank these reasons in the order of importance they were given as one, two, three, four and five respectively. The ranks assigned by 300 cardholders using debit cards alone and 300 cardholders using both debit and credit cards were tabulated and calculated the mean score. Based on the mean scores ranks were assigned to the reasons for preference as shown in Table 4.11.

Table 4.11 Reasons for preferring debit cards by cardholders

Reasons for preferring of debit cards	Debit Cards		Debit and Credit Cards	
	Mean	Rank	Mean	Rank
Serves the advantages of immediate cash	4.500	1	4.370	1
Useful for small purchase	4.010	2	3.490	3
Avoids credit and pay immediately	3.150	3	3.970	2
Helps to control high spending	1.260	5	1.485	5
Lot of privileges and exclusive offers	2.100	4	1.626	4

Source: *Field Survey*

Friedman ANOVA Test Result

Table	Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
4.11	1914.884	5	11.070	<0.001	Significant

The rank presented in Table 4.11, shows that the first important reason for preference of debit card was that debit card serves the advantages of immediate cash requirements. The second and third reasons respectively were that it is useful for small purchase, and it helps to avoid credit and pay immediately. But, as far as the users of both debit and credit cards are concerned; the order of preference is same like that of the users of debit cards only except a change in the order of second and third preference. According to them the second important reason to prefer debit card was that it helps to avoid credit and pay immediately and the third reason was that it is useful for small purchase. Privileges and exclusive offers made by the card issuing banks to customers was the fourth reason and the fifth reason was that the debit cards help to control high spending.

Friedman ANOVA at 5 per cent level showed that there exists significant association with the users of debit cards only and the users of both debit and credit cards with regard to the reasons for preference of debit cards.

The responses collected for knowing the reasons for preference of debit cards were also analysed with respect to age, place of residence and income of respondents. The reasons for preference of debit cards according to the age of respondents are tabulated and presented in Table 4.12.

Debit cardholders belong to the age group of 20 - 30, ranked the factors attracted by them to prefer and choose debit card in the order of importance as first, second, third, fourth and fifth respectively were it helps to avoid credit and pay immediately for purchases, it serves the advantages of immediate cash requirements, it is useful for small purchases, lots of privileges and exclusive offers given by card issuing banks to customers and it helps to control high spending. As far as the users of both debit and credit cards are concerned, the first reason to choose debit card was that it serves the advantages of immediate cash and the other factors such as it is useful for small purchase, it avoids credit and pays immediately, there are lots of privileges and exclusive offers, and it helps to control high spending were ranked as the second, third, fourth and fifth reasons respectively.

Table 4.12 Reasons for preferring debit cards – Cardholders’ age wise analysis

Reasons	Type of Cards Used	20-30		30-40		40-50		50-60		60 & above	
		Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Serves the advantages of immediate cash	Debit Cards	4.231	2	4.447	1	4.294	1	4.429	1	4.600	1
	Debit and Credit Cards	4.407	1	4.457	1	4.550	1	4.571	1	5.000	1
Useful for small purchase	Debit Cards	3.462	3	3.500	5	3.412	3	3.571	3	3.600	3
	Debit and Credit Cards	4.074	2	4.114	2	3.850	2	3.857	2	4.000	2
Avoids credit and pay immediately	Debit Cards	4.269	1	3.842	2	3.882	2	3.929	2	3.800	2
	Debit and Credit Cards	3.222	3	3.143	3	3.250	3	3.143	3	2.250	4
Helps to control high spending	Debit Cards	1.440	5	1.447	5	1.882	4	1.286	5	1.200	5
	Debit and Credit Cards	1.333	5	1.343	5	1.150	5	1.143	5	1.000	5
Lot of privileges and exclusive offers	Debit Cards	1.560	4	1.658	4	1.529	5	1.714	4	1.800	4
	Debit and Credit Cards	1.963	4	2.000	4	2.200	4	2.286	4	2.750	3

Source: Field Survey

Friedman ANOVA Test Result

Table	Type of Cards Used	Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
4.12	Debit Cards	991.397	5	11.070	< 0.001	Significant
	Debit and Credit Cards	980.464	5	11.070	< 0.001	Significant

The other age groups of respondents using debit cards alone were ranked first and second reasons for choosing debit cards are it serves the advantage of immediate cash, and it avoids credit and pay immediately. But the users of both these cards are concerned, their first reason for preference was card serves the advantages of immediate cash and the second reason was that it is useful for small purchase.

Friedman ANOVA Test at 5 per cent level showed that there exists significant association between the age of users of debit cards alone and the age of users of both debit and credit cards with regard to the reasons for preference of debit cards.

The ranks assigned by the respondents with regard to the reasons for preference of debit cars were also tabulated on the basis of their place of residence and calculated the mean scores. According to the mean scores the ranks were finally given and the result, thus, obtained is presented in Table 4.13.

Table 4.13 Reasons for preferring debit cards – Cardholders’ area of residence wise analysis

Reasons for preference	Type of cards	Rural		Semi-urban		Urban	
		Mean	Rank	Mean	Rank	Mean	Rank
Serves the advantages of immediate cash	Debit Cards	4.231	1	4.000	2	4.660	1
	Debit and Credit Cards	3.760	3	4.750	1	4.745	1
Useful for small purchase	Debit Cards	3.231	3	3.148	3	3.830	2
	Debit and Credit Cards	3.240	2	4.250	2	4.275	2
Avoids credit and pay immediately	Debit Cards	4.192	2	4.556	1	3.511	3
	Debit and Credit Cards	5.000	1	3.000	3	2.314	4
Helps to control high spending	Debit Cards	1.846	4	1.556	4	1.239	5
	Debit and Credit Cards	1.240	5	1.250	4	1.275	5
Lot of privileges and exclusive offers	Debit Cards	1.269	5	1.741	5	1.761	4
	Debit and Credit Cards	1.760	4	1.750	5	2.431	3

Source: *Field Survey*

Friedman ANOVA Test Result

Table	Type of Cards Used	Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
4.13	Debit Cards	1029.135	5	11.070	<0.001	Significant
	Debit and Credit Cards	1003.121	5	11.070	<0.001	Significant

Respondents residing in rural area have given prime importance to debit cards because it serves the advantages of immediate cash; followed by other reasons in the order of preference were it avoids credit and pays immediately, it is useful for small purchase, it controls high spending and extend several privileges and exclusive offers. The preference patterns among the users of both debit and credit cards residing in rural area in the order of preference were that it helps to avoid credit and pays immediately, it is useful for small purchase, it serves the advantages of immediate cash, it controls high spending, and card's privileges and exclusive offers to customers respectively. Respondents residing in semi-urban area have given different pattern of preference. Among them, users of debit card alone are concerned their first reason to prefer debit card was that it avoids credit and pay immediately, second and third reasons respectively were it serves the advantages of immediate cash, and it is useful for small purchases. But the users of both debit and credit cards, they were given first preference to the reason that debit card serves the advantages of immediate cash, followed by card is useful for small purchases, and it avoids credit and pays immediately as second and third reasons respectively. But the users of debit cards alone and the users of both debit and credit cards there is no difference in the order of fourth and fifth reasons of preference. These reasons respectively were card's helps to control high spending, and card's lots of privileges and exclusive offers. In the case of respondents residing in urban areas there was no difference between the users of debit cards alone and users of both debit and credit cards with regard to the first, second and fifth reasons of preference such as card serves the advantages of immediate cash requirements, it is useful for small purchase and it helps to

control high spending. The other reasons of preference such as card helps to avoid credit and pay immediately, and card's lots of privileges and exclusive offers to customers there is slight difference in the order of preference between the users of debit cards alone and the users of both debit and credit cards.

Friedman ANOVA Test at 5 per cent level showed that there exists significant association between the place of residence of users of debit cards and the users of both debit and credit cards with regard to the reasons for preference of debit cards.

The data collected to analyse the reasons for preference of debit cards according to income level of respondents is tabulated and presented in Table 4.14 after calculating mean scores and assigning ranks. The analysis of Table 4.14 revealed that irrespective of level of income the first reason to prefer debit cards by the users was that card serves the advantages of immediate cash. The second reason to prefer debit card by the users of debit cards alone irrespective of their income was that card avoids credit and pay immediately. According to them the third reason was card is useful for small purchase. But the respondents having monthly income below Rs. 10,000, the third reason was card's lots of privileges and exclusive offers to customers. But the users of both debit and credit cards are concerned irrespective of their level of income the second and third reasons of preference of debit cards respectively were card is useful for small purchase, and card helps to avoid credit and pay immediately.

Table 4.14. Reasons for preferring debit cards – Cardholders’ income wise analysis

Reasons	Type of Cards Used	Below 10000		10000-20000		20000-30000		30000-40000		40000-50000		50000 & Above	
		Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Serves the advantages of immediate cash	Debit Cards	4.500	1	4.308	1	4.444	1	4.324	1	4.400	1	4.286	1
	Debit and Credit Cards	4.714	1	4.462	1	4.529	1	4.457	1	4.550	1	4.375	1
Useful for small purchase	Debit Cards	3.750	2	3.462	3	3.667	3	3.382	3	3.400	3	3.571	3
	Debit and Credit Cards	4.000	2	4.000	2	4.000	2	4.029	2	3.950	2	4.125	2
Avoids credit and pay immediately	Debit Cards	3.750	2	4.154	2	3.833	2	3.912	2	4.150	2	4.000	2
	Debit and Credit Cards	2.714	3	3.462	3	3.000	3	3.200	3	3.150	3	3.125	3
Helps to control high spending	Debit Cards	1.250	4	1.385	5	1.333	5	1.765	4	1.360	5	1.429	5
	Debit and Credit Cards	1.143	5	1.308	5	1.235	5	1.286	5	1.200	5	1.375	5
Lot of privileges and exclusive offers	Debit Cards	1.750	3	1.615	4	1.706	4	1.599	5	1.600	4	1.571	4
	Debit and Credit Cards	2.429	4	1.923	4	2.235	4	2.029	4	2.150	4	2.000	4

Source: Field Survey

Friedman ANOVA Test Result

Table	Type of Cards Used	Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
4.14	Debit Cards	971.049	5	11.070	<0.001	Significant
	Debit and Credit Cards	958.838	5	11.070	<0.001	Significant

Friedman ANOVA Test at 5 per cent level showed that there exists significant association between income of users debit cards alone as well as users of both debit and credit cards with regard to the reasons for preference of debit cards.

Based on the analysis of reasons for choosing debit cards, it is concluded that the most important reasons for preference of debit cards by customers in the order of preference are card serves the advantages of immediate cash, card helps to avoid credit and pay immediately, and card is useful for small purchases.

4.2.4 Reasons for preferring credit cards by customers

Based on the review of literature and from the pilot study the specific reasons exclusively to prefer credit cards by most customers were identified. Such reasons include long interest free credit period; lot of exclusive privileges/offers; flexible repayment options; revolving credit in nature; less complexities and procedure compared to other consumer credit; and useful for large purchases. These reasons were included in the interview schedule and the respondents were asked to rank the reasons of preferences as one, two like that according to their order of preference. The ranks assigned by 300 respondents using credit cards only and 300 respondents using both debit and credit cards were tabulated and calculated the mean scores. Based on the mean scores ranks were assigned to the reasons for preference as shown in Table 4.15.

Table.4.15 Reasons for preferring credit cards by cardholders

Reasons for preference of credit cards	Credit Cards		Debit and Credit Cards	
	Mean	Rank	Mean	Rank
Long Interest free credit period	3.630	3	4.110	3
Lots of exclusive privileges/offers	3.200	4	3.140	4
Flexible repayment options	4.657	2	4.750	2
Revolving credit in nature	5.940	1	5.730	1
Less complexities and procedure compared to other consumer credit	1.870	5	2.040	5
Useful for large purchases	1.560	6	1.290	6

Source: *Field Survey*

Friedman ANOVA Test Result

Table	Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
4.15	2900.687	6	12.592	<0.001	Significant

The analysis revealed that the most important reason for the preference of choosing credit cards by customers was its revolving credit in nature. The second and third reasons were card's flexible repayment options and card's long interest free credit period respectively. Privileges and exclusive offers of issuing banks to customers was the fourth reason for preferring credit cards. Card's less complexities and procedure compared to other consumer credit is useful for large purchases were the fifth and sixth reasons for preference of credit cards respectively. It is also to be noted that there was no difference in the order of reasons for preference of credit cards between the users of credit cards alone and the users of both credit and debit cards.

Friedman ANOVA at 5 per cent level showed that there exists significant association between users of credit cards alone and users of both debit and credit cards with regard to the reasons for choosing credit cards.

The age wise analysis (Table 4.16) of reasons for preference of credit cards by respondents also showed the same order of preference as stated above. It shows that age of customers has no influence on the specific reasons for preference of credit cards.

Friedman ANOVA Test at 5 per cent level showed that there exists significant association between the age of users of credit cards alone and the age of users of both credit and debit cards with regard to the reasons for preference of credit cards.

Table 4.16. Reasons for preferring credit cards – Cardholders’ age wise analysis

Reasons	Type of Cards Used	20-30		30-40		40-50		50-60		60 & above	
		Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Long interest free credit period	Credit Cards	3.800	3	3.486	3	3.800	3	3.385	3	3.800	3
	Debit and Credit Cards	4.000	3	4.114	3	4.100	3	4.143	3	4.750	3
Lot of exclusive privileges/offers	Credit Cards	3.240	4	3.324	4	3.050	4	3.077	4	3.000	4
	Debit and Credit Cards	3.000	4	3.143	4	3.250	4	3.286	4	3.000	4
Installment credit facility	Credit Cards	4.640	2	4.722	2	4.850	2	5.077	2	5.000	2
	Debit and Credit Cards	4.889	2	4.657	2	4.850	2	4.714	2	4.250	2
Revolving credit in nature	Credit Cards	5.960	1	5.919	1	5.950	1	5.923	1	6.000	1
	Debit and Credit Cards	5.741	1	5.741	1	5.700	1	5.714	1	6.000	1
Less complexities and procedures compared to other consumer credit	Credit Cards	1.800	5	1.892	5	1.850	5	2.077	5	1.600	5
	Debit and Credit Cards	2.148	5	2.171	5	1.850	5	1.857	5	1.750	5
Useful for large purchase	Credit Cards	1.560	6	1.622	6	1.500	6	1.462	6	1.600	5
	Debit and Credit Cards	1.333	6	1.286	6	1.250	6	1.286	6	1.250	6

Source: Field Survey

Friedman ANOVA Test Result

Table	Type of Cards Used	Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
4.16	Credit Cards	1367.974	6	12.592	<0.001	Significant
	Debit and Credit Cards	1362.328	6	12.592	<0.001	Significant

The responses collected for knowing the reasons for preference of choosing credit cards by customers according to their area of residence is tabulated, calculated the mean scores and assigned ranks accordingly. The results, thus, obtained are presented in Table 4.17.

Table 4.17 Reasons for preferring credit cards – Cardholders’ area of residence wise analysis

Reasons for preference	Type of cards used	Rural		Semi-urban		Urban	
		Mean	Rank	Mean	Rank	Mean	Rank
Long Interest free credit period	Credit Cards	3.280	3	2.76	4	4.240	3
	Debit and Credit Cards	2.760	4	4.250	3	4.706	2
Lot of exclusive privileges/offers	Credit Cards	2.480	5	3.760	3	3.280	4
	Debit and Credit Cards	3.760	3	3.250	4	2.784	4
Flexible repayment options	Credit Cards	5.000	2	5.208	2	4.480	2
	Debit and Credit Cards	6.000	1	4.500	2	4.255	3
Revolving credit in nature	Credit Cards	6.000	1	5.760	1	6.000	1
	Debit and Credit Cards	5.000	2	6.000	1	5.961	1
Less complexities and procedures compared to other consumer credit	Credit Cards	3.000	4	2.480	5	1.000	6
	Debit and Credit Cards	2.480	5	1.000	6	2.314	5
Useful for large purchase	Credit Cards	1.240	6	1.000	6	2.000	5
	Debit and Credit Cards	1.000	6	2.000	5	1.098	6

Source: Field Survey

Friedman ANOVA Test Result

Table	Type of Cards Used	Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
4.17	Credit Cards	1446.634	6	12.592	<0.001	Significant
	Debit and Credit Cards	1411.316	6	12.592	<0.001	Significant

The analysis of Table 4.17 revealed that the reasons for preference of credit cards among the respondents residing in rural area in the order of importance were card's revolving credit in nature, card's flexible repayment options, card's long interest free credit period, card's less complexities and procedure compared to other consumer credit, card's lots of exclusive privileges/offers to customers, and it is useful for large purchases. But, in the case of users of both debit and credit cards, reasons for preference of credit cards in the order of importance were its flexible repayment options, its revolving credit in nature, its lots of exclusive privileges/offers, long interest free credit period, less complexities and procedures compared to other consumer credit, and useful for large purchases. Among the respondents residing in semi-urban area, respondents using credit cards were given highest priority to revolving credit in nature and secondly to flexible repayment options. For other reasons of preference they were given the order of importance as card's lot of exclusive privileges/offers, long interest free credit period, less complexities and procedures compared to other consumer credit and useful for large purchases. But the users of both debit and credit cards are concerned the order of preferences were respectively as card's revolving credit in nature, card's flexible repayment options, long interest free credit period, card's lots of exclusive privileges/offers to customers, card is useful for large purchase and card's less complexities and procedures compared to other consumer credit. The reasons for preference of credit cards by respondents residing in urban areas are analysed here. It is revealed that, the order of reasons for preference of credit cards by the users of credit cards alone were card's revolving credit in nature, card's flexible repayment options, card's long interest free credit period, card's exclusive privileges/offers, card is useful for large purchase and card's less complexities and procedures compared to other consumer credit. At the same time the users of both credit and debit cards are concerned their order of reasons for preference of credit cards were card's revolving credit in nature, card's long interest free credit period, card's flexible repayment options, card's lots of exclusive privileges/offers, card's

less complexities and procedures compared to other consumer credit and card is useful for large purchase.

Friedman ANOVA Test at 5 per cent level showed that there exists significant association between the area of residence of users of debit cards only and the users of both credit and debit cards with regard to the reasons for preference of credit cards.

Table 4.18 presents the income wise analysis of respondents' reasons for preference of choosing credit cards. It showed that in the case of respondents having income below Rs. 10,000 using credit cards only ranked the reasons for preference of choosing credit cards in the order of importance as first, second, third, fourth, fifth and sixth respectively were card's revolving credit in nature, card's long interest free credit period, card's flexible repayment options, card's lot of exclusive privileges/offers to customers, card's less complexities and procedures compared to other consumer credit and card is useful for large purchases. But the users of both debit and credit cards are concerned their order of preference were card's revolving credit in nature, card's flexible repayment options, card's long interest free credit period, card's lot of exclusive privileges/offers to customers, card's less complexities and procedures compared to other consumer credit and card is useful for large purchases. In the case of respondents having income of Rs. 10,000 and above using credit card alone and using both credit and debit cards irrespective of their level income are concerned their first four important reasons for preference of credit cards in the order of importance were card's revolving credit in nature, card's flexible repayment options, card's long interest free credit period, and card's exclusive privileges/offers to customers.

Table 4.18. Reasons for preferring credit cards – Cardholders' income wise analysis

Reasons	Type of Cards Used		Below 10000		10000-20000		20000-30000		30000-40000		40000-50000		50000 & Above	
	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Long interest free credit period	Credit Cards	4.000	2	3.462	3	3.706	3	3.647	3	3.600	3	3.375	3	
	Debit and Credit Cards	4.429	3	3.923	3	4.235	3	4.057	3	4.100	3			
Lot of exclusive privileges/offers	Credit Cards	3.125	4	3.154	4	3.118	4	3.265	4	3.200	4	3.250	4	
	Debit and Credit Cards	3.000	4	3.385	4	3.118	4	3.086	4	3.150	4			
Installment credit facility	Credit Cards	3.750	3	3.923	2	3.824	2	3.706	2	3.789	2	3.875	2	
	Debit and Credit Cards	4.571	2	4.769	2	4.647	2	4.829	2	4.800	2			
Revolving credit in nature	Credit Cards	6.000	1	5.923	1	5.941	1	5.941	1	5.950	1	5.875	1	
	Debit and Credit Cards	5.857	1	5.538	1	5.765	1	5.743	1	5.750	1			
Less complexities and procedures compared to other consumer credit	Credit Cards	1.375	6	2.077	6	1.765	6	1.912	6	1.900	6	2.000	6	
	Debit and Credit Cards	2.000	5	2.231	5	2.059	5	2.029	5	1.900	5			
Useful for large purchase	Credit Cards	2.750	5	2.462	5	2.647	5	2.529	5	2.500	5	2.625	5	
	Debit and Credit Cards	1.143	6	1.385	6	1.176	6	1.257	6	1.450	6			

Source: Field Survey

Friedman ANOVA Test Result

Table	Type of Cards Used	Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
4.18	Credit Cards	1322.764	6	12.592	<0.001	Significant
	Debit and Credit Cards	1328.091	6	12.592	<0.001	Significant

Friedman ANOVA Test at 5 per cent level showed that there exists significant association between income of users of credit cards only as well as the users of both credit and debit cards with regard to the reasons for preference of credit cards.

From the above analysis of reasons for preference of credit cards, it can be concluded that most important reason for choosing credit card by customers was its revolving credit in nature. The second, third and fourth reasons for preferring credit cards were card's flexible repayment options, card's long interest free credit period, and card's exclusive privileges/offers to customers respectively.

Results of Friedman ANOVA Test of tables 4.10 to 4.18 support the first hypothesis formulated for the study and it is proved. The hypothesis is given below.

H1 - There exists significant association between socio economic factors of cardholders and their preferences for choosing plastic money.

4.2.5 Period of use of plastic money

Here it is attempted to know the length of time of using plastic money by respondents. Increase in the number of years of use indicates the increase and intensity in the use of cards. It is analysed with respect to debit card users, credit card users and the users of both debit and credit cards. The data collected to know the number of years of use of plastic money were tabulated and presented in Table 4.19.

Table 4.19 Period of use of plastic money by cardholders

Type of cards used	Number of Years						Total
	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	
Debit Cards	6 (2)	18 (6)	90 (30)	99 (33)	57 (19)	30 (10)	300 (100)
Credit Cards	12 (4)	42 (14)	69 (23)	75 (25)	60 (20)	42 (14)	300 (100)
Debit and Credit Cards	6 (2)	15 (5)	42 (14)	105 (35)	87 (29)	45 (15)	300 (100)
Total	24 (2.7)	75 (8.3)	201 (22.3)	279 (31)	204 (22.7)	117 (13)	900 (100)

(Figures in brackets denote percent to total)

Source: Field Survey

The analysis (Table 4.19) of period of use of plastic money by respondents revealed that 89 per cent were using for the last three years or more and only 11 per cent have been using for less than two years. Type of cards wise analysis revealed that out of 300 respondents using debit cards only, 92 per cent were using it for the last three years or more and the rest 8 per cent for less than two years. Out of the respondents using credit cards alone it revealed that 82 per cent have been using it for the last three years or more and 18 per cent for a period less than two years. Among the users of both debit and credit cards 93 per cent were using them for the last three years or more and 7 per cent for less than two years. From this, it is clear that majority (89 per cent) of the respondents covered under the study have been using plastic money for more than two years. Thus, the views expressed by the respondents are valid and acceptable as they are based on their experience in using plastic money.

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Chapter **5**

**BUSINESS DEALS USING PLASTIC
MONEY BY CARDHOLDERS - AN
ASSESSMENT**

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- 5.1 Purchase behaviour of cardholders
 - 5.2 Benefits of using plastic money to the cardholders
 - 5.3 Use of privileges of plastic money
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 - 5.5 Payment behaviour of credit cardholders
 - 5.6 Satisfaction of cardholders in using plastic money
-

The payment card industry is characterised as a two-sided market where both the cardholders and merchants interact over a common platform. The success of using of cards depends on the cardholders' decision to choose the cards over cash and the extent to which merchants accept it as a medium of payment. Use of plastic money by cardholders increases the spending pattern, which in turn increases the volume of sales through its acceptance by merchants. The present study comprises an assessment of business deals using plastic money by cardholders and also the acceptance of plastic money by merchant establishments in business deals. The assessment made on the views of cardholders is presented in this chapter and evaluation of views of merchant establishments is presented in chapter six.

5.1 Purchase behaviour of cardholders

Purchase behaviour of cardholders such as mode of payment, type of transactions, type of shopping preferred, type of goods/services preferred, value of items preferred and nature of purchase done by them using plastic money are analysed and presented here.

5.1.1 Types of payment instrument used for purchase

Details of payment instruments used for purchases were analysed to know which payment instrument was preferred by the cardholders for making payment for their purchases. Payment instruments commonly used are cash, debit card, credit card and cheque/demand draft. These are included in the interview schedule and the cardholders were asked to rank them in the order of preference as one, two three and four respectively. The ranks assigned by them were tabulated and calculated the mean score. Based on the mean score, ranks are assigned to each mode of payment preferred by them as shown in Table 5.1.

Table 5.1 Types of payment instrument used for purchase by cardholders

Type of cards used	Mean Score & Rank	Mode of Payment Instruments			
		Cash	Debit Card	Credit Card	Cheque
Debit Cards	Mean	3.00	3.76	-	1.67
	Rank	2	1	-	3
Credit Cards	Mean	3.00	-	4.00	2.00
	Rank	2	-	1	3
Debit and Credit Cards	Mean	1.04	3.03	3.92	2.04
	Rank	4	2	1	3

Source: *Field Survey*

The analysis of Table 5.1 revealed that debit cardholders given first priority to use debit cards for their purchase; followed by cash and cheque respectively as second and third priority. Credit card is the most commonly used payment instrument for purchase by credit cardholders and other modes of instruments in the order of their preference are cash and cheque respectively. But, both debit and credit card users are concerned, credit card is the most preferred mode of payment; followed by second, third and fourth preferences respectively are debit card, cheque and cash. Therefore, it indicates that the mode of payment used for purchases vary among cardholders depending on the type of cards they are using.

5.1.2 Preference of type of shopping using plastic money

Two types of transactions where plastic money is used as mode of payment are card present/direct/face to face/off-line transactions and on-line/faceless/card-not-present transactions. Card-present/offline transactions are those in which the cardholders are physically present with cards at the point of sale. But in the case of online shopping physical presence of plastic money and cardholder are absent. In which type of transactions plastic money is more used by cardholders are analysed here. Cardholders were asked to rank the type of transactions in the order of preference and calculated the mean score. Based on the mean score ranks are assigned to each of them. The, result of analysis is presented in Table 5.2.

Table 5.2 Preference of type of shopping using plastic money by cardholders

Preference of type of shopping using plastic money	Mean	Rank
Direct/Traditional/Face to face/Card present transaction	2.00	1
On-line/Faceless/Card-not-present transaction	1.00	2

Source: *Field Survey*

From table 5.2 it is found that majority of the respondents mainly use plastic money for offline/card present transactions. Online transactions have only secondary importance to them.

It is also attempted here to analyse which card the respondents are preferred to use in their on-line and off-line shopping. The respondents were asked to rank their preference in the order of importance. Accordingly mean scores were calculated and assigned ranks, the result thus obtained is shown in Table 5.3.

The analysis of Table 5.3 revealed that irrespective of the kind of plastic money they are using, their first preference was to use it for off-line shopping. Thus, all cardholders preferred off-line shopping first with cards and second preference was given to on-line shopping. During the data collection it was also came to know that the fear of card frauds in on-line dealings was the major reason behind their preference of using cards in off-line dealings.

Table 5.3 Type of shopping preferred using plastic money - Type of card wise analysis

Type of cards used	Mean Score & Rank	Type of Shopping	
		Off-line shopping	On-line shopping
Debit Cards	Mean	3.00	2.00
	Rank	1	2
Credit Cards	Mean	3.00	2.00
	Rank	1	2
Debit and Credit Cards	Mean	2.97	2.00
	Rank	1	2

Source: *Field Survey*

5.1.3 Type of products/services preferred to purchase using plastic money

The important products/services preferred to purchase/avail using plastic money are grouped as food and accommodation, textile products, groceries, house hold items, jewelry and luxury items, travel and entertainment, education, automobile, health and medical and cosmetics, leather and beauty products. The respondents were asked to rank their preference, the data thus obtained are tabulated and the mean scores were calculated. Based on the mean scores ranks are assigned and it is presented in Table 5.4.

Table 5.4 Products/services preferred to purchase/avail using plastic money

Products/Services preferred to purchase/avail	Mean Score	Rank
Food and accommodation	8.059	3
Textile products	8.422	2
Groceries	4.659	6
Household items	2.268	9
Jewellery and luxury items	1.024	10
Travel and entertainment	6.763	4
Education	3.373	8
Automobile	9.589	1
Health and medical	6.253	5
Cosmetics, leather and beauty products	4.656	7

Source: *Field Survey*

Table 5.4 reveals that the majority of the respondents gave first preference to meet their automobile expenses. The second preference was for purchasing textile products. Food and accommodation expenses and travel and entertainment expenses rank third and fourth respectively. Apart from these, the plastic money finds use in meeting health and medical expenses, purchase of groceries, cosmetics, leather and beauty products. Meeting educational expenses, purchase of household items, jewellery and luxury items are the other preferences of the cardholders.

Products/services preferred for using plastic money by the cardholders are also analysed specifically on the basis of type of cards used. The preferences

assigned by respondents were tabulated, calculated the mean scores and assigned ranks accordingly. The result, thus, obtained is presented in Table 5.5.

Table 5.5 Type of products/services preferred to purchase/avail using plastic money - Type of card wise analysis

Products/Services preferred to purchase/avail	Type of cards used					
	Debit Cards		Credit Cards		Debit and Credit Cards	
Food and accommodation	8.66	2	7.27	4	8.16	3
Textile products	8.10	3	8.64	2	8.55	2
Groceries	4.12	7	5.60	7	4.36	7
House hold items	2.00	9	2.28	9	2.52	9
Jewellery and luxury items	1.00	10	1.00	10	1.07	10
Travel and entertainment expenses	6.56	5	7.72	3	6.13	5
Education expenses	4.05	8	2.96	8	3.07	8
Automobile expenses	9.17	1	9.94	1	9.69	1
Health and medical expenses	7.80	4	6.15	5	7.69	4
Cosmetics, leather and beauty products	5.55	6	5.64	6	5.78	6

Source: *Field Survey*

Table 5.5 reveals that irrespective of type of the cards, the respondents used them mainly to meet for meeting the first five categories of expenses towards such as automobile, food and accommodation, textiles, health and medical, and travel and entertainment.

5.1.4 Value of items preferred to purchase using plastic money

Value of items purchased by using plastic money is important because to know how much influence was created by the cards in the business deals. It is subjectively classified into high, medium and low value items on the basis of perception of cardholders. Based on the ranks given by them mean scores are calculated and assigned ranks accordingly. The result, thus, obtained is presented in Table 5.6.

Table 5.6 Value of items preferred to purchase using plastic money by cardholders

Type of Cards used	Mean Score & Rank	Value of items preferred to purchase		
		High Value	Medium value	Low value
Debit Cards	Mean	1.01	2.01	2.98
	Rank	3	2	1
Credit Cards	Mean	2.00	3.00	1.00
	Rank	2	1	3
Debit and Credit Cards	Mean	2.97	2.01	1.00
	Rank	1	2	3

Source: *Field Survey*

The analysis revealed that debit cardholders preferred to purchase low value items using cards. Their second and third preferences were to purchase medium value items and high value items using debit cards respectively. Credit cardholders preferred to purchase medium value items; followed by purchase of high and low value items. The users of both debit and credit cards preferred the purchase of items based on the order of their value as high, medium and low. From this, it can be inferred that the value of items preferred to purchase by using plastic money vary among different types of cardholders.

5.1.5 Frequency of purchase using plastic money

Number of purchase indicates the intensity of card usage and the volume of business through cards. Periodicity of purchase as specified by the cardholders is daily, weekly, fortnightly, monthly and not any particular pattern. The respondents' nature of purchase is presented in Table 5.7.

Table 5.7 Frequency of purchase using plastic money - Type of card wise analysis

Type of Cards used	Frequency of purchase using plastic money					Total
	Daily	Weekly	Fortnightly	Monthly	Not any particular pattern	
Debit Cards	0 (0)	54 (18)	39 (13)	3 (1)	204 (68)	300 (100)
Credit Cards	9 (3)	45 (15)	24 (8)	6 (2)	216 (72)	300 (100)
Debit and Credit Cards	12 (4)	51 (17)	24 (8)	9 (3)	204 (68)	300 (100)
Total	21 (2.3)	150 (16.7)	87 (9.67)	18 (2)	624 (69.33)	900 (100)

(Figures in brackets denote percentage to total)

Source: *Field Survey*

In the case of debit cardholders 68 per cent does not follow any particular pattern for their purchase, 18 per cent use cards for weekly purchase, 13 per cent uses it in fortnightly and only one per cent use it for monthly purchases. As far as credit cardholders are concerned 72 per cent is not followed any particular pattern, 15 per cent is using it for weekly purchase, 8 per cent is using cards on fortnightly basis, 3 per cent preferred to purchase daily and 2 per cent purchases on a monthly basis. While examining both debit and credit cardholders responses, it can be seen 69.33 per cent does not follow any particular pattern, 16.7 per cent followed weekly pattern, 9.67 per cent followed fortnightly pattern, 2.3 per cent preferred daily pattern and 2 per cent follows monthly basis for their purchases. Thus, 69 per cent out of the total 900 respondents do not follow any particular pattern of purchase but are subject to impulse purchases leading to business growth.

5.1.6 Increase of purchase by using plastic money

Increase of purchase through using plastic money is needs to be analysed in order to know its strongest influence on business deals. Cardholders were asked to state the increase or decrease in their level of purchase after they began to use plastic money. The data, thus, obtained is presented in Table 5.8.

Table 5.8 Increase of purchase by using plastic money -Type of card wise analysis

Type of cards used	Level of increase in purchases			Total
	Increased	Some what increased	Same	
Debit Cards	63 (21)	99 (33)	138 (46)	300 (100)
Credit Cards	96 (32)	156 (52)	48 (16)	300 (100)
Debit and Credit Cards	150 (50)	99 (33)	51 (17)	300 (100)
Total	309 (34.3)	354 (39.3)	237 (26.4)	900 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Out of 300 debit cardholders 21 per cent stated that their level of purchases increased. 33 per cent opined that to some what increased and 46 per cent stated that it was same as before. At the same time, 32 per cent of credit cardholders responded that their purchases increased, 52 per cent opined that to some what increased and 16 per cent stated that it was same as before. In the case of users of both debit and credit cards, 50 per cent expressed that their purchase increased, 33 per cent stated to somewhat increased and 17 per cent indicated that it was same as before. From this it can be concluded that more than 60 per cent of the cardholders opined that use of plastic money increased their level of purchase.

5.2 Benefits of using plastic money to the cardholders

Plastic money offers a number of benefits to its users, which promote the use of cards for payment for purchases and borrowing/withdrawing cash. Both debit cards and credit cards have their own specific benefits. The views of the respondents on the benefits of these cards were collected in five point Likert scale as strongly agree, agree, neutral, disagree and strongly disagree. The data collected, thus, were separately analysed on benefits of using debit cards and benefits of using credit cards and presented below.

5.2.1 Benefits of using debit cards

Debit card offers a number of benefits which makes them popular among its users. The important benefits identified during the study are: (1) debit card combines the benefits of cash and cheque; (2) debit card can be used for withdrawing cash at ATM; and (3) debit card can be used for business deals through traditional and online modes. The data collected to analyse how far these benefits useful to cardholders are presented in Tables 5.9, 5.10, and 5.11.

5.2.1.1 Combining the benefits of cash and cheque

Debit card provides *two in one* facility. There is no need to carry cash and cheque separately by the debit cardholders. Debit card contains the feature of both the benefits of carrying cash and cheque to the cardholder. Cardholders' responses towards it are presented in Table 5.9. It is seen that none of the cardholders disagreed or strongly disagreed towards this benefit.

Table 5.9 Debit cards combine the benefits of cash and cheque to cardholders

Type of cards used	Debit card combining the benefits of cash and cheque			Total
	Strongly Agree	Agree	Neutral	
Debit Cards	117 (39)	129 (43)	54 (18)	300 (100)
Debit and Credit Cards	108 (36)	186 (62)	6 (2)	300 (100)
Total	225 (37.5)	315 (52.5)	60 (10)	600 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
5.9	49.07	4	9.49	<0.001	Significant

Among the users of debit cards only, 39 per cent agreed strongly that debit card combines the benefits of cash and cheque, 43 per cent agreed with this benefit while 18 per cent expressed neutral opinion. In the case of users of both

debit cards and credit cards 36 per cent supported it strongly; 62 per cent agreed to it and 2 per cent given neutral remarks. Thus, 90 per cent out of 600 debit cardholders agreed that debit card combines the benefits of both cash and cheque for payments during their purchases.

Chi-square Test at 5 per cent level of significance revealed that there exist significant association between the using of debit cards by customers and the card's combined benefits of cash and cheque.

5.2.1.2 Withdrawal of cash at ATM

Withdrawal of cash at ATM is one of the most important benefits of debit cards. By using debit card the customer can withdraw cash from ATM within the limit specified by banks. It helps the cardholders to avoid frequent visits to bank to withdraw cash. This facility also helps them to save time and cost. Respondents' views on this benefit are presented in Table 5.10. In the five point scale of measurement the respondents marked their responses only against strongly agree and agree with regard to debit card's help to withdraw cash at ATM.

Table 5.10 Debit cards help to withdraw cash at ATM

Type of cards used	Debit cards help to withdraw cash at ATM		Total
	Strongly Agree	Agree	
Debit Cards	90 (30)	210 (70)	300 (100)
Debit and Credit Cards	36 (12)	264 (88)	300 (100)
Total	126 (21)	474 (79)	600 (100)

(Figures in brackets denote percentage to total)

Source: *Field Survey*

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
5.10	29.30	2	5.99	<0.001	Significant

All debit cardholders agreed that debit card can be used to withdraw cash from ATM. Among them 30 per cent supported it strongly and the rest 70 per cent agreed to it. The responses about this benefit among the users of both debit cards and credit cards are 12 per cent of them strongly supported it and 88 per cent of them agreed to it. It indicates that all the debit cardholders responded that debit cards help to withdraw cash at ATM. From this it can be concluded that debit cards can be used by its customers for withdrawing cash from ATM subject to amount available in the account at any time for their requirements without visiting the bank.

Chi-square Test at 5 per cent level revealed that there exists significant association between using debit cards by customers and the withdrawal of cash at ATM.

5.2.1.3 Shopping by traditional and online modes

Debit cards are used for both traditional and online business transactions. In e-commerce transactions, they are frequently used by the customers. Responses towards this are collected, tabulated and presented in Table 5.11. None of the respondents disagreed or strongly disagreed towards this benefit.

Table 5.11 Debit cards help both traditional and online shopping

Type of cards used	Debit cards help both traditional and online shopping			Total
	Strongly Agree	Agree	Neutral	
Debit Cards	45 (15)	153 (51)	102 (34)	300 (100)
Debit and Credit Cards	30 (10)	186 (62)	84 (28)	300 (100)
Total	75 (12.5)	339 (56.5)	186 (31)	600 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
5.11	7.95	4	9.49	0.093	Not Significant

Among the debit cardholders, 15 per cent strongly agreed that debit card help both traditional and online shopping, 51 per cent agreed to it and 34 per cent responded as neutral. As far as the users of both debit and credit cardholders are concerned, 10 per cent supported it strongly, 62 per cent agreed to it and the rest 28 per cent have given neutral opinion. Thus, majority (69 per cent) of debit cardholders agreed that debit card is usefull for both on-line and off-line shopping. From this it can be concluded that debit cards have important role as a payment instrument both in traditional and on-line shopping.

Chi-square Test at 5 per cent level of significance revealed that there does not exist association between using of debit cards by customers and debit card's help to shop by traditional and online method.

From the above analysis of benefits of debit cards, all most all debit cardholders agreed with the benefits in using debit cards. Thus, it can be concluded that benefits of debit cards motivated the cardholders to use it as a payment instrument in place of cash for purchase of goods/services which in turn creates positive impact on business deals.

5.2.2 Benefits of using credit cards

Credit cards offer a number of benefits viz; (1) it helps to meet emerging and other extraordinary expenses; (2) it motivates the cardholders to purchase more; (3) it helps the purchaser to defer their payments; and (4) it helps to shop by traditional and online modes. The data collected to analyse these benefits are presented in Tables 5.12, 5.13, 5.14 and 5.15.

5.2.2.1 Meeting emergency and other extra ordinary cash requirements

One of the major benefits of credit card is that it helps to meet emergency and other extra ordinary cash requirements. Complexities and procedure for obtaining loans under other consumer credits are not much needed under credit card facility. The opinion of respondents about this benefit of credit card is presented in Table 5.12. None of them strongly disagreed towards this benefit.

Table 5.12 Credit cards offer easy availability of emergency funds

Type of cards used	Credit cards offer easy availability of emergency funds				Total
	Strongly Agree	Agree	Neutral	Disagree	
Credit Cards	120 (41)	138 (46)	33 (12)	3 (2)	300 (100)
Debit and Credit Cards	108 (36)	186 (62)	3 (1)	3 (1)	300 (100)
Total	228 (38)	324 (54)	36 (6)	12 (2)	600 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
5.12	32.17	3	7.82	<0.001	Significant

Among the credit cardholders 41 per cent of them supported strongly that credit card offers easy availability of emergency funds, 46 per cent agreed to it, 12 per cent have neutral opinion and the rest 2 per cent disagreed to it. In the case of users of both debit cards and credit cards, 36 per cent strongly agreed to it, 62 per cent agreed to it, one per cent given neutral opinion and the rest one per cent expressed that they were not agreed to it. Thus, 92 per cent of credit cardholders agreed that credit card helps to meet emergency fund requirements of customers. Meeting of emergency funds requirements along with an interest free period of credit is really helpful to the credit cardholders which also motivate to use it more in their dealings.

Chi-square Test at 5 per cent level revealed that there exists significant association between using of credit cards and its helps to meet emergency and other extra ordinary cash requirements.

5.2.2.2 Motivating more purchases

Features of credit card such as long interest free credit period, revolving credit, exclusive privileges and other offers motivate the cardholders to purchase more and

more. Cardholders' responses towards this benefit are presented in Table 5.13. None of the respondents either disagreed or strongly disagreed towards this benefit.

Table 5.13 Credit cards motivate cardholders to purchase more

Type of cards used	Credit cards motivate to purchase more			Total
	Strongly Agree	Agree	Neutral	
Credit Cards	92 (30.7)	194 (64.7)	14 (4.6)	300 (100)
Debit and Credit Cards	79 (26.3)	211 (70.4)	10 (3.3)	300 (100)
Total	171 (28.5)	405 (67.5)	24 (4)	600 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
5.13	2.37	2	5.99	0.306	Not Significant

Among the credit cardholders, 30.7 per cent strongly agreed to the statement that the cards motivate to purchase more, 64.7 per cent agreed to it and only 4.6 per cent expressed neutral opinion. In the case of users of both debit cards and credit cards are concerned, 26.3 per cent agreed to it strongly, 70.4 per cent agreed to it and the rest 3.3 per cent given neutral opinion. Thus, overall 96 per cent of credit cardholders agreed that credit cards motivated to purchase more and are subject to impulse purchase.

Chi-square Test at 5 per cent level of significance revealed that there does not exist association between use of credit card and the card's motivation to purchase more.

5.2.2.3 Deferring payments of the cardholders

Credit cardholders can defer their payment of purchases to a future date under credit card facility. Main features of credit card such as long interest free period and flexible repayment options help the cardholders to postpone the

payments and also to make payments in installments. Responses about it are presented in Table 5.14. It was seen that none of them either disagreed or strongly disagreed towards this benefit.

Table 5.14 Credit cards help the cardholders to defer their payments of purchases

Type of cards used	Credit cards help the purchasers to defer their payments			Total
	Strongly Agree	Agree	Neutral	
Credit Cards	26 (8.7)	256 (85.3)	18 (6)	300 (100)
Debit and Credit Cards	49 (16.3)	24 (8.2)	3 (1)	300 (100)
Total	75 (12.5)	504 (84)	21 (3.5)	600 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
5.14	17.90	2	5.99	<0.001	Significant

Analysis revealed that 8.7 per cent of the credit cardholders supported strongly that credit card helps the purchaser to defer their payments, 85.3 per cent agreed to it and only 6 per cent have neutral opinion. Among the users of both debit cards and credit cards 16.3 per cent agreed to it strongly, 82.7 per cent agreed to it and only one per cent expressed neutral opinion. Thus, 96.5 per cent out of credit cardholders agreed by using credit cards payment can be deferred to a future date. Deferring of payments for a particular interest free credit period mentioned by banks really helps the credit cardholders to use the credit without any interest burden which also increases its usage among the credit cardholders, create a positive impact on business deals.

Chi-square Test at 5 per cent level revealed that there exists significant association between using of credit card and the card’s benefits to defer the payments of purchases.

5.2.2.4 Shopping by traditional and on-line modes

Credit cards are used both for traditional and online business transactions. In e-commerce transactions it is an essential payment instrument. Responses towards it are analysed in Table 5.15. No body disagreed or strongly disagreed towards this benefit.

Table 5.15 Credit cards help to shop by traditional and online modes

Type of cards used	Credit cards help to shop by traditional and online			Total
	Strongly Agree	Agree	Neutral	
Credit Cards	95 (31.7)	121 (40.3)	84 (28)	300 (100)
Debit and Credit Cards	123 (41)	143 (47.7)	34 (11.3)	300 (100)
Total	218 (36.33)	264 (44)	118 (19.67)	600 (100)

(Figures in brackets denote percentage to total)

Source: *Field Survey*

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
5.15	26.62	2	5.99	<0.001	Significant

Among the credit cardholders 31.7 per cent strongly supported that credit cards can be used in traditional and online business dealings, 40.3 per cent agreed to it and 28 per cent expressed neutral opinion. In the case of users of both debit cards and credit cards 41 per cent strongly agreed to it, 47.7 per cent agreed to it and the rest 11.3 per cent remain neutral. Thus, 80 per cent of credit cardholders agreed with the benefit that credit cards are used for both offline and online shopping.

Chi-square Test at 5 per cent level revealed that there exists significant association between using of credit cards and the card's facilities in shopping by traditional and online modes.

From the above analysis of benefits of credit cards, it can be concluded that, almost all credit cardholders are agreed with credit card benefits. Thus, both as a payment and borrowing instrument, credit cards have a positive impact on business deals.

5.3 Use of privileges of plastic money

As a part of the sales campaign and promotion of business, banks offer certain facilities to cardholders. These facilities may differ from bank to bank, the nature and type of debit and credit cards issued and fulfillment of certain conditions by customers. Some offers have only temporary validity as is to prompt the cardholders to increase usage level and its activeness.

The discussions held with the officials of various banks helped to identify the various privileges offered by them to their cardholders. The commonly provided important privileges are (1) facility of add-on cards, (2) zero-liability/limited lost card liability, (3) cash back deals, (4) zero fuel surcharge and discount on fuel charges, (5) balance transfer, (6) flexible repayment facilities, (7) internet banking, (8) mobile banking/tele-banking, and (9) mega value/exclusive offers connected with dining, life style, travel, health and fitness, bonus reward points etc. Responses of the sample cardholders about the using of the above privileges of plastic money are analysed and presented in the following paragraphs numbered from 5.3.1 to 5.3.9. The responses were collected in five point category scale as almost always, often, sometimes, rarely and almost never.

5.3.1 Facility of add-on cards

Supplementary/add-on cards are issued to family members of existing cardholders by banks on such terms and conditions as decided by banks from time to time. The holder of a supplementary card and the primary cardholder authorising the issue of supplementary card are jointly and severally bound by the terms and conditions

as well as assumes joint and several liability for all charges incurred by the supplementary cardholders. The facility of supplementary cards continues as long as the membership of the primary cardholder continues. The cardholder also acknowledges undertaking to validate transactions with the supplementary cardholders since no separate statement may be mailed to the supplementary cardholder. The supplementary cards may be issued to the existing cardholder's spouse, parents and children above 18 years of age who is a resident in India. The supplementary cardholders will also be bound by all conditions of use, all foreign exchange laws/guidelines and all applicable statutes. A cardholder of any bank can obtain maximum of five supplementary cards at the prevailing card fee for their immediate family members. Additional credit cards held by family members can also share the credit limit on the primary credit card. Additional cardholders also enjoy identical benefits similar to the primary cardholders. The primary cardholder may withdraw the authority of any supplementary card by sending a written request to the bank accompanied by the supplementary card, diagonally cut in half. On receipt of both the request and the supplementary card so cancelled, the bank will cancel the supplementary card and withdraw the authority given to the supplementary cardholders. Charges on add-on cards are normally Rs.100 up to four cards. The frequency of using of facility of add-on cards by respondents is presented in Table 5.16. When the responses are tabulated it is seen that none of them use this privilege 'almost always'.

Table 5.16 Using facility of add-on cards

Type of cards used	Using facility of add-on cards				Total
	Often	Sometimes	Rarely	Almost Never	
Debit Cards	-	54 (18)	-	246 (82)	300 (100)
Credit Cards	21 (7)	18 (6)	-	261 (87)	300 (100)
Debit and Credit Cards	-	3 (1)	78 (26)	219 (73)	300 (100)
Total	21 (2.3)	75 (8.3)	78 (8.7)	726 (80.7)	900 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
5.16	256.70	6	12.59	<0.001	Significant

Among the debit cardholders, 82 per cent never used the add-on card facility and 18 per cent used it some times. But 87 per cent of credit cardholders never used this facility 7 per cent used it often and 6 per cent used it sometimes. In the case of users of both debit and credit cards, 73 per cent never used it, 26 per cent used it rarely and one per cent used it sometimes. Thus, 80.7 per cent out of 900 cardholders never used the add-on card facility. Chi-square Test at 5 per cent level revealed that there exists significant association between using of various types of cards by customers and using of facility of add-on cards.

The major reasons cited by the cardholders for not using the add-on card facility are their lack of awareness, bank does not tell about it, some cards does not provide it, never need it and hence never used it, and they did not find it useful.

5.3.2 Lost card protection

In the case of some cards, cardholders get zero lost card liability/limited lost card liability (particular amount for e.g. Rs.1,000 to Rs. 50,000 or percentage of total loss shared mentioned by banks) after the loss of the credit card has been reported to the bank in writing or to the VISA/Master Card Global Emergency Assistance help lines. Cardholders are required to file a police report for the lost/stolen card. Banks will arrange to replace the card as soon as the instructions are received in writing. If the cardholder recovered card after reported its lost, do not attempt to use it. Instead, destroy the card by cutting it into several pieces through the magnetic strip. Analysis of opinion of cardholders about using of lost card protection facility is presented in Table 5.17. The respondents answered towards this privilege that they availed it rarely and almost never.

Table 5.17 Use of zero-liability /limited lost card liability facility

Type of cards used	Using of zero-liability /limited lost card liability facility		Total
	Rarely	Almost Never	
Debit Cards	16 (5.3)	284 (94.7)	300 (100)
Credit Cards	31 (10.3)	269 (89.7)	300 (100)
Debit and Credit Cards	26 (8.7)	274 (92.3)	300 (100)
Total	73 (8.1)	827 (91.9)	900 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
5.17	5.22	2	5.99	<0.001	Significant

Zero-liability/limited lost card liability facility is used only when card is lost hence using of this facility is also very low. In the case of respondents using debit cards 94.7 per cent, using of credit cards 89.7 per cent and using of both these cards 92.3 per cent are concerned they never incurred loss of cards, hence they never used this facility. Others only rarely faced the loss of cards. In total only less than 10 per cent rarely availed this facility.

Chi-square Test at 5 per cent level revealed that there exists significant association between using of cards by customers and using of zero-liability/limited lost card liability.

5.3.3 Cash back deals

Under this facility, a certain percentage of cash back, say one per cent to 30 per cent on all travel/purchases, utility payments etc. other than payment at petrol pumps using plastic money by the cardholders on a month, is offered on some cards. This is usually given to cardholders if they normally pay the credit card bills in full on time. In other words it can be

called as an effective discount on the products bought with the credit card. Some banks put conditions in the form of a minimum purchase of Rs.1000 to 2000. Thus, cash back facility helps to save monthly expenditure of cardholders. The more purchases cardholders make on the card, the higher is the cash back percentage they will earn. Responses of customers about cash back deals of facility of cards are presented in Table 5.18. None of the respondents stated that they are getting cash back facility either always or often.

Table 5.18 Using cash back deal facility of cards

Type of cards used	Using of cash back deal facility of cards			Total
	Sometimes	Rarely	Almost Never	
Debit Cards	-	8 (2.7)	292 (97.3)	300 (100)
Credit Cards	12 (4)	15 (5)	273 (91)	300 (100)
Debit and Credit Cards	9 (3)	7 (2.3)	284 (94.7)	300 (100)
Total	21 (2.3)	30 (3.3)	849 (94.4)	900 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
5.18	15.59	4	9.49	<0.001	Significant

In the case of debit cardholders, 97.3 per cent never received it and 2.7 per cent received it rarely. On the other hand, 91 per cent of the credit cardholders never received this facility, 4 per cent got it sometimes and 5 per cent received it rarely. At the same time, 94.7 per cent of the users of both debit and credit cards never received it, 3 per cent said that they received it sometimes and 2.3 per cent opined that they received it rarely. Thus, 94.4 per

cent out of 900 cardholders never received this facility. The reasons for it highlighted by respondents were that they may not pay the full amount of credit used at the time limit specified by the banks and some cards are concerned that the issuing banks did not provide this facility.

Chi-square Test at 5 per cent level revealed that there exists significant association between using of cards and availing of cash back deals facility of cards.

5.3.4 Zero fuel surcharge/discount on fuel surcharge

Under this facility, cardholder gets zero fuel surcharge/discount on fuel surcharge while purchasing fuel at petrol pumps. No service charge is levied on POS transactions made at petrol pumps, railway station counters as per VISA Regulations where service charges levied as per industry standard practice - 2.5 to 5 per cent plus service taxes or Rs. 10 whichever is higher on above Rs. 100 transactions at railway/petrol pumps. Some banks offer zero fuel surcharges on above Rs. 3000 to 4000 to be spent on petrol per month. Reward points are not counted on such transactions. Table 5.19 depicts the analysis of responses of cardholders on zero fuel surcharge and discount on fuel charges.

Table 5.19 Using zero fuel surcharge/discount on fuel charges facility of cards

Type of cards used	Zero fuel surcharge/discount on fuel charges facility					Total
	Almost Always	Often	Sometimes	Rarely	Almost Never	
Debit Cards	48 (16)	61 (20.3)	73 (24.3)	64 (21.4)	54 (18)	300 (100)
Credit Cards	69 (23)	75 (25)	81 (27)	57 (42)	18 (6)	300 (100)
Debit and Credit Cards	54 (18)	68 (19.3)	128 (46)	47 (15.7)	3 (1)	300 (100)
Total	171 (19)	204 (22.7)	282 (31.3)	168 (18.6)	75 (8.4)	900 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
5.19	81.90	8	15.51	<0.001	Significant

Zero fuel surcharge/discount on fuel charge is one of the important facilities offered by card issuers and used mostly by cardholders. In the case of debit cardholders, 16 per cent always used it, 20.3 per cent expressed that used it sometimes, 21.4 per cent revealed that rarely used it and the rest 18 per cent never used it. In the case of credit cardholders, at the same time, 23 per cent used it always, 25 per cent indicated that they are often used it, 27 per cent expressed that they used it sometimes, 42 per cent used it rarely and only 6 per cent responded that they never used it. As far as both debit and credit cardholders are concerned, 18 per cent marked as they used it always, 19.3 per cent said that they often used it, 46 per cent opined that they sometimes used it, 15.7 per cent indicated that they rarely used it and only one per cent marked that they never used it. From this, it can be concluded that majority of them used this facility, and it indicates that there is increased using of cards by cardholders.

Chi-square Test at 5 per cent level revealed that there exists significant association between using of cards and using of facility of zero fuel surcharge/discount on fuel charges.

5.3.5 Balance transfer facility

Under the balance transfer facility, bank at its sole discretion, permit the cardholders to transfer all or part of their outstanding balances on credit cards, other than cards issued by cardholder's bank, to his card account. Bank shall send the demand draft to the mailing address of the cardholder, favoring the other issuer for crediting the card account of the cardholder with such other issuer for the approved transfer amount. Bank shall not be liable for any overdue payments or service charges incurred by the cardholder in respect of his other credit cards. The cardholder should continue to make payments until he receives a confirmation in a future statement that his card account has been credited with the amounts sent by the other credit card company. The

discounted rate of interest on balance transfer (as may be specified by the bank from time to time) will become applicable only for a period of six months or such period as may be decided by the bank from time to time from the date the balance transfer has been effected. The cardholder is requested to continue making payments to the other bank credit card account until a confirmatory letter on approval of the balance transfer is received from bank. At the end of six months from the date of balance transfer draft, the balance transfer outstanding will attract normal rate of interest as specified by the bank from time to time. In the event of any breach of the terms and conditions, without prejudice to any of its right, bank has the absolute rights and discretion to transfer the balance transfer amount at normal rate of interest prior to completion of six months. Only one balance transfer request will be permitted per cardholder. However, the transferred amount may be from multiple cards of other issuers, provided the total amount of balance transfer requested does not exceed 75 per cent (or such other amount/ percentage as may be decided by the bank from time to time) of the available credit limit on the card. Balance transfer requests will not be processed for amounts less than Rs. 2,000 or such other amounts as may be prescribed by the bank from time to time. Balance transfer from other card accounts of same banks will not be accepted. This facility will be available to cardholders only after one year of card membership and based on credit history. For the 75 days, customer will be charged interest at the rate of 1.49 per cent p.m on the balance transferred. On expiry of the period, applicable interest rates shall be levied. Processing fee of Rs. 100 shall be levied on all balance transfers. All fresh purchases for all cardholders who have a balance transfer amount in their account. Therefore, such customers shall not be eligible for free credit period till the time the outstanding care cleared. If cardholder decides to terminate his card account, the balance transfer amount will attract normal rate of finance charges and the existing cancellation procedures will apply. Disputes, if any, on balance transfer from issuing bank to the card account, shall lie with the original card issuer and the bank shall not be liable in any manner whatsoever. Interest may

be free up to three months free, interest is charged after three months 0.75 per cent to 1.69 per cent up to six months, thereafter it is 2.79 to 3.15 per cent p.m. Responses of cardholders about balance transfer are presented in Table 5.20. It is seen that the respondents did not always used balance transfer facility.

Table 5.20 Using balance transfer facility of credit cards

Type of cards used	Using of balance transfer facility of credit cards.				Total
	Often	Sometimes	Rarely	Almost Never	
Credit Cards	12 (4)	39 (13)	45 (15)	204 (68)	300 (100)
Credit and Debit Cards	-	30 (10)	48 (16)	222 (74)	300 (100)
Total	12 (2)	69 (11.5)	93 (15.5)	426 (71)	600 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
5.20	14.03	3	7.82	<0.001	Significant

Balance transfer facility is not applicable to debit cardholders. In the case of credit card holders, 68 per cent never used this facility, 4 per cent often used it, 13 per cent marked as used it sometimes and 15 per cent used it rarely. Among the users of both debit and credit card, 74 per cent never used it, 10 per cent used this facility some times and 16 per cent used it rarely. Overall, 71 per cent out of 600 credit cardholders do not used it. During data collection it is learned from the respondents that they were not using this facility due to various reasons. These reasons are some cards did not provide it, cardholders' lack of awareness on this facility and some banks did not tell about it.

Chi-square Test at 5 per cent level revealed that there exists significant association between using of credit cards and using of balance transfer facility of credit cards.

5.3.6 Flexible repayment options

Flexible repayment options and extended credit facility helps to those who are not paid their payments in full. Under this facility the cardholders need not pay the full amount of the purchase made and demand raised. Depending upon the terms of issue the cardholder may pay about 5 per cent or 10 per cent of the amount and roll over the balance amount in the next billing cycle. The roll over the amount is treated as an advance by the bank to cardholders and most of the bank charge at the rate of 2.5 per cent for the amount carried over. Some banks offered EMI (Equal Monthly Installment) facility. In this facility, customers have the option of paying the fixed amount every month subject to the purchase limit they have in the credit card. It does not provide grace period. Interests get levied like the cash withdrawals on a credit card. Interest is zero per cent, 1.49 per cent and 1.99 per cent p.m. or Rs.150 on reducing monthly balance depending on the purchase limits. Cardholders choose from 6, 12, 24 or 36 installments. It is usually allowed on above Rs. 2,500 to 5,000 purchases. Easy installment to suit cardholders financial needs avail on a lower interest. It is requested by a simple call within 10 days of purchase. Interest rate, fee and minimum and maximum amount of EMI may subject to variation. Analysis about use of flexible repayment facility by customers is depicted in Table 5.21.

Table 5.21 Using flexible repayment facility of credit cards

Type of cards used	Using of flexible repayment facility of credit cards					Total
	Almost Always	Often	Sometimes	Rarely	Almost Never	
Credit Cards	16 (5.3)	25 (8.4)	37 (12.3)	28 (9.4)	194 (64.6)	300 (100)
Debit and Credit Cards	9 (3)	17 (5.7)	31 (10.3)	26 (8.7)	217 (78.3)	300 (100)
Total	25 (4.2)	42 (7)	68 (11.3)	54 (9)	411 (68.5)	600 (100)

(Figures in brackets denote percentage to total)

Source: *Field Survey*

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
5.21	5.37	4	9.49	0.251	Not Significant

Flexible repayment facility is not applicable to debit cardholders. It helps the credit cardholders to pay their bills through EMI. Among the credit card holders, 64.6 per cent never used it, 5.3 per cent always used this option, 8.4 per cent used it often, 12.3 per cent used it sometimes and 9.4 per cent rarely used it. In the case of both debit and credit cardholders, 78.3 per cent indicated that they never used it, 3 per cent always used it, 5.7 per cent stated that they often used it, 10.3 per cent used it some times and 8.7 per cent opined that they rarely used it. Overall, 68.5 per cent out of 600 credit cardholders never used this facility. From the study it is revealed that the major reasons for not using this facility by respondents are lack of awareness, never need it and hence never used it, and bank does not tell about it.

Chi-square Test at 5 per cent level of significance revealed that there does not exist association between the using of credit cards and using of flexible repayment facility of the credit cards.

5.3.7 Internet banking services

In internet banking services, internet is used as a delivery channel for the banking services. To avail this service, the customer should have a PC, a telephone link, a modem and arrangement with one of the internet service provider. All the major banks in the world are putting up 'Home Page' on the internet. In the home page, the banks put up the services available such as account enquiry, fund transfers, electronic bill presentment and payments, brokerage, financial advices, foreign exchange trading, on-line trading, customer correspondence etc. along with the details about the bank for the benefit of the public/customer. Banks are also put some conditions for using this facility. Customers may be given a Personal Identification Number (PIN) for use of this facility and they shall personally be liable for the security of the PIN and shall not

share or disclose it to others. Cardholders should agree that they wouldn't use the Card/Card Number to visit websites on gaming and obscenity that has been prohibited and declared illegal by the Government. The cardholders shall be responsible for any legal action against it and the Bank shall not be responsible for the same. The information materials contained on the web-sites are subject to change. Unauthorised use of the Bank's web-site including but not limited to enter into Bank's system, misuse of password or misuse of any information posted on the web-site is strictly prohibited. In doing so, cardholder shall be liable for legal action under the provisions of Information Technology Act, 2000 and other Acts applicable. Keep the bank indemnified from and against all actions, claims, demands, proceedings, losses, damages, costs, charges and expenses that the bank may incur, sustain or suffer as a consequence of or by reason of misusing this facility. The bank reserves the right to terminate any user accesses with or without assigning any cause or without any notice whatsoever. Responses towards it collected are presented in Table 5.22.

Table 5.22 Using facility of internet banking services of cards

Type of cards used	Using of facility of internet banking services of cards					Total
	Almost Always	Often	Sometimes	Rarely	Almost Never	
Debit Cards	6 (2)	10 (3.3)	22 (7.3)	28 (9.4)	234 (78)	300 (100)
Credit Cards	22 (7.3)	33 (11)	36 (12)	37 (12.3)	172 (57.4)	300 (100)
Debit and Credit Cards	14 (4.7)	42 (14)	47 (15.7)	49 (16.3)	148 (49.3)	300 (100)
Total	42 (4.7)	85 (9.4)	105 (11.7)	114 (12.7)	554 (61.5)	900 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
5.22	22.63	8	15.51	<0.001	Significant

As far as debit cardholders are concerned, 78 per cent did not use internet banking services; 2 per cent used it always; 3.3 per cent used it most often, 7.3 per cent responded that they used it sometimes and 9.4 per cent opined that they rarely used it. In the case of credit cardholders, 57.4 per cent never used it, 7.3 per cent always used it, 11 per cent expressed they used it often, 12 per cent used it sometimes and 12.3 per cent used it rarely. Among the debit and credit cardholders, 49.3 per cent never used it, 4.7 per cent used this facility always, 14 per cent opined that they used it often, 15.7 per cent opined that they sometimes used it, 16.3 per cent said that they used it rarely. Thus, 61.5 per cent out of 900 cardholders never used this facility. The reason for non-use of this facility was lack of their awareness.

Chi-square Test at 5 per cent level revealed that there exists significant association between using of cards and using of facility of internet banking services of cards.

5.3.8 Mobile/tele-banking

Mobile banking is the banking through 'Mobile Telephones'. It is a system of providing service to a customer to carry out banking transactions on the 'mobile phone' through a cellular service provider. Important cellular service providers are Spice, Idea, Global Mobile bank, Airtel, Essar etc. Mobile-banking operates through short messages. The customer has to activate mobile messaging service in the mobile phone. This activity is one time and the cellular service provider will do this at the request of the user. SMS alerts are friendly messages enable the cardholder to receive information balance enquiry, enquiry about cost of transactions, request for cheque book, utility bill payments, change of primary account to new account, locate ATM/Branch, alert facilities like salary credit, account-debit/credit, cheque bounce etc., queries on banking, cards etc.

Tele-banking services are generally provided by the bank over the telephone. In this facility, the customer is required to open an account with the bank initially by visiting the bank. A customer who wishes to avail the system is given a secret code, which is used to establish the genuineness of the customer. The code is exchanged in

confidence between the customer and the bank. The service is generally available on an exclusive telephone number of the bank. The customer dials up the number and after establishing the connectivity, he gives the secret code number to establish his identity. Once, the genuineness of the customer is established, the service is provided. Services mainly relate to general enquiry, balance enquiry, status enquiry, request for cheque book/demand draft etc.

Responses of the cardholders about the using of mobile/tele-banking facility of plastic money are presented in Table 5.23.

Table 5.23 Using facility of mobile banking/tele-banking services of cards

Type of cards used	Use of facility of mobile banking /tele-banking services of cards					Total
	Almost Always	Often	Sometimes	Rarely	Almost Never	
Debit Cards	-	3 (1)	33 (11)	128 (42.7)	136 (45.3)	300 (100)
Credit Cards	21 (7)	28 (9.3)	54 (18)	72 (24)	125 (41.7)	300 (100)
Debit and Credit Cards	-	22 (7.3)	51 (17)	76 (25.3)	151 (50.4)	300 (100)
Total	21 (2.3)	53 (5.9)	138 (15.3)	276 (30.7)	412 (45.8)	900 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
5.23	90.59	8	15.51	<0.001	Significant

The analysis revealed that among the debit cardholders, 45.3 per cent never used mobile banking/tele-banking services, one per cent used it often, 11 per cent sometimes used it and 42.7 per cent used it rarely. In the case of credit cardholders, 41.7 per cent never used it, 7 per cent used it always, 9.3 per cent often used it, 18 per cent expressed that they sometimes used it and 24 per cent rarely used it. In the case of both debit and credit cardholders, 50.4 per cent never used these facilities, 7.3 per cent stated that they often used it, 17 per cent opined that they sometimes used it and

25.3 used it rarely. Thus, 45.8 per cent out of 900 cardholders never used this facility. From the study it is revealed that the major reasons for not using this facility by respondents are that some cards did not provide it, cardholders' lack of awareness, bank does not tell about it and they never need it and hence never used it.

Chi-square Test at 5 per cent level revealed that there exists significant association between using of cards and using of facility of mobile banking /tele-banking services of cards

5.3.9 Mega value offers

Mega value offers include special travel packages, medical and legal referrals, exclusive benefits/discounts, 24 x 7 concierge programs, gift vouchers, free membership to shoppers, loyalty programmes, special holiday packages, hospital services, towing services of car during break downs, buy easy facility, getting best seats to movies, shows and concerts etc., free access to airport launches, travel benefits personal loans etc. Discounts are ranging from 5 per cent to 50 per cent. The use of these offers shall be strictly in accordance with applicable law, including any amendment, modification or re-enactment thereof. Responses of the cardholders about using of mega value offers are tabulated and presented in Table 5.24.

Table 5.24 Using mega value/exclusive offers of cards

Type of cards used	Using mega value/exclusive offers of cards					Total
	Almost Always	Often	Sometimes	Rarely	Almost Never	
Debit Cards	1 (0.33)	42 (14)	48 (16)	69 (23)	140 (46.67)	300 (100)
Credit Cards	3 (1)	3 (1)	81 (27)	72 (24)	141 (47)	300 (100)
Debit and Credit Cards	2 (0.7)	-	36 (12)	138 (46)	124 (41.3)	300 (100)
Total	6 (0.7)	45 (5)	165 (18.3)	279 (31)	405 (45)	900 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
5.24	128.00	8	15.51	<0.001	Significant

In case of debit cardholders, 46 per cent never used the mega value offers, less than one per cent used it always, 14 per cent used it often, 16 per cent expressed that they used it sometimes, and 23 per cent used it rarely. Among the credit cardholders, 47 per cent never used this facility, one per cent used this facility always, one per cent that they used it often, 27 per cent said that they used it sometimes and 24 per cent replied that rarely used it. At the same time in the case of users of both debit and credit cards, 42 per cent never used it, only below one per cent used it always, 12 per cent opined that used it some times and 46 per cent used it rarely. Thus, overall 45 per cent out of 900 cardholders never used this facility. From the study it is revealed that the major reasons for not using this facility by respondents are that their lack of awareness, bank does not tell about it, some cards did not provide it, and cardholders never need it and hence never used it.

Chi-square Test at 5 per cent level revealed that there exists significant association between using of cards and using of mega value/exclusive offers of cards.

From the above analysis of using of various privileges of plastic money by cardholders, use of majority of the facilities, except the facilities such as lost card protection and zero fuel surcharge and discount on fuel charges, are low among the cardholders. Lack of cardholders' awareness on these facilities is one of the major reasons for non-use. The other reasons include some cards are not providing these facilities and some banks are not telling about these to them at the time of card issue. Increase in using of cards happen only when there is increase in the use of these privileges. Frequency of increase in the use of privileges will be possible only through creating awareness among the cardholders.

Results of Chi-square Test at 5 per cent level of significance of data presented in Tables 5.9, 5.10, 5.12, 5.14, 5.15, 5.16, 5.17, 5.18, 5.19, 5.20, 5.22, 5.23 and 5.24 support the second hypothesis formulated for the study and it is proved.

H2 There exists significant association between usage of plastic money and the perceived benefits and privileges derived thereon.

5.4 Perception of cardholders on using plastic money

Using of card payments increases the spending behaviour of cardholders. The annual spending on cards jumped from Rs. 920 crores in 1983 to Rs. 18,000 crores in 2005¹. In a study conducted by Visa and NCAER in January 2005, the international e-payment estimates show that the merchant segments that have shown highest year - on - year growth in card use in terms of value are handicrafts (56 per cent), consumer durables (54 per cent), tele-com (53 per cent), departmental stores (52 per cent), jewellery (49 per cent) and super market (49 per cent). As stated earlier, in this chapter, plastic money offers lot of benefits and privileges to customers, all these increase the purchasing behaviour of cardholders. Increased spending behaviour leads to many tangible and intangible benefits such as increase in the demand of goods and services. Demand for better quality goods and services increases production which in turn increases the sales, profit, employment opportunities etc. of business establishments. Increased sales and profit is the driving force of every business, which are very essential for its survival growth and expansion. Increased employment opportunities raise the standard of living and social status of people – a sign of healthy economy. All these attract new cardholders and retain the existing card holders. In short, active using of card products increases the spending pattern - an indicator of business growth.

Even though card products show high positive influence on business growth, its over use, impulse purchases, difficulty in managing credit, high interest charges, irregularity in payments, high default rate, risks/problems connected with bank cards etc. may leads to the chance for personal bankruptcy and indebtedness which in turn ultimately affect the consumption pattern, decrease the purchasing behaviour and consequently affects the growth of business. Using of cards create fear of traceability of income and payment of income tax, which also prevents the people to apply for cards and they prefer cash for business transactions, is another factor, which retards the business growth through using of plastic money.

In the above circumstances it is felt necessary to include the perception of cardholders towards the using of plastic money. Based on the review of literature and the pilot study, some statements were developed to analyse the perception of cardholders towards using plastic money from their experience in using and its impact on business deals. These statements include (1) benefits/privileges of plastic money motivates the cardholders to purchase more and increases the impulse purchases; (2) use of plastic money highly changes the cardholder’s attitude towards borrowing and spending; and (3) activeness of plastic money increases consumer spending. These statements were included in the interview schedule and the respondents’ perceptions towards these are collected in five point Likert scale as strongly agree, agree, neutral, disagree and strongly disagree.

5.4.1 Benefits and privileges of plastic money motivate the cardholders to purchase more and increase the impulse purchase

It is already explained in this chapter about the using of benefits and privileges attached to plastic money by the cardholders. Here it is tried to analyse how these benefits and privileges of plastic money motivates the cardholders to purchase more and increase their impulse purchase. The data collected from the respondents are presented in Table 5.25. None of the respondents disagreed to this statement.

Table 5.25 Perception on benefits and privileges of plastic money motivate the cardholders to purchase more

Type of cards used	Benefits and privileges of plastic money motivate purchase			Total
	Strongly Agree	Agree	Neutral	
Debit Cards	-	276 (92)	24 (8)	300 (100)
Credit Cards	-	297 (99)	3 (1)	300 (100)
Debit and Credit Cards	75 (25)	225 (75)	-	300 (100)
Total	75 (8.4)	798 (88.6)	27 (3)	900 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
5.25	198.308	4	9.488	<0.001	Significant

The analysis of Table 5.25 revealed all most all the respondents agreed that the benefits and privileges of plastic money motivate them the using of cards and it ultimately increase their impulse purchase.

Chi-square Test at 5 per cent level revealed that there exists significant association between the perception of cardholders using debit cards only, credit cards only and both these cards on the benefits and privileges of plastic money motivates them to purchase more and increase the impulse purchase.

5.4.2 Using of plastic money highly changes the cardholders' attitude towards borrowing and spending.

Emergence of IT, improved payment structure, e-commerce and e-banking development, entry of foreign banks and new generation banks, high level of competition, easy availability of credit, increase in affluence levels and income of middle income group, greater amount of consumerism, fast changes with regard to life style etc. slowly shifted the cash dominated economy to credit dominated economy. Plastic money is the most important financial product in the new credit dominated economy. Credit card benefits such as long interest free credit period, revolving credit in nature etc. provide the cardholders easy availability of credit than other consumer credit where procedures are stringent. Using of plastic money changes the cardholders' attitude towards borrowing and spending this ultimately leads to increase in using of plastic money. Responses of the cardholders are presented in Table 5.26. None of the respondents either disagreed or strongly disagreed to this statement.

Table 5.26 Using plastic money highly changes the cardholders’ attitude towards borrowing and spending

Type of cards used	Using of plastic money highly changes the cardholders’ attitude towards borrowing and spending			Total
	Strongly Agree	Agree	Neutral	
Credit Cards	66 (22)	141 (47)	93 (31)	300 (100)
Debit Cards	51 (17)	168 (56)	81 (27)	300 (100)
Debit and Credit Cards	30 (10)	234 (78)	36 (12)	300 (100)
Total	147 (16.4)	543 (60.3)	210 (21.3)	900 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
5.26	64.439	4	9.488	<0.001	Significant

Analysis of data presented in Table 5.26 revealed that 22 per cent of debit cardholders strongly agreed that use of plastic money highly changes their attitude towards borrowing and spending, 47 per cent agreed to it and 31 per cent marked as neutral. Among the credit cardholders, 17 per cent agreed to it strongly, 56 per cent agreed to it and 27 per cent opined as neutral. In the case of debit and credit cardholders, 10 per cent strongly agreed to it, 78 per cent agreed to it and the rest 12 per cent expressed only neutral opinion. Thus, majority of them, 76.7 per cent out of 900 cardholders agreed that using of plastic money changes their attitude towards borrowing and spending.

Chi-square Test at 5 per cent level revealed that there exists of significant association between the perception of cardholders using debit cards only, credit cards only and both these cards on using of plastic money highly changes the cardholder’s attitude towards borrowing and spending.

5.4.3 Activeness of plastic money increases consumer spending

Active using of cards by cardholders increases the purchases which in turn increase the consumer spending. Benefits and privileges of card products motivate the cardholders to purchase more and more. Growth in business happened only if there is activeness in the use of cards. Responses of the cardholders about it is collected and presented in Table 5.27. None of the respondents either disagreed or strongly disagreed to this statement.

Table 5.27 Activeness of plastic money increases consumer spending

Type of Cards Used	Activeness of plastic money increases consumer spending			Total
	Strongly Agree	Agree	Neutral	
Debit Cards	66 (22)	177 (59)	57 (19)	300 (100)
Credit Cards	51 (17)	231 (77)	18 (6)	300 (100)
Debit and Credit Cards	30 (10)	267 (89)	3 (1)	300 (100)
Total	147 (16.4)	675 (75)	78 (8.6)	900 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
5.27	91.356	4	9.488	<0.001	Significant

In the case of activeness of plastic money increases consumer spending, 22 per cent of the debit cardholders strongly agreed to it, 59 per cent agreed to it and 19 per cent expressed only neutral opinion. As far as the credit cardholders are concerned, 17 per cent agreed to it strongly, 77 per cent agreed to it and only 6 per cent expressed neutral opinion. Among both debit and credit cardholders, all of them agreed to it and only one per cent replied neutral. Thus, majority, 91.4 per cent have same opinion that they agreed the active use of plastic money increases spending.

Chi-square Test at 5 per cent level revealed that there exists significant association between the perception of cardholders using debit cards only, credit cards only and both these cards on activeness of using of plastic money increases consumer spending.

From the above analysis based on the perceptual of cardholders on using of plastic money revealed that majority of them have strong agreement with these statements analysed, thus it can be concluded that using of plastic money increases their impulse purchases and which creates a strong positive influence on the business deals.

By analysing the perception of cardholders, the results of Chi-square test at 5 per cent level of significance support the third hypothesis formulated for the study and it is proved.

H3 There exists significant association between the positive impact on the impulse for more purchases by the cardholders and the use of plastic money by them.

5.5 Payment behaviour of credit cardholders

5.5.1 Mode of payments used

There are various modes of payment used by customers for credit card billing. Payments can be made through ATMs, auto debit facility based on written standing instructions given to banks, over the counter, cheques, draft, ECS, phone banking and internet banking. Important modes of payments identified during the pilot study are cash/over the counter, cheque, bank draft and auto debit facility.

The cardholders were asked to rank these reasons as one, two, three and four depends upon the preference they were given to these modes. The ranks given by the respondents were analysed with the help of weighted mean and assigned ranks to these reasons accordingly. The result, thus, obtained is presented in Table 5.28.

Table 5.28 Mode of payment used by credit cardholders

Type of cards used	Mean Score & Rank	Mode of payments preferred			
		Cash/Over the counter	Cheque	Bank Draft	Auto Debit facility
Credit Cards	Mean	2.857	3.670	1.923	1.549
	Rank	2	1	3	4
Debit and Credit Cards	Mean	3.126	3.663	1.621	1.501
	Rank	2	1	3	4

Source: *Field Survey*

The analysis revealed that the credit cardholders have given first preference to make the payment of credit card bills by cheque. The second, third and fourth preferences respectively were given to cash/over the counter, bank draft and auto debit facility.

5.5.2 Payment behaviour

Payment behaviour determines whether the cardholders are regular with payment of credit card bills or becomes defaulter. The results of analysis are given in Table 5.29.

Table 5.29 Cardholders' payment behaviour of credit card bills

Type of cards used	Payment behaviour					Total
	Pay in full	Pays partially and let balance roll to next month	Equal installments	Vary the amount paid between minimum and full	Minimum payment due in each month	
Credit Cards	159 (53)	66 (22)	57 (19)	15 (5)	3 (1)	300 (100)
Debit and Credit Cards	180 (60)	75 (25)	30 (10)	3 (1)	12 (4)	300 (100)
Total	339 (56.5)	141 (23.5)	87 (29)	18 (3)	15 (2.5)	600 (100)

(Figures in brackets denote percentage to total)

Source: *Field Survey*

In the case of users of credit cards only 53 per cent opined that they are paying the credit card bills in full, 22 per cent usually pays partially and let the balance roll to next month, 19 per cent pays in equal installments, 5 per cent adopts the amount paid between minimum and full, and one per cent pays minimum payment due each month. Among the users of both credit and debit cards, 60 per cent responded that they are paying in full amount, 25 per cent opined that usually pays partially and let the balance roll to next month, 10 per cent paying in equal installments, one per cent adopts the amount paid between minimum and full and 4 per cent points out that they at least pays minimum payment due for each month. Thus, it can be seen that 56.5 per cent pays regularly the full amount of credit card bill and the rest are adopted flexible repayment options. Even though flexible repayment options is really helpful to the credit cardholders but they are easily find place in the list of defaulters. The reasons for default in payment differ from cardholders to cardholders. These reasons include rigidity in payment structure, economic hardship, increased and unexpected expenses, high interest rates and service taxes and delay in dispatching bills. Default in payments affects the cardholders badly and may also leads to serious problems. The major problems they explained during the study are depression and health problems due to financial stress and strain, inability to obtain loans from financial institutions and harassment by banks through recovery agents.

5.6 Satisfaction of cardholders in using plastic money

5.6.1 Satisfaction in using cards

Satisfaction of cardholders towards performance of plastic money is important because the growth in spending and active use of it depends on the level of satisfaction obtained by them. Table 5.30 presents with the analysis of respondents' satisfaction towards using of plastic money.

Analysis of Table 5.30 revealed that 58 per cent of the debit cardholders out of 300 are satisfied in using of plastic money for dealings and the rest are unsatisfied due to some problems such as malfunction at ATMs/POS terminals,

inadequate transaction limit, transactions are not allowed due to maintenance, power failure etc. Only 41 per cent of the credit cardholders are satisfied and the rest are unsatisfied due to some problems/limitations associated with credit cards.

Table 5.30 Satisfaction level of cardholders using plastic money

Type of cards used	Level of Satisfaction of cardholders					Total
	Highly Satisfied	Satisfied	Neither Satisfied nor Dissatisfied	Dissatisfied	Highly Dissatisfied	
Debit Cards	18 (6)	156 (52)	105 (35)	21 (7)	-	300 (100)
Credit Cards	6 (2)	117 (39)	127 (42.3)	38 (12.7)	12 (4)	300 (100)
Debit and Credit cards	20 (6.7)	149 (49.6)	109 (36.3)	22 (7)	-	300 (100)
Total	44 (4.9)	422 (46.9)	341 (37.9)	81 (9)	12 (1.3)	900 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

In the case of users of both debit and credit cards, 56.3 per cent are satisfied and the rest are unsatisfied due to some general risks/problems connected with bank cards. To conclude, overall 51.8 per cent of them are satisfied.

An attempt is also made to identify the reasons for dissatisfaction in using of credit cards' users. The important reasons identified during the study are high interest rates, service taxes and non-disclosure of hidden charges; lack of transparency in dealings; inadequate withdrawal limit; inadequate credit limit; limited interest free credit period and high eligibility criteria. The cardholders were asked to rank the reasons as one, two, three, four and five depend upon the importance they were given to these reasons. The ranks given by the cardholders were analysed with the help of weighted mean and assigned ranks to these reasons. The result thus, obtained is presented in Table 5.31.

Table 5.31 Reasons for dissatisfaction of credit cardholders

Reasons	Mean	Rank
High Interest, service taxes and non disclosure of hidden charges	4.688	1
Inadequate withdrawal limit	4.094	2
Inadequate credit limit	2.969	3
Limited interest free credit period	1.781	4
High Eligibility criteria	1.438	5

Source: *Field Survey*

The analysis revealed that the first important reason for dissatisfaction of credit card users was that high interest rates and service taxes and non-disclosure of hidden charges. The second important reason was inadequate withdrawal limit. Third and fourth reasons were inadequate credit limit and limited interest free period of credit respectively. A high eligibility criterion to get credit card is the fifth reason for dissatisfaction.

5.6.2 Dissatisfaction with card issuing bank’s dealings

Lack of adequate customer services, failure to give satisfactory responses to customers’ complaints/correspondences etc. are major complaints connected with card services raised by cardholders during the study. Responses on the dissatisfaction of cardholders on the same were collected and presented in Table 5.32.

Table 5.32 Dissatisfaction with card issuing banks’ dealings

Type of cards used	Dissatisfaction with card issuing bank’s dealings					Total
	Almost Always	Often	Sometimes	Rarely	Almost Never	
Debit Cards	21 (3)	24 (8)	36 (12)	68 (22.7)	151 (50.3)	300 (100)
Credit Cards	25 (8.3)	27 (9)	39 (13)	53 (17.7)	156 (52)	300 (100)
Debit and Credit Cards	19 (6.3)	22 (7.3)	33 (11)	65 (21.7)	161 (53.7)	300 (100)
Total	65 (7.2)	73 (8.2)	108 (12)	186 (20.6)	468 (52)	900 (100)

(Figures in brackets denote percentage to total)

Source: *Field Survey*

In the case of debit cardholders out of 300, 49.7 per cent of them have complained about inadequate customer services. Out of which 22.7 per cent faced it rarely, 3 per cent suffered it always, 8 per cent faced it often and 12 per cent faced it sometimes. In the case of users of credit cards 48 per cent faced it, out of which 17.7 per cent faced it rarely, 13 per cent faced it sometimes, 9 per cent faced it often and 8.3 per cent faced it always. Among the users of debit and credit cards, 46.3 per cent faced it, 21.7 per cent faced it rarely, 11 per cent faced it sometimes, 7.3 per cent faced it often and 6.5 per cent faced it always. Over all, 48 per cent of the respondents have experienced the problem of inadequate feedback services from banks.

5.6.3 Satisfaction of cardholders with merchants’ dealings

Satisfaction of cardholders towards merchants’ dealings and their card acceptance are important because the growth and success of payment card industry largely depends upon both the card acceptance and using of cards by customers. In Table 5.33 cardholder’s satisfaction with merchants’ dealings is presented.

Table 5.33 Cardholder’s satisfaction with merchants’ dealings - Type of card wise analysis

Type of Cards Used	Level of Satisfaction					Total
	Highly Satisfied	Satisfied	Neither Satisfied nor Dissatisfied	Dissatisfied	Highly Dissatisfied	
Debit Cards	84 (28)	150 (50)	57 (19)	6 (2)	3 (1)	300 (100)
Credit Cards	66 (22)	114 (38)	66 (22)	39 (13)	15 (5)	300 (100)
Debit and Credit Cards	108 (36)	114 (38)	36 (12)	36 (12)	6 (2)	300 (100)
Total	258 (28.7)	378 (42)	159 (17.6)	81 (9)	24 (2.7)	900 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

The analysis revealed that among the debit cardholders about 78 per cent is satisfied and the rest are unsatisfied. In the case of users of credit cards 60 per cent satisfied and the rest complained about merchants' dealings. As far as the users of both debit and credit cards are concerned, about 74 per cent satisfied and the rest are unsatisfied. Thus, it can be seen that 70.7 per cent is satisfied and the rest are unsatisfied.

An attempt is also made here to identify the reasons for dissatisfaction of customers with merchants' dealings. The major reasons identified at the time of pilot study are levies commission/surcharges/tips on transactions, refuses to accept and reject cards during discount periods, not showing disclosure/refund and return policies before purchasing, fixing minimum and maximum amount of purchases and security risks. The cardholders were asked to rank the reasons as 1, 2, 3, 4 and 5 depend upon the importance they were given to these reasons. The ranks given by the cardholders were analysed with the help of weighted mean and assigned ranks to these reasons. The result, thus, obtained is presented in Table 5.34.

Table 5.34 Reasons for cardholders' dissatisfaction with merchants' dealings

Reasons	Mean	Rank
Fixing minimum and maximum amount of purchases	4.649	1
Levies commission/surcharges/tips on transactions	4.541	2
Not disclosing the refund and return policies before purchasing	2.919	3
Refuses to accept and reject cards during discount periods	2.162	4
Security risks	1.541	5

Source: *Field Survey*

The analysis revealed that the first important reason for dissatisfaction was that fixing minimum and maximum amount of purchases. The second, third, fourth and fifth reasons respectively were levies commission/surcharges/tips on transactions, not showing disclosure/refund and return policies before purchasing, refuse to accept and reject cards during discount periods, and security risks.

The data and analysis presented in this chapter clearly indicate the awareness level of cardholders on various facilities, benefits, convenience and services available with cards and also their inclination to accept plastic money as a mode of payment in business deals.

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Chapter **6**

**BUSINESS DEALS USING PLASTIC
MONEY IN MERCHANT
ESTABLISHMENTS – AN EVALUATION**

Contents

- 6.1 Merchant establishments
 - 6.2 Profile of the merchant establishments
 - 6.3 Factors motivating to accept plastic money by merchants
 - 6.4 Benefits of accepting plastic money in business dealings
 - 6.5 Plastic money and its impact on business dealings
-

6.1 Merchant establishments

Merchant establishments (MEs) mean any business establishment including a company, corporation, firm or person, wherever located, with whom arrangements exist for acceptance and honour of plastic money in settlement of sale of goods and services. Documents needed to be furnished by merchant establishments for getting merchant account along with enrollment fee are copy of Sales Tax Registration Certificate, authorised signatory proof as per the enclosed format, rent receipts/telephone bill/ electricity bill, in case of partnership firm partnership deed, in case of limited company memorandum of association, articles of association, company financial statements or Income Tax Returns etc. The acquiring bank enters into a contract with various merchant establishments, who accept the cards presented by the customers as a means of payment for the goods purchased or services received. Merchant account is granted on the basis of their sales turnover, financial stability, goodwill, scope for the use of plastic money in the business etc. A floor limit is assigned for each merchant for transactions through plastic money. But, in the case of card-not-present transactions, no floor limit is assigned. The acquiring bank provides the merchant establishments the charge slips and Electronic Data Capture Machines, which are hand operated machines. Under the agreement, the merchant establishments will supply goods and services to the customers presenting credit/debit cards and will receive the money from the acquiring bank within a few days. The merchant establishment also pays commission to the card issuer ranges between two to five per cent of the total value of the charge slip. The merchant establishment may include shops, stores, restaurants, hotels commercial establishments etc.

6.1.1 Terms and conditions for acceptance of plastic money

Merchant establishments should follow certain terms and conditions for acceptance of plastic money with regard to the covenants, transactions to be followed by them, equipment and its operations, customer handling etc. which are explained in the following paragraphs.

Merchant establishments hold the licenses, permits and consents as may be required for the conduct of business by accepting plastic money as a medium of payment. They shall enter into transactions only in relations to goods sold or services provided by it to the cardholders. They shall not enter into a third party transaction nor dispense cash by processing a transaction. They shall when requested by a cardholder, facilitate a transaction in accordance with the terms and conditions of the agreement including the procedure stated as may be amended by the bank from time to time.

Merchant establishments shall promise to practice all cards in safe acceptance criteria while accepting for transactions. They shall honour a valid card when presented for transaction. They shall not engage in any practices and procedures that discriminates against or discourages the use of cards whether in favour of cash or any other competing card brand. They shall not levy any service charges on customers while using cards as a medium of payment for purchases. They shall not place any minimum transaction limit for the use of valid cards. They shall ensure primary verification of the cards by checking card number, name and other embossed details (clarity, uniformity size and spacing between embossed characters), appearance of the three dimensional hologram (flying dove for Visa/interlocked globe for Master card), validity period, last four digits of the card number extending into the hologram, MC/Visa logo borders, colours not blurred/uneven, repeat MC/Visa printed on the signature panel, reverse italics print of card number on the signature panel etc. Identify, in case of photo card, the person desirous of transaction with the photograph on it. Obtain photocopy of front and back of the card and photocopy of the passport of the cardholder in case of transaction conducted on an international credit card where the transaction amount exceeds Rs. 10,000 (do not accept pre-photocopied copy of the passport that may be readily provided by the cardholder to merchant). They shall, after the primary verification as above and when an electronic data capture terminal is provided, swipe the card in the electronic data capture terminal and enter

details of transaction as requested and also allow the cardholder to enter the identification number if so required (providing cardholder sufficient privacy to do so) so as to obtain authorisation and generate a charge slip. They shall after the primary verification as above and only when the card is not a debit card and the electronic data capture terminals is not available and the bank has permitted the merchant establishments to make a charge slip otherwise, make charge slip manually and obtain authorisation by telephone. They shall obtain cardholder's signature on the charge slip, so as to match the same with that on the card. They shall verify the number embossed or printed on the card with the card number appearing on the charge slip so as to ensure both being same. They shall not entertain a transaction in case of being unsure of any of the foregoing or when in doubt that the person requesting transaction is not the cardholder. In such cases merchant establishment shall forthwith inform the incidence to the bank for seeking further instructions. They shall provide to the cardholder the copy of the charge slip marked as cardholder's copy. Notwithstanding the aforesaid, they shall obtain additional authorisation for transactions in excess of the floor limits as may be stipulated by the bank from time to time or when merchant establishments has reason to believe that the card may be stolen or counterfeit or in any other suspicious circumstances. They shall in the event of a card included in the Warning Bulletin being presented for transaction, use all peaceful attempts to retain such card and shall forthwith intimate about such retention to the bank and deliver the card to the bank. They agree that the agreed limit for each cardholder per day/per stay for purchase will be stated in the schedule at the end of the agreement. If the merchant establishment is a hotel, it agrees to request the cardholder checking into indicate the mode of payment of his/her bill. In case the payment is by card and when the charges are about to reach the limit fixed per stay, the merchant establishments would request the bank for prior authorisation. If any extra credit over and above the limit mentioned by the bank, is given by the merchant establishments to the cardholder without prior approval of the bank, the merchant establishments shall do so at its own risk and responsibility or if

any charge back is received by the bank then in such case the entire transaction will be treated as void and the bank will reject/recover payment of the same. They agree that in case bills/charges of any cardholder exceed the limits as provided, the merchant establishments will not permit such cardholder to split the charges into two or more charge slips for submission to the bank and in such cases charge slips are received by the bank, they shall be treated and governed in the same manner as in above.

Merchant establishments agree to seize or pick up from a cardholder his/her card whenever requested by the company to do so, either by its bulletin or by special letter or by special circular or otherwise and it will be the responsibility of the merchant establishments to act on behalf of the bank and to pick up such cards as notified. Upon seizure of such card, the merchant establishments shall immediately notify the bank and return the card so picked up to the bank or its area offices by hand delivery or by registered post with A.D. at the cost of the bank.

Merchant establishments shall not honour any card after the date of its expiry and/ or intimation from the bank about its loss/pick up or cancellation has been dispatched to the merchant establishments and if any such charge slips of such invalid card is received, the bank shall not be liable in any manner whatsoever in respect thereof to the merchant establishments or to anybody whomsoever. They should also follow the instructions such as full transaction amount covers tax, not impose any surcharge, do not split the sales in order to avoid authorisation limit, laundering/factoring is not allowed, (Depositing transactions for a business that does not have a valid merchant agreement is called factoring. It is a form of fraud associated with high charge back rates and the potential for forcing merchants out of business), authorise only for the known amount, not the transaction amount plus estimated tip, do not provide any cash refunds for any credit/debit card transaction etc. In the case of card- not-present transactions, the transaction date is the ship date and not the order date. Transactions deposited more than 30 days after the original

transactions date may be charged back to merchant. In the case of card-not-present transactions, cardholder should be informed of delivery method and tentative delivery date. Transactions cannot be deposited until goods or services have been delivered. In the case of delayed situations, the customer pays a deposit at the time of the transaction and agrees to pay the balance upon the delivery of the merchandise or services. Merchants show disclosure statements (refund and credit policies) that are legibly printed on the face of the transactions receipt near the cardholder's signature line.

Merchant establishments shall ensure that equipment is maintained in good condition and used only in the manner and for the purposes as provided in the agreement. They shall pay the bank all the expenses that may be incurred by the bank for the repairs, maintenance or replacement of the equipment, which has got damaged as a result of improper handling by the merchant establishments. They shall bear the costs charges and expenses for electrical power or telephone lines in connection with the equipment. They shall ensure the availability at all times during the business hours a minimum of two merchant establishment's staff trained to operate the equipment. They shall also report promptly to the bank a fault or suspected fault in the operation of the equipment. They shall provide all reasonable assistance for the prevention and detection of fraud in respect of usage of equipment. Keep cardholder account numbers and personal information confidential. It is released only to merchant bank/processors or as specifically required by law. They shall not without the prior written consent of the bank and the cardholder, use or disclosure of information of the cardholder, transactions or equipments to a third party unless such disclosure is compelled by law. This clause shall survive the termination of this agreement merchant establishment shall not remove the equipment from the place where they are originally deployed by the bank. In the case of damages, merchant establishments shall agree to reimburse the cost of the terminal. Payment of rental of EDC terminals should be transferred on or before the due date mentioned in the

agreement, with applicable taxes. The bank will charge non-refundable enrollment fee (subject to change from time to time) and/or at its discretion supply an imprinter which shall at all times be the exclusive property of the bank and shall be returned to the bank on termination or determination of this agreement in the same condition in which it was given by the bank to the merchant establishments, reasonable wear and tear accepted. They shall take proper care of such Imprinter Machine and all services and repairs to the same shall be regularly and promptly and also whenever required by the bank, carried out by the merchant establishments at their own cost.

Merchant establishments shall preserve copies of charge slips, transaction paper rolls and sales invoices for a minimum one year and provide the same to the bank within three business days from the date of bank's request for such information and in case of failure to do so, refund the transaction amount to the bank. They shall while presentations of any transaction information certify to the bank that all statements of facts contained therein are true and complete in all respects. They have supplied goods or services to which the transaction information relates and to the value stated therein and at a price not greater or not less favourable than the same price and terms at and on which goods and services supplied by merchant establishments for cash, the transaction information pertaining to each sale has been supplied only once and that the sale of such goods and services is not unlawful.

In case of transaction via electronic data capture terminals, the merchant establishments have used 'settlement function' on the electronic data capture machine and follows such further procedure as may be stipulated by the bank from time to time. In case of manually processed transactions, the merchant establishment have made a physical presentment of the bank's copy of charge slip to the bank at the designated branch of the bank. The bank shall towards authorised transactions complete in all respects, pay to merchant establishment by crediting the account of the merchant establishment with the bank, the amount of transactions net off - merchant establishment commission computed

at the rates as stated in the schedule, of the transaction amount and any other amount due by merchant establishments to the bank. No amount on a transaction shall be payable by the bank unless the bank has received a receipt of the transaction. In case the bank receives any charge slip unsigned or bearing the signature which does not tally with the specimen signature submitted by the cardholder on his/her application form then the bank reserves the right and shall be entitled to reject such charge slips submitted by the merchant establishments and in such cases the merchant establishments shall have no right or remedy against the bank and the bank shall not be liable to the merchant establishments for anything or for any amount or incidental to or arising out of, any and all such charge slips as aforesaid. The bank shall endeavour to make payments of amount when due to merchant establishments on transactions within seven business days after receipt of the transactions by the bank, unless this agreement under termination notice period in which case the bank shall endeavour to make such payments only when it is successfully collected by the bank from the card issuers and within 180 business days after receipt of the transactions by the bank. The bank shall be entitled, in case any refund by the bank exceeds the amount due to merchant establishment, to debit the amount by which the refund exceeds the amount payable to the account of the merchant establishment and to recover it from merchant establishment.

If the bank suspects that merchant establishments have committed a breach of this agreement or has acted dishonestly or a fraud has been committed against the bank or any cardholder or third party or has in connivance with any other person done the same or assisted in the same, the bank shall be entitled to suspend all payment under this agreement to the merchant establishment, pending enquiries by the bank. The bank shall be, in relation to a transaction entitled at any time to refuse payment hereunder to merchant establishment - any transactions entered in to by merchant establishment is observed fraudulent, unlawful or unenforceable, information provided by merchant establishments to the bank in respect of the transaction

is not received in accordance with the banks requirements, a charge slip is generated outside the premises, the price charge for goods or services to the cardholder is in excess of the advertised price, the goods and/or services covered under a transaction are rejected or returned or the transaction or part thereof, is validity cancelled or terminated by the cardholders if the merchant establishment fails to provide to the cardholders satisfaction goods or services to the cardholder, the cardholder disputes the nature, quality or quantity of the goods and/or services covered by the transactions, the cardholder disputes or denies the transaction or the sale or delivery of goods or provision of services covered by the transaction with reasons therefore, the transaction appears more than once to cardholders account, the transactions is doubtful or erroneously paid to the merchant establishment; and any other event or circumstances which the bank shall from time to time notify to the merchant establishment in writing shall have occurred.

All costs (including cost between the advocate and client) charges, expenses, taxes duties (including stamp duty) in relation to this agreement and any document executed pursuant thereto and in relation to the enforcement of this agreement shall be borne and paid by the merchant establishment alone.

This agreement may be terminated by either party without assigning any reason whatsoever by giving to the other party a notice in writing of a minimum 30 days prior to the date proposed for termination. This agreement may be terminated by the bank forthwith by serving on merchant establishment a notice of termination without there being a necessity to give a prior notice thereof to merchant establishment upon happening of any of the reasons such as if any of the merchant establishment s representation and warranties herein contained turn out to be in correct or become untrue, if merchant establishment breaches any of the terms and conditions or procedures contained herein, if merchant establishment become bankrupt or insolvent or likely to be so in the sole discretion of the bank, if merchant establishment is, in the sole discretion of the bank, involved in or has facilitated any suspicious transaction or fraud, in the event of termination of this

agreement, the merchant establishments shall disclose all completed transactions to the bank, Upon termination, the merchant establishment shall forthwith and at his own expense, return to the bank the equipment and all related documentation as may be required by the bank.

Merchant establishments agree that unless specifically permitted by the bank it shall not accept any payment in cash/cheque from any cardholder in respect of any sale made by the merchant establishments to such cardholder.

Merchant establishments shall accept full responsibility and deal with all complaints received from any cardholder in respect of sale/service availed of by any such cardholder. In case on the specific request of the merchant establishments, it has been authorised to entertain supply orders/mail orders from the cardholders the merchant establishments shall be solely responsible, if at any future date, the cardholder disowns the transaction or raises any dispute in regard to delivery/quality/price of the goods ordered/delivered and the merchant establishments undertakes to indemnify and keep the bank indemnified, saved and harmless against any loss or damage caused to the bank including the costs and expenses that the bank may have incurred or may have to incur.

Merchant establishments agree that any bill includes irregular charges and submitted to the bank, the bank shall have the right to charge back such amounts to the merchant establishment from which it was received, upon the bank coming to know of it.

Merchant establishments agree that when goods are to be exported, the charge slip for reimbursement will be presented to the bank along with proof of dispatch of goods, invoice, certificate of insurance and order form. If the cardholder disputes receipt of goods, the merchant establishment shall within a period of 7 days, produce documentary evidence of receipt of goods by the cardholder. If there is a dispute regarding quality and specification of goods, the merchant establishment shall produce documents substantiating that the dispatch of goods was in accordance to the order placed by the cardholder. In absence of

these documents, the bank shall have the right to charge back such amounts to the merchant establishment. In case of any disputes between the cardholder and the merchant establishment, it is agreed that the merchant establishment will keep the bank safe, harmless and indemnified of, from and against all claims, demands, actions, liabilities and expenses whatsoever brought or made against or sustained or incurred by the bank in consequence of having made the payment to the merchant establishment in such transaction.

Depending upon the nature of the dispute, bank may respond – issue a full credit to the cardholders' account agrees to issue a partial credit (explain why you are issuing only a partial credit and fill in the amount)/ if merchant feel no credit is due, provide an explanation and appropriate supporting documentation. If the documentation merchant provides the charge is valid, the cardholder will be sent the appropriate explanation and asked to pay the charge. However, if the documentation provides does not support the cardholder's claim because the charge was not processed as per merchants agreement with card organisation; or the cardholder has posed a question about the quality or delivery of the goods or services; or banks written reply is not received by the card organisation by the reply-by date, then card organisation will have the right to give the cardholder a permanent credit and to debit the cardholders account, normally merchant establishments should not add any extra amount but using card with petrol bunks, railways etc., you should agree to bear extra charges. Such charges together with the charge slip amount will be billed to merchant account. Merchants also have the options to accept or reject credit cards during their discount period if any.

As and when the bank ties up with any bank/institution (Foreign or Indian) dealing in credit card business, the merchant establishments agrees to give same service to the bank's collaborated cardholders as and when such card is presented to the merchant establishments, subject to the terms contained herein and /or such other terms that may be separately informed by the bank.

6.1.2 Card -present transactions

Card-present transactions are those in which both the card and cardholder are present at the point of sale. Merchants associated with this sales environment include traditional retail outlets such as department and grocery stores, electronics stores, and specialty shops and boutiques. Gas stations and other businesses where customers use unattended payment devices are also defined as card-present merchants. In traditional sales environments, merchants are required to take all reasonable steps to assure that the card, cardholder, and transaction are legitimate. Card acceptance procedures related to it are:

- Swipe the card to request the transactions authorizations
- Hold the card through the entire transaction
- Verify the account number for evenness and clarity
- Compare the printed four digit number with the first four digits of account number
- Check the 'Good thru/Valid thru/Expiration date
- Check the signs on signature panel
- Check the CVV2 (Card Verification Value). It is a 3-digit code number to verify the true cardholder.
- Obtain authorisation and get the cardholder signature on the transaction receipt. Authorisation should be seen as an indication that account funds are available and a card has not been reported as lost or stolen. It is not proof that true card holder is involved in a transaction. The authorisation process allows the card issuer to approve or decline a transaction when a transaction is approved the POS terminal automatically prints a sales receipts and gets the cardholder signature. In the case of decline or card not accepted case merchant return card and instruct the cardholder to call the card issuer for more information on the status of the account.

- Compare the name, number and signature on the card to those on the transaction receipt, if the merchant suspect fraud, make a Code 10 call. If the operator tells the merchants to pick up the card to do so only if recovery is possible by reason and peaceful means. Tell the cardholder about you have been instructed to keep the card, and that he or she may call the card issuer for more information and send the card or other wises according the instructions of merchant bank.
- In any situation where making the call with the customer present feels inappropriate or unsafe, complete the transactions, return the card, and make the call immediately after the customer.

6.1.3 Card-not-present transactions

It is a sales environment in which transactions are completed without a valid card or cardholder being present. It is used to refer to mail order/ telephone order (MO/TO), and internet merchants and sales environments. The growth of the mail order, telephone order and internet market leads to increase in the number of merchants doing business online. Online commerce/e-commerce allowed card-not-present transactions. In this case fraud may be difficult to detect. Important procedures followed by the merchants are:

- Authorisation is required on all card-not-present transactions. Authorisations should occur before any merchandise is shipped or service performed.
- Asks the customer the expiration date, account number and CVV2.
- Evaluate the CVV2 result code with the transaction authorization and take appropriate action based on all transaction characteristics.
- Address Verification Service (AVS) is an automated fraud prevention tool that allows card-not-present merchants to check a cardholder billing address as part of the electronic authorisation process. It also helps to know the validity of transaction.

- Requirements of merchant website. It contains the information such as complete description of goods and services, customer service contact information including e-mail address or phone number, return, refund and cancellation policy, delivery policy, country of origin, export restrictions etc. It also contains the matters such as privacy statements, information on when credit cards are charged, order-fulfillment information, customer service time frames, security controls used to protect customers, statement encouraging cardholder to retain the copy of the transaction etc.
- In addition to the above, many fraud- screening services and practices are available to help internet merchants to assess the risk of transactions. (e.g. (1) verified by Visa help to know the valid card holder on a real time base. (2) Cyber Source Advanced Fraud Screen enhanced by Visa evaluates the risks associated with transaction on a real time basis).

Card-not-present merchants should also develop in-house policies and procedures for handling irregular or suspicious transactions. Beware of customers:

- Who hesitate or seem uncertain when giving personal information
- Rush orders ie. urgent requests for quick or overnight delivery
- Suspicious shipping address
- First-time shopper
- Larger than normal orders.
- Orders consisting of several of the same item
- Orders made up of big-ticket items
- Transactions on similar account numbers
- Orders made on multiple cards but shipped to a single address.
- Multiple transactions on one card over a very short period time
- Multiple transactions are charged to one card or similar cards that have a single billing address but multiple shipping addresses.

- Multiple cards from a single IP address (Internet Protocol address identifies the computer in a network from which an order has been made.) Sales staff should be familiar with these and receive regular training on them.

In the MO/TO transactions, merchants should ask for a Code 10 authorisation, asking additional information, send a note to the customers billing address rather than the shipping address or directly contacts the customer etc. Important steps involved are:

- Obtain cardholder's name, card account number, expiration date and card authentication number (CVV2/CVC2/CID).
- Fill in brief description of the goods and show the amount of the sale in the space marked 'Total'.
- Write MOTO in the signature line of the sales draft.
- Inter transaction information in to terminal or PC.

Provide a copy of the sales draft to the cardholder, either with the cardholder order or separately.

6.2 Profile of the merchant establishments

Data were collected from 150 merchant establishments selecting 50 each from Kozhikode, Ernakulam and Thiruvananthapuram districts giving due representation to northern, central and southern regions of Kerala. Tables 6.1, 6.2, 6.3 and 6.4 show nature of business, locality, average monthly turnover and type of goods and services in which respondents are dealing with.

6.2.1 Nature of business

Nature of business has significant influence on merchant's acceptance of cards in business dealings. Table 6.1 shows the region wise classification of merchant establishments vis-à-vis the nature of business.

Table 6.1 Region wise classification of merchant establishments and nature of business

Nature of Business	F / %	Region						Total	
		Kozhikode		Ernakulam		Thiruvananthapuram			
		F	%	F	%	F	%	F	%
Trading	F	34	68	35	70	38	76	107	71.3
	%	31.7		32.7		35.6		100	
Services	F	16	32	15	30	12	24	43	28.7
	%	37.2		34.8		28		100	
Total	F	50	100	50	100	50	100	150	100
	%	33.3		33.4		33.3		100	

F- Frequency; % - percentage to total of respective columns/rows

Source: *Field Survey*

Out of 150 merchants, 107 (71.3 per cent) engaged in trading activities and the rest 43 (28.7 per cent) rendering services. Region wise analysis indicates that out of 50 merchants of Kozhikode in the northern region, 68 per cent are doing trading business and the rest 32 per cent are rendering services. In the case of Ernakulam district representing central region, out of 50 merchants, 70 per cent engaged in trading activities and the rest 30 per cent are rendering services. Among the 50 merchants of Thiruvananthapuram representing southern region, 76 per cent are doing trading business and the rest 24 per cent are rendering services. Thus, trading units are the major groups that accept plastic money.

6.2.2 Location of merchant establishments

Location of business is another major variable affecting the merchant's acceptance of plastic money. In rural area, merchants who are accepting cards as payment instrument is rarely found. Hence, merchant establishments in semi-urban and urban areas are covered in the present study. The data collected about the location of merchant establishments is analysed in Table 6.2.

Table 6.2 Location wise classification of merchant establishments

Location	F/ %	Region						Total	
		Kozhikode		Ernakulam		Thiruvananthapuram		F	%
		F	%	F	%	F	%		
Semi-urban	F	13	26	15	30	11	22	39	26
	%	33.3		38.4		28.3		100	
Urban	F	37	74	35	70	39	78	111	74
	%	33.3		31.5		35.1		100	
Total	F	50	100	50	100	50	100	150	100
	%	33.3		33.4		33.3		100	

F- Frequency; % - percentage to total of respective columns/rows

Source: *Field Survey*

Table 6.2 shows that out of 150 merchant establishments, 39 (26 per cent) are in the semi-urban area and the rest 111 (74 per cent) are located in urban area. Further analysis on the basis of regions shows that out of 50 merchant establishments from Kozhikode, 74 per cent are in urban area and 26 per cent situated in semi-urban area. In Ernakulam, 70 per cent located in urban area and the rest 30 per cent are situated in semi-urban area. As far as the merchant establishments in Thiruvananthapuram are concerned, 78 per cent are in the urban area and 22 per cent are located in semi-urban area. Thus, majority of the merchant establishments that accept plastic money are located in urban area. It is due to the fact that more business units in urban centers are accepting plastic money as medium of payment than in semi-urban areas.

6.2.3 Average monthly turnover

Monthly turnover has significant influence on merchant's acceptance of cards in payment transactions. Table 6.3 deals with average monthly turnover wise classification of merchants. According to average monthly turnover, merchants are classified into 6 groups such as below Rs. 1,00,000 turnover, Rs. 1,00,000 - 2,00,000 turnover, Rs. 2,00,000 - 3,00,000 turnover, Rs. 3,00,000 - 4,00,000 turnover, Rs. 4,00,000 - 5,00,000 turnover and above Rs. 5,00,000 turnover. Out of 150 merchants, 3 (2 per cent) are in the group of below Rs. 1,00,000 turnover, 5 (3.3 per cent) belong to Rs. 1,00,000 - 2,00,000

turnover, 14 (9.3 per cent) of them come under Rs. 2,00,000 - 3,00,000 turnover, 17 (11.3 per cent) are in the group of Rs. 3,00,000 - 4,00,000 turnover, 38 (25.4 per cent) belong to the income group of Rs. 4,00,000 - 5,00,000 turnover and 73 (48.7 per cent) are in the income group of above Rs. 5,00,000 turnover.

Table 6.3 Average monthly turnover of merchant establishments - Region wise analysis

Average Monthly Turnover (Rs.)	F / %	Region						Total	
		Kozhikode		Ernakulam		Thiruvananthapuram		F	%
		F	%	F	%	F	%		
Below 1,00,000	F	2	4	-	-	1	2	3	2
	%	66.7				33.3		100	
1,00,000-2,00,000	F	-	-	3	6	2	4	5	3.3
	%	-		60		40		100	
2,00,000-3,00,000	F	4	8	5	10	5	10	14	9.3
	%	28.6		35.7		35.7		100	
3,00,000-4,00,000	F	6	12	5	10	6	12	17	11.3
	%	35.2		29.6		35.2		100	
4,00,000-5,00,000	F	14	28	9	18	15	30	38	25.4
	%	36.8		23.7		39.5		100	
Above 5,00,000	F	24	48	28	56	21	42	73	48.7
	%	32.9		38.3		28.8		100	
Total	F	50	100	50	100	50	100	150	100
	%	33.3		33.4		33.3		100	

F- Frequency; % - percentage to total of respective columns/rows

Source: *Field Survey*

An attempt is also made to analyse average monthly turnover of units on the basis of regions. Accordingly, out of 50 merchant establishments of Kozhikode, 48 per cent belong to above Rs. 5,00,000 turnover group, 28 per cent come under the group of Rs. 4,00,000 - 5,00,000 turnover, 12 per cent are in the group of Rs. 3,00,000 - 4,00,000 turnover, 8 per cent of them come under the income group of Rs. 2,00,000 - 3,00,000 turnover and the rest 4 per cent belong to below Rs. 1,00,000 turnover. Among the merchant establishments of Ernakulam, 56 per cent are in the group of above Rs. 5,00,000 turnover, 18 per cent of them belong to Rs. 4,00,000 - 5,00,000 turnover, same per cent i.e. 10 per cent of them come

respectively under Rs. 2,00,000 - 3,00,000 turnover and Rs. 3,00,000 - 4,00,000 turnover and 6 per cent of them belong to Rs. 1,00,000 - 2,00,000 turnover. As far as the merchant establishments from Thiruvananthapuram are concerned, 42 per cent of them are in the group of above Rs. 5,00,000 turnover; followed by 30 per cent belong to the group of Rs. 4,00,000 - 5,00,000 turnover, 12 per cent come under the group of Rs. 3,00,000 - 4,00,000 turnover, 10 per cent are in the income group of Rs. 2,00,000 - 3,00,000 turnover and the rest 2 per cent come under below Rs. 2,00,000 turnover group. Thus, it is seen that majority (48.7 per cent and 25.4 per cent) of merchant establishments accepting plastic money belong to monthly turnover of Rs. 4,00,000 – 5,00,000 and above Rs. 5,00,000.

6.2.4 Type of goods and services dealt by merchants

The merchant establishments are further grouped on the basis of products and services they are dealing. Important goods and services dealt by them are food and accommodation, textile products, groceries, jewelry and luxury items, educational service, travel and entertainment services, automobile service, health and medical services cosmetics and beauty products, house hold items, leather products and footwear and others. The result obtained from tabulation is presented in Table 6.4.

Table 6.4 Type of goods and services dealt by merchant establishments

Type of Goods/Services	Number of merchant establishments	Percentage to total
Food and Accommodation	5	3.3
Textile Products	38	25.3
Groceries	11	7.3
Jewelry and luxury items	9	6
Educational service	6	4
Travel and entertainment services	14	9.4
Automobile service	15	10
Health and medical services	9	6
Cosmetics and beauty products	6	4
House hold items	7	4.7
Leather products and footwear	24	16
Others	6	4
Total	150	100

Source: *Field Survey*

Table 6.4 shows that out of 150, merchant establishments dealing in textile products constitute major group of 25.8 per cent; followed by groups of leather products and foot wears 16 per cent, automobile service 10 per cent, travel and entertainment 9.4 per cent, groceries 7.3 per cent, jewelry and luxury items and health and medical expenses 6 per cent respectively, household items 4.7 per cent, educational service, cosmetics and beauty products and others 4 per cent respectively and food and accommodation 3.3 per cent. Thus, majority of the merchant establishments covered in the study are dealing in textile products followed by leather products and footwear, automobile service, travel and entertainment expenses, and groceries.

6.2.5 Period of acceptance of plastic money as a payment instrument

It is important to know how long the merchant establishments covered under the study have been accepting plastic money as a mode of payment instrument for business dealings, because increase in number of years of acceptance indicates the increase and intensity in using of plastic money. The data collected to know this are presented in Table 6.5.

Table 6.5 Period of acceptance of plastic money as a payment instrument

Years	Merchant establishments	Percentage to total
Less than 1 year	6	4
2-3 years	10	6.7
3-4 years	15	10
4-5 years	31	20.7
More than 5 years	88	58.6
Total	150	100

Source: *Field Survey*

Out of 150 merchant establishments, 58.6 per cent have been accepting plastic money for more than 5 years, 20.7 per cent have been dealing in between 4 to 5 years, 10 per cent have been accepting it in between 3 to 4 years, 6.7 per cent have been using it 2 to 3 years and 4 per cent has been accepting for cards less than 1 year. Thus, it is revealed that majority of units covered in the study have been using plastic money for more than 5 years and accepting it continuously.

Another point to be highlighted here is that the opinions expressed by the respondents are more acceptable because of their long experience in dealing with plastic money.

6.3 Factors motivating to accept plastic money by merchants

Merchants, all over the world now, accept the plastic money as a main payment instrument in their business deals. Based on the review of available literature and from the pilot study these specific reasons for accepting plastic money by merchants were identified and included in the interview schedule. Important factors, which have motivated the merchants to accept plastic money are business promotion, customer convenience, increase in sales and profitability, less risk of handling cash and avoid bad debts. The merchants were asked to rank these reasons as 1, 2, 3, 4 and 5 in the order of importance they were given to these reasons. The ranks given by the merchants were analysed with the help of weighted mean and assigned ranks accordingly. The result, thus, obtained is presented in Table 6.6.

Table 6.6 Factors motivated the merchants to accept plastic money

Factors	Mean	Rank
Customer convenience	4.647	1
Business promotion	4.047	2
Increase in sales and profitability	3.307	3
Avoid bad debts	1.627	4
Less risk of handling cash	1.373	5

Source: *Field Survey*

The analysis on factors motivating to accept plastic money by merchants revealed that the first important reason is customer convenience. The second important reason is business promotion. Third and fourth reasons are increase in sales and profitability and avoid bad debts respectively. Last one is the less risk of handling cash.

It is also attempted to know any specific reason for giving preference in accepting either debit cards or credit cards by the merchants.

6.3.1 Preferences to accept debit cards

Debit card which is one of the most important forms of plastic money is largely accepted by merchants in their business deals as a medium of payment. There are several factors attracting them to prefer debit cards. Factors motivated them to accept debit card as a payment instrument are highlighted by merchants during the pilot study are it increases the sales of small value items, less charge back problems compared to credit cards and able to attract all levels of customers. These factors were included in the interview schedule and the respondents were asked to rank them in the order of importance as 1, 2, and 3 respectively. The ranks assigned by 150 merchants were tabulated and calculated the mean score. Based on the mean score ranks were assigned to these reasons of preferences as shown in Table 6.7.

Table 6.7 Preferences to accept debit cards by merchants

Preferences	Mean	Rank
Able to attract all levels of customers	3.000	1
Increases the sales of small value items	2.000	2
Less charge back problems compared to credit card	1.000	3

Source: *Field Survey*

The analysis of Table 6.7 revealed that most important reason for the preference of choosing debit card is that it helps to attract all levels of customers. The second and third reasons respectively are it increases the sales of small value items and lessens the charge back problems compared to credit cards.

6.3.2 Preferences to accept credit cards

Based on the review of available literature and from the pilot study the specific reasons to prefer credit cards by most merchants were identified. They include credit cards are able to attract both middle and high level income group of customers, increases the sale of big ticket items both traditional and online, reduces bad debts and increases the impulse sales. The merchants were asked to rank these reasons of preferences as one, two, three and four according to their

preference. The ranks assigned by 150 merchants were tabulated and the mean score were calculated. Based on the mean scores ranks are assigned to the reasons for preference as shown in Table 6.8.

Table 6.8 Preferences to accept credit cards by merchants

Preferences	Mean	Rank
Increases the impulse sales	4.000	1
Able to attract both middle and high income level customers	2.593	2
Reduces bad debt	1.813	3
Increase the sales of big ticket items both traditional and online	1.593	4

Source: *Field Survey*

The analysis based on ranks revealed that the most important reason for the preference of accepting credit card is that it increases the impulse sales. The second and third reasons respectively are they are able to attract both middle and high level income customers and reduce bad debts. Increases the sale of big ticket items both traditional and online is the fourth reason for the preference of choosing credit cards.

6.4 Benefits of accepting of plastic money in business dealings

Benefits of merchants on accepting plastic money as a payment instrument are analysed to know the effectiveness of card in business dealings. Increased acceptance leads to high sales turnover and its related benefits in business. Based on the review of literature and from the pilot study, some important benefits to merchants in accepting plastic money for business dealings were identified. There were included in the interview schedule to collect the opinion of respondents towards these benefits. These benefits include (1) increased flexibility in dealings and convenience; (2) increase in sales and revenue enhancement; (3) economy in time and cost leads to increased productivity and operating efficiencies; and (4) enhanced image and reputation, ensures guaranteed and timely payments. The merchants responses towards these benefits were collected in three point rating scale as strongly agree, agree and neutral.

6.4.1 Increased flexibility in dealings and convenience

Card payments are the fastest, simplest and safest way to purchase and sales. It helps the merchants to avoid the costs and risks involved in handling cash. Cards are the most popular form of payment on the internet and other e-commerce transactions. Fraud control techniques and internet security solutions offered by international card agencies such as VISA, Master Card etc help to detect frauds immediately and avoid huge losses. It particularly increases the confidence in e-commerce dealings. The responses collected for knowing the opinion about increased flexibility in dealings and conveniences were also analysed with respect to nature of business and region wise location of merchant establishments.

Opinion about increased flexibility in dealings and conveniences according to the nature of business of merchants are tabulated and presented in Table 6.9. It is seen that all the respondents either strongly agreed to or agreed to this benefit.

Table 6.9 Increased flexibility in dealings and convenience of merchants - Nature of business wise analysis

Nature of business	Increased flexibility in dealings and convenience		Total
	Strongly Agree	Agree	
Trading	37 (34.5)	70 (65.5)	107 (100)
Services	15 (34.8)	28 (65.1)	43 (100)
Total	52 (34.7)	98 (65.3)	150 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
6.9	0.001	1	3.841	0.972	Not Significant

In the case of trading establishments, out of 107, 34.5 per cent of them strongly agreed that plastic money increased the flexibility in dealings and conveniences and the rest i.e. 65.5 per cent also agreed to it. Among the service establishments, out of 43, 34.8 per cent supported it and the rest 65.1 per cent agreed to it. Thus, all of them have agreed to the same view.

Chi-square Test at 5 per cent level of significance revealed that there does not exist association between the opinions of merchants with regard to nature of business and the benefit of increased flexibility in dealings and conveniences on acceptance of plastic money.

Table 6.10 shows the region wise analysis of opinion about increased flexibility in dealings and conveniences of acceptance of plastic money.

Table 6.10 Increased flexibility in dealings and convenience of merchants -
Region wise analysis

Region	Increased flexibility in dealings and convenience		Total
	Strongly Agree	Agree	
Kozhikode	17 (34)	33 (66)	50 (100)
Ernakulum	18 (3)	32 (64)	50 (100)
Thiruvananthapuram	17 (34)	33 (66)	50 (100)
Total	52 (34.7)	98 (65.3)	150 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
6.10	0.059	2	5.991	0.971	Not Significant

The analysis revealed that in the Kozhikode region, 34 per cent of the respondents have strongly agreed with the opinion and 66 per cent of them agreed to this benefit. In the case of Ernakulam region, 36 per cent strongly

supported it and 64 per cent agreed to it. At Thiruvananthapuram region, 34 per cent supported it strongly and 66 per cent agreed to it. Thus, all of them agreed that plastic money increases flexibility and convenience in the business dealings.

Chi-square Test at 5 per cent level of significance revealed that there does not exist association between opinion of merchants with regard to the region of location of business increased flexibility in dealings and conveniences of accepting plastic money.

6.4.2 Increase in sales and revenues

Mere presence of VISA and Master Card logos will increase the cash sales in addition to card sales. This is an extra bonus of accepting cards. Scientific experiments and controlled studies proved it. Card products also increase the impulse sales. Sales volume through loyalty programmes increases by co-branded cards.

The responses collected for knowing the opinion about increased sales and revenue enhancement were also analysed with respect to type of business and regions wise of merchant establishments. The analysis revealed that all the units (trading 107 and services 43) covered in the study strongly agreed that acceptance of plastic money increased their sales and revenue.

6.4.3 Economy in time and cost leads to increased productivity and operating efficiency of business

Card transactions reduce the volume of paper transactions and help the merchants to concentrate on important business activities. Accepting cards lead to faster processing of transactions and collection of payments compared to cash. Advances in card acceptance technology such as contactless payments and mobile terminals have made it possible for card transactions to rival or surpass the speed of cash transactions and offer fast and secure transactions in a few seconds. Speedier transactions reduce long queues and valuable time. Accepting of it will increase the effectiveness of services given to customers by providing it speedily and safely. It helps to attain competitive edge over competitors. All these increase productivity in business dealings.

The responses collected for knowing the opinion on economy in time and cost leads to increased productivity and operating efficiencies were also analysed with respect to type of business and region wise of merchant establishments. The analysis revealed that all the units (trading 107 and services 43) covered under the study agreed that acceptance of plastic money helped economy in time and cost which leads to increased productivity and operating efficiency of the business.

6.4.4 Ensures guaranteed payments

Card transactions are processed automatically. Merchants will receive payment within 24 to 48 hours of depositing sales drafts and it avoids bad debt problems also. The responses collected for knowing the opinion about the benefit of ensuring guaranteed and timely payments were also analysed with respect to type of business and also regions wise of merchant establishments.

Opinion about the benefit of ensuring guaranteed and timely payments according to the type of business of merchants are tabulated and presented in Table 6.11.

Table 6.11 Ensures guaranteed and timely payment to merchants - Type of business wise analysis

Nature of business	Ensures guaranteed and timely payment			Total
	Strongly Agree	Agree	Neutral	
Trading	34 (31.8)	73 (68.2)	-	107 (100)
Services	14 (32.6)	29 (67.4)	-	43 (100)
Total	48 (32)	101 (67.3)	1 (.7)	150 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
6.11	0.031	1	3.841	0.861	Not Significant

The analysis revealed that as far as the trading establishments are concerned, 31.8 per cent of them strongly agreed to this benefit and 68.2 per cent of them agreed to it. In the case of service establishments 32.6 per cent of them supported it strongly and 67.4 per cent agreed to it. Thus, all of them supported that plastic money ensures guaranteed and timely payments.

Chi-square Test at 5 per cent level of significance revealed that there does not exist association between the opinions of merchants with regard to the nature of business and the benefit of ensuring guaranteed and timely payment of business dealings by accepting plastic money.

Table 6.12 presents the region wise analysis of opinion of merchants about the benefits of plastic money that is it ensures guaranteed and regular payments. In the case of Kozhikode region 30 per cent strongly agreed to it and 70 per cent agreed to it. As far as the Ernakulam region merchant establishments are concerned 32 per cent strongly agreed to it and the rest 68 per cent agreed to it. Among the Thiruvananthapuram region merchant establishments 34 per cent supported it strongly and the rest 66 per cent agreed to it.

Table 6.12 Ensures guaranteed and timely payment to merchants - Region wise analysis

Region	Ensures guaranteed and timely payment			Total
	Strongly Agree	Agree	Neutral	
Kozhikode	15 (30)	35 (70)	-	50 (100)
Ernakulam	16 (32)	34 (68)	-	50 (100)
Thiruvananthapuram	17 (34)	33 (66)	1 (2)	50 (100)
Total	48 (32)	102 (68)	1 (.7)	150 (100)

(Figures in brackets denote percentage to total)

Source: *Field Survey*

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
6.12	0.242	2	5.991	0.698	Not Significant

Chi-square Test at 5 per cent level of significance revealed that there does not exist significant association between the opinions of merchants based on the regions of location of business and the benefits of accepting of plastic money which ensures guaranteed and timely payments for business dealings.

From the analysis of benefits on accepting of plastic money it can be concluded that majority of the merchants have strong agreed towards the benefits like increase in their sales and turnover and its strong positive influence on the business dealings.

6.4.5 Enhanced image and reputation of business

Acceptance of plastic money increases the image and reputation of merchants among public all over the world. Merchant account status obtained only to solid merchants and possesses high credit worthiness. Credibility of business should attract more customers and increases the sales. The responses collected for knowing the opinion about enhanced image and reputation were also analysed with respect to the nature of business and region wise of merchant establishments

Opinion about enhanced image and reputation according to the nature of business of merchants are tabulated and presented in Table 6.13.

Table 6.13 Enhanced image and reputation of business - Nature of business wise analysis

Nature of business	Enhanced image and reputation			Total
	Strongly Agree	Agree	Neutral	
Trading	37 (34.5)	35 (32.8)	35 (32.7)	107 (100)
Services	15 (34.9)	15 (34.9)	13 (30.2)	43 (100)
Total	52 (34.7)	50 (33.3)	48 (32)	150 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
6.13	0.103	2	5.991	0.950	Not Significant

Analysis of table 6.13 revealed that in the case of trading establishments, 34.5 per cent of them strongly supported it; followed by 32.8 per cent who agreed to it and 32.7 per cent have neutral opinion. As far as the service establishments are concerned, 34.9 per cent of them supported it strongly, 34.9 per cent agreed to it and 30.2 per cent responded that they have neutral opinion. Thus, it can be concluded that more than 80 per cent of them agreed to this benefit.

Chi-square Test at 5 per cent level of significance revealed that there does not exist association between the opinions of merchants with regard to the nature of business and the benefit of enhanced image and reputation of business through accepting plastic money.

Table 6.14 shows the region wise analysis of opinion of merchants about the benefit of enhanced image and reputation. As far as the Kozhikode region, 34 per cent supported it strongly; followed by 36 per cent agreed to it and 30 per cent have expressed neutral opinion. Among the merchants of Ernakulam, 36 per cent strongly agreed to it, 32 per cent agreed to it and 32 per cent have neutral opinion. In the case of Thiruvananthapuram region 34 per cent of the merchants strongly agreed to it, 32 per cent agreed to it and the rest 34 per cent have neutral opinion. Thus, overall, 80 per cent of them supported this benefit to business.

Table 6.14 Enhanced image and reputation of business - Region wise analysis

Region	Enhanced image and reputation			Total
	Strongly Agree	Agree	Neutral	
Kozhikode	17 (34)	18 (36)	15 (30)	50 (100)
Ernakulam	18 (36)	16 (32)	16 (32)	50 (100)
Thiruvananthapuram	17 (34)	16 (32)	17 (34)	50 (100)
Total	52 (34.7)	50 (33.3)	48 (32)	150 (100)

(Figures in brackets denote percentage to total)

Source: *Field Survey*

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
6.14	0.323	4	9.488	0.988	Not Significant

Chi-square Test at 5 per cent level of significance revealed that there does not exist association between opinions of merchants based on the regions of location of business units and the benefits of enhanced image and reputation to the business through acceptance of plastic money.

From the analysis of benefits on accepting plastic money it can be concluded that, majority of the merchant establishments have agreement towards these benefits. Thus, the acceptance of plastic money increases their sales volume and related benefits create a strong positive impact on the business dealings.

6.5 Plastic money and its impact on business dealings

Acceptance of plastic money as a payment instrument in business dealings leads to positive impact on business. It has been analysed with respect to the opinion of merchants regarding acceptance of plastic money as a payment instrument, increase in number of customers since accepting plastic money, expecting growth in the present business and boom in consumer spending.

6.5.1 Opinion regarding plastic money as a payment instrument

Merchants' satisfaction is one of the major factors that determine the role of plastic money as a best medium of exchange and activeness in business deals. Increased acceptance of plastic money by merchants depends on their high level of satisfaction and favourable opinion. The data collected on merchants' opinion about plastic money as a payment instrument is tabulated and shown in Table 6.15.

Table 6.15 Merchants' opinion on plastic money as a payment instrument

Opinion	Merchant establishments	Percentage to total
Excellent	12	8
Very good	41	27.4
Good	95	63.3
Not Good	2	1.3
Total	150	100

Source: *Field Survey*

Analysing Table 6.15, revealed that out of 150 merchants, 8 per cent of them opined it as excellent, 27.4 per cent of them rated it as very good, 63.3 per cent of them expressed it as good and the rest 1.3 per cent of them only remarked it as not good. Thus, it can be concluded that almost all of the merchants have favourable opinion and are ready to accept it in their dealings.

6.5.2 Increase of business after the acceptance of plastic money

Increase of business through acceptance of plastic money is very important to be analysed in order to know its strongest influence on business deals. Increase of business can also be tested through whether there is increase in the number of customers. Increased number of customers is an indicator of growth in business. Respondents' opinion about increase in customers after accepting plastic money as a medium of payment instrument is presented in Table 6.16.

Table 6.16 Increase in number of customers after the acceptance of plastic money

Level of Increase	Merchant establishments	Percentage to total
Increased	74	49.3
Some what Increased	52	34.7
Same	24	16.0
Total	150	100

Source: *Field Survey*

Out of 150 merchants, 49.3 per cent opined that there is increase in the number of customers, 34.7 per cent responded as somewhat increased and the rest 16 per cent

marked that customers are same as before. Thus, majority of the merchants admitted that there is increase in the number of customers who are using the plastic money for shopping, which in turn increases its role in the business deals.

6.5.3 Expectation of growth in business through plastic money

Expectation of growth in business through plastic money from the view points of merchants highlights the strongest influence of plastic money in business dealings. Data collected to know the level of growth in business expected by the merchants are presented in Table 6.17.

Table 6.17 Expectation of growth in business through plastic money

Level of Growth	Merchant establishments	Percentage to total
Below 20	57	38
20 - 40	69	46
40 - 60	24	16
Total	150	100

Source: *Field Survey*

Out of 150 merchants, 38 per cent of them opined that their expectation about growth in business is only below 20 per cent, 69 per cent of them stated that the expectation in growth is between 20 - 40 per cent and the rest 24 per cent marked that the expectation of growth in business is between 40 – 60 per cent. Thus, it is seen that all of them expect growth in volume of business by accepting plastic money as a medium of payment instrument. Thus, it can be concluded that plastic money has an important role in the growth of business deals.

6.5.4 Boom in consumer spending by using plastic money

The opinion of merchants about the boom in consumer spending by using plastic money is analysed to know the increase in business. Boom in spending by using plastic money denotes increase in impulse sales and the level of customers, which in turn leads to growth in business. Merchants' opinions about boom in consumer spending is tabulated and presented in Table 6.18.

Table 6.18 Merchants' opinion on boom in consumer spending by using plastic money

Level of Boom	Merchant establishments	Percentage to total
Very High	13	8.6
High	88	58.7
Equal	49	32.7
Total	150	100

Source: *Field Survey*

Out of 150 merchants, 8.6 per cent of them opined as boom in spending is very high due to usage and acceptance of plastic money, 58.7 per cent of them stated as it is high and the rest 32.7 per cent of them opined that they are equal as usual. Thus, majority of them opined that boom in consumer spending has been experienced and the changes in the spending behaviour of consumers have an influence on use of plastic money and growth of business.

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Chapter **7**

**TRANSACTIONS USING PLASTIC MONEY:
PROBLEMS AND PRECAUTIONS**

Contents	7.1 Problems of cardholders in using plastic money
	7.2 Facilities for settling disputes/grievances
	7.3 Precautions to be taken by cardholders
	7.4 Problems connected with plastic money among merchants
	7.5 Precautions to be taken by merchants

I – Analysis from the Cardholders' point of view

The present chapter deals with the problems encountered by the users of plastic money and the precautionary and safety measures to be taken by both the cardholders and merchant establishments while dealing in plastic money. This section deals with the analysis from the cardholders' point of view and the analysis based on merchants' view point is presented in the second section.

7.1 Problems of cardholders in using plastic money

There are several problems connected with plastic money which are usually hindered its use by the cardholders. These problems include: (1) card frauds, (2) incorrect and incomplete receipts, bills, statements etc. from merchants/banks, (3) unsolicited cards and activated it without the consent of the cardholder and billed the same, (4) language used in legal terminology which is not comprehensible to ordinary customers, (5) delay in dispatching bills, realisation of cheques and failure to obey the standing instructions given by cardholders regarding payment on or before due date etc. and levying heavy penalties for defaults on customers, (6) unethical and unfair dealings of DSAs (Direct Selling Agents)/DMAs (Direct Marketing Agents) during collection of dues and canvassing new customers for card, (7) lack of transparency in discussing fees/charges/penalties/billing/security/ privacy etc. and frequently changing terms and conditions and charging high fee and (8) malfunction/ defect in the POS/ATM terminal. Here, in the study an attempt is made to know the experience of facing each of these problems by the cardholders. The opinion of cardholders about their experiences towards these problems are collected, in five point scale, as almost always, often, sometimes, rarely and almost rarely, analysed and stated below.

7.1.1 Card frauds

In plastic money dealing there is a general saying that card fraud is one of the most important problems faced by cardholders allover the world. In India also these frauds are reported. Card fraud occurs when someone uses the card information without cardholder's permission. Credit card fraud is the major and one of the biggest threats to business establishments. According to Visa survey, globally credit card

frauds accounts to \$ 55 billion. Over the past three years, the number of credit card frauds has gone up by 80 per cent. Credit card frauds are 8789 (Rs. 18.36 crores), in 2005, which are increased to 17,294 (Rs. 38.44 crores.) in 2007². One reason for it is the growing number of transactions. In these cases, merchants are far more at risk from credit card and also the consumers may face trouble trying to get a fraudulent charge reversed. Merchants lose the cost of the products sold, pay charge-back fee and fear from the risk of having their merchant account closed. Increasingly, the card-not-present scenario i.e. shopping on the internet poses a greater threat as the merchant is no longer protected with the advantage of physical verification such as signature check, photo identification etc. Important credit card frauds are application frauds, stolen and lost cards, account takeover, fake and counterfeit cards such as erasing the magnetic strip, creating a fake card etc., skimming, merchant related frauds such as merchant collusion, triangulation, employee frauds, insider frauds etc., internet related frauds such as site cloning, phishing/bogus internet website, false merchant sites, credit card generators etc. and other frauds such as bust out fraud, friendly fraud/denial of receiving product and cardholder fraud etc. The opinion of cardholders about their experience towards card frauds is collected and presented in Table 7.1

Table 7.1 Experience of cardholders on card frauds

Type of cards used	Experience of cardholders on card frauds		Total
	Rarely	Almost Never	
Debit Cards	-	300 (100)	300 (100)
Credit Cards	15 (5)	285 (95)	300 (100)
Debit and Credit Cards	7 (2.3)	293 (97.7)	300 (100)
Total	23 (2.5)	889 (97.5)	900 (100)

(Figures in brackets denote percentage to total)

Source: *Field Survey*

The analysis revealed that Debit cardholders never faced the problem of card frauds, only 5 per cent of the credit cardholders faced this and in the case of

users of both debit and credit cards, only 2.3 percent of them suffered card frauds. Overall, only 2.5 per cent out of 900 cardholders rarely suffered from card frauds. Thus, it reveals that card frauds are not a serious concern among the users because of the precautions they have taken.

7.1.2 Incorrect and incomplete receipts and bills from merchants/banks

The complaint often raised by cardholders is about the receipt of incorrect and incomplete bills/statements from banks and merchants. Mistakes of these types often lead to charge back problems and lots of time will also taken to correct these mistakes. The opinion of cardholders on this is presented in Table 7.2 and shows that none of them always face this problem.

Table 7.2 Cardholders' views on incorrect and incomplete receipts and bills from merchants/banks

Type of cards used	Incorrect and incomplete receipts and bills from merchants/banks				Total
	Often	Sometimes	Rarely	Almost Never	
Debit Cards	7 (2.3)	16 (5.3)	55 (18.3)	222 (74)	300 (100)
Credit Cards	41 (13.7)	42 (14)	55 (18.4)	162 (54)	300 (100)
Debit and Credit Cards	41 (13.7)	44 (14.7)	62 (20.6)	153 (51)	300 (100)
Total	89 (9.8)	102 (11.3)	172 (19.1)	539 (59.8)	900 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
7.2	15.75	4	9.49	<0.001	Significant

In the case of debit cardholders, 74 per cent said that they never faced the problem of incorrect and incomplete receipts, bills, vouchers, statements etc. from merchants/banks, 18.3 per cent faced it rarely, 5.3 per cent opined that they faced it sometimes and 2.3 per cent of them complained that they often experienced it. As far as

the credit cardholders are concerned, 54 per cent never faced it, followed by 18.4 per cent rarely experienced it, 14 per cent incurred it sometimes and 13.7 per cent have suffered it often. Among the users of both debit and credit cards, 51 per cent never faced it, 20.6 per cent experienced it rarely, 14.7 per cent incurred it sometimes and 13.7 per cent suffered it often. On an overall, 40.2 per cent out of 900 cardholders suffered it which in turn badly affects the transactions through plastic money.

Chi-square Test at 5 per cent level revealed that there exists significant association between the opinion of various types of card users towards the problem of incorrect and incomplete receipts, bills, vouchers, statements etc. from merchants/banks in dealing of plastic money.

7.1.3 Unsolicited cards, loans and policy and its activation without the consent of the cardholders

Another complaint with regard to cards is receiving of unsolicited cards, loans and insurance policy from banks and its activation without the consent of cardholders. Cardholders know it only when they get the monthly statement contains various fee/charges etc. It is really a problem to the cardholders. Responses of the cardholders about it is collected and presented in Table 7.3.

Table 7.3 Cardholders' views on unsolicited cards, loans and policy and its activation without the consent of the cardholders

Type of cards used	Unsolicited cards, loans and policy and its activation without the consent of the cardholders					Total
	Almost Always	Often	Sometimes	Rarely	Almost Never	
Debit Cards	-	3 (1)	5 (1.6)	9 (3)	282 (94)	300 (100)
Credit Cards	35 (11.7)	44 (14.7)	53 (17.6)	76 (25.3)	92 (30.7)	300 (100)
Debit and Credit Cards	32 (10.7)	49 (16.3)	58 (19.4)	64 (21.3)	97 (32.3)	300 (100)
Total	67 (7.4)	96 (10.7)	116 (12.9)	149 (16.6)	471 (52.4)	900 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
7.3	55.33	6	12.59	<0.001	Significant

In the case of debit cardholders, 94 per cent never faced the problem of unsolicited cards, loans and insurance policy and activated it without the consent of the cardholders and billed the same; followed by 3 per cent of them faced it rarely, 1.6 per cent of them faced sometimes and one per cent of them often faced it. Among the credit cardholders, 30.7 per cent never suffered it, 25.3 per cent faced it rarely, 17.6 per cent faced it sometimes, 14.7 per cent faced often and 11.7 per cent faced it. As far as the users of both debit and credit cards are concerned, 32.3 per cent never faced it, followed by 21.3 per cent faced rarely, 19.4 per cent faced sometimes, 16.3 per cent faced it often and 10.7 per cent always faced it. Thus, 52.4 per cent out of 900 cardholders experienced this problem which in turn affect the use of plastic money by them and ultimately affect the business deals.

Chi-square Test at 5 per cent level revealed that there exists significant association between the opinion of various types of card users towards the problem of unsolicited cards, loans and insurance policy and activated it without the consent of the cardholders and billed the same.

7.1.4 Language used in legal terminology which is not comprehensible to ordinary customers

Next problem is of language used in legal terminology, which is not comprehensible to ordinary customers, which makes them difficult to understand the terms and conditions creates a lot of problems to the cardholders. Responses of the cardholders about it are presented in Table 7.4. It is seen that the cardholders did not always face this problem.

Table 7.4 Cardholders' views on language used in legal terminology which is not comprehensible to ordinary cardholders

Type of cards used	Language used in legal terminology which is not comprehensible to ordinary customers				Total
	Often	Sometimes	Rarely	Almost Never	
Debit Cards	39 (13)	45 (15)	46 (15.3)	170 (56.7)	300 (100)
Credit Cards	35 (11.7)	41 (13.7)	55 (18.3)	169 (56.3)	300 (100)
Debit and Credit Cards	34 (11.4)	37 (12.3)	66 (22)	163 (54.3)	300 (100)
Total	108 (12)	123 (13.6)	167 (18.6)	502 (55.8)	900 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
7.4	282.91	8	15.51	<0.001	Significant

In the case of debit cardholders, 56.7 per cent have never faced the language problem, followed by 15.3 per cent have faced rarely, 15 per cent have faced sometimes and 13 per cent have faced it often. Among the credit cardholders, 56.3 per cent never experienced it, 18.3 per cent have rarely faced, 12.3 per cent have sometimes faced and 11.7 per cent have often faced it. As far as the users of both debit and credit cards are concerned, 54.3 per cent never experienced it, 22 per cent experienced it rarely, 12.3 per cent have faced sometimes and 11.4 per cent faced it often. Thus, 55.8 per cent out of 900 cardholders faced this problem which will seriously affect the use of card by the cardholders in their business dealings.

Chi-square Test at 5 per cent level revealed that there exists significant association between the opinions of various types of card users towards the problem of language used in legal terminology of plastic money which is not comprehensible to ordinary customers.

7.1.5 Delay in despatching statements, realisation of cheques and failure to obey the standing instructions given by the cardholders

Mistakes on the part of banks connected with delay in dispatching bills before the due date and unrealisation of cheques and demand draft before the payment date often results into late payment charges and levying heavy penalties for defaults on the part of the credit cardholders is another major problem of bank cards. Credit cardholders can also make their payments by giving standing instructions to the bank. Accordingly banks should clear the payment by adjusting the deposits of the cardholder based on standing instructions. But, in most of the cases failure to obey the cardholders' instructions regarding payment on or before the due date which often results into late payment/default in payments call for penalties or higher fee. Since this is the problem particularly to credit cardholders their responses are collected and presented in Table 7.5. It is also seen that in five point scale none of the credit cardholders always face this problem.

Table 7.5 Cardholders' views on delay in despatching statements, realisation of cheques and failure to obey the standing instructions given by the cardholders

Type of cards used	Delay in despatching statements, realisation of cheques and failure to obey the standing instructions given by the cardholders				Total
	Often	Sometimes	Rarely	Almost Never	
Credit Cards	49 (16.3)	75 (25)	81 (27)	95 (31.7)	300 (100)
Debit and Credit Cards	43 (14.3)	65 (21.7)	90 (30)	102 (34)	300 (100)
Total	92 (15)	140 (23)	171 (29)	197 (33)	600 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
7.5	1.82	3	7.815	0.551	Not Significant

The analysis of Table 7.5 revealed that among the users of credit cards only 31.7 per cent never incurred it, followed by 27 per cent faced rarely, 25 per cent faced sometimes and 16.3 per cent faced it often. As far as the users of both debit and credit cards are concerned, 34 per cent never faced it, 30 per cent faced it rarely, 21.7 per cent faced sometimes and 14.3 per cent faced it often. Thus, 67 per cent out of the credit cardholders covered in the study faced this problem, which will results into even cancellation of card facility and its further use.

Chi-square Test at 5 per cent level of significance revealed that there does not exist association between the opinion of cardholders towards the problem of delay in dispatching statements and realisation of cheques, failure to obey the standing instructions given by the cardholders regarding payment and levying heavy penalties by banks.

7.1.6 Dealings of Direct Selling Agents/Direct Marketing Agents

Another problem faced by cardholders is with regard to the dealings of DSAs(Direct Selling Agents)/DMAs(Direct Marketing Agents) during collection of dues and canvassing of new customers for cards. Their unsolicited calls and visits really creates disturbance to customers. Responses of the cardholders about it are presented in Table 7.6.

Table 7.6 Cardholders' views on the dealings of direct selling agents/direct marketing agents

Type of cards used	Dealings of DSAs/DMAs					Total
	Almost Always	Often	Sometimes	Rarely	Almost Never	
Debit Cards	-	-	-	12 (4)	288 (96)	300 (100)
Credit Cards	34 (11.4)	33 (11)	39 (13)	43 (14.3)	151 (50.3)	300 (100)
Debit and Credit Cards	33 (11)	36 (12)	36 (12)	46 (15.3)	149 (49.7)	300 (100)
Total	67 (7.4)	69 (7.6)	75 (8.4)	101 (11.2)	588 (65.4)	900 (100)

(Figures in brackets denote percentage to total)

Source: *Field Survey*

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
7.6	367.41	6	12.59	<0.001	Significant

The analysis revealed that in the case of debit cardholders, 96 per cent never faced the problem of unfair dealings of agents and 4 per cent faced it rarely. Among the credit cardholders, 50.3 per cent have never faced, followed by 14.3 per cent faced rarely, 13 per cent faced sometimes, 11.4 per cent faced it always and 11 per cent often faced it. As far as the users of both debit and credit cards are concerned, 49.7 per cent never experienced it, 15.3 per cent faced it rarely, 12 per cent faced it often, 12 per cent faced sometimes and 11 per cent faced it always. Thus, 34.6 per cent out of 900 cardholders faced the unfair dealings of direct selling agents which in turn may results into withdrawal of card facility by most users.

Chi-square Test at 5 per cent level revealed that there exists significant association between the opinion of various types of card users towards the problems of dealings of DSAs/DMA's during collection of dues and canvassing new customers.

7.1.7 Lack of transparency in fee/charges/penalties/ billing/ security/ privacy etc. and frequently charging high fee

Transparency in dealings and other terms and conditions with regard to fee, charges, penalties, security etc. is must in all types of agreement. But, in card services cardholders highlighted the problem of lack of transparency in dealings create inconvenience to them. Frequent changes in the terms and conditions and also charging of high fees make it difficult among the cardholders to make regular payments. Responses of the cardholders about it is presented in Table 7.7.

Table 7.7 Cardholders' views on lack of transparency in fee/charges/ penalties/ billing/ security/ privacy and frequently charging high fee

Type of cards used	Lack of transparency in fee /charges/ penalties/ billing/ security/privacy and frequently charging high fee					Total
	Almost Always	Often	Sometimes	Rarely	Almost Never	
Debit Cards	22 (7.3)	24 (8)	39 (13)	63 (21)	152 (50.7)	300 (100)
Credit Cards	26 (8.7)	29 (9.7)	43 (14.3)	55 (18.3)	147 (49)	300 (100)
Debit and Credit Cards	20 (6.7)	25 (8.3)	48 (16)	53 (17.7)	154 (51.3)	300 (100)
Total	68 (7.6)	78 (8.6)	130 (14.4)	171 (19)	453 (50.4)	900 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
7.7	3.46	8	15.51	0.903	Not Significant

The Table 7.7 revealed that among the debit cardholders 49.3 per cent complained that they faced the problem of lack of transparency in dealings, out of which 21 per cent of them faced it rarely, 13 per cent faced sometimes, 7.3 per cent faced it always and 8 per cent often faced it. But the credit cardholders are concerned 51 per cent have faced it; out of which 18.3 per cent faced rarely, 14.3 per cent faced sometimes, 9.7 per cent faced often and 8.7 per cent have suffered it always. Among the users of both debit and credit cards, 48.7 per cent have faced this, out of this 17.7 per cent faced rarely, 16 per cent faced sometimes, 8.3 per cent faced often and 6.7 per cent faced it always. Thus, 49.6 per cent out of 900 cardholders faced the problem of lack of transparency in card related dealings which results into lower its use among the cardholders and ultimately affect the business dealings.

Chi-square Test at 5 per cent level revealed that there does not exist significant association between the opinion of different types of card users

towards lack of transparency in fee/charges/ penalties/ billing /security/privacy etc. and frequently changing terms and conditions and charging high fee.

7.1.8 Malfunction/defect in the POS/ATM terminal

Malfunction/defect in the POS/ATM terminal affects the purchase and withdrawal transactions of cardholders. The opinion of the cardholders about it is presented in Table 7.8.

Table 7.8 Cardholders' views on malfunction/defect in the POS/ATM terminal

Type of cards used	Malfunction/defect in the POS/ATM terminal			Total
	Often	Sometimes	Rarely	
Debit Cards	66 (22)	141 (47)	93 (31)	300 (100)
Credit Cards	51 (17)	168 (56)	81 (27)	300 (100)
Debit and Credit Cards	102 (34)	162 (54)	36 (12)	300 (100)
Total	219 (24.4)	471 (52.3)	210 (23.3)	900 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

Chi-square Test Result

Table	Calculated Value	df	Tabled value	Asymp. Sig. (2-sided)	Conclusion
7.8	47.182	4	9.488	<0.001	Significant

It is seen that all respondents faced this problem either often, some times or rarely. In the case of debit cardholders, 47 per cent faced it sometimes, 31 per cent opined that they faced it rarely and 22 per cent complained that they often experienced it. As far as the credit cardholders are concerned, 56 per cent faced it sometimes; followed by 27 per cent rarely experienced it and 17 per cent suffered it often. Among the users of both debit and credit cards, 54 per cent faced it sometimes, 34 per cent suffered it often and 12 per cent experienced it rarely. Thus, it can be concluded that this problem may badly affect the transactions using plastic money.

Chi-square Test at 5 per cent revealed that there exists significant association between the opinions of different types of card users towards malfunction/defect in the POS/ATM terminal.

Thus, based on the analysis of various problems faced by cardholders stated above it can be concluded that these problems reduces the use of cards by the cardholders in business deals and also results into surrender of cards if these problems are not rectified.

Results of Chi-square Test of data presented in Tables 7.2, 7.3, 7.4, 7.6 and 7.8 support the fourth hypothesis formulated for the study and is proved.

H4 There exists significant association between the problems confronted and the use of plastic money by the cardholders.

7.2 Facilities for settling disputes/grievances

Enacting laws alone cannot solve the customers' problems. Customers also need to be informed of these laws. Banks are bound legally to give necessary information to the customers in all their transactions. Relevant information helps in safe guarding the interests of their customers. Redressal is the natural follow up of hearing of complaints and making a settlement in a manner that is acceptable to customers as well as the sellers. In order to handle the disputes/grievances of the cardholders, facilities available are customer grievance redressal cell in banks, banking ombudsman services provided by RBI and consumer courts. The cardholders' awareness level about these facilities are measured in five point scale as fully aware, aware, partially aware, slightly aware and not aware.

7.2.1 Customer grievance redressal cell in banks

If the cardholders have any complaints regarding fee/charges, mistakes, deficiency of services they can approach the customer grievance redressal cell in banks with adequate evidence for getting solutions. Most of the cases are settled internally by banking authorities on getting complaints from the customers. Cardholders' awareness about this facility is collected and presented in Table 7.9. It is seen that all of them are aware about it.

Table 7.9 Cardholders' views on awareness on grievance redressal cell in banks

Type of cards used	Customer awareness on grievance redressal cell in banks				Total
	Fully Aware	Aware	Partially Aware	Slightly Aware	
Debit Cards	84 (28)	200 (66.7)	16 (5.3)		300 (100)
Credit Cards	105 (35)	172 (57.4)	23 (7.6)		300 (100)
Debit and Credit Cards	81 (27)	204 (68)	15 (5)		300 (100)
Total	576 (64)	270 (30)	54 (6)		900 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

About customer grievance redressal cell in banks, 28 per cent of the debit cardholders are fully aware it; followed by 66.7 per cent aware it and 5.3 per cent are partially aware it. In the case of credit cardholders, 35 per cent are fully aware, 57.4 per cent aware and 7.6 per cent are partially aware of this facility. Among the users of both debit and credit cards, 27 per cent are aware it fully, 68 per cent aware it and 3 per cent are partially aware it. Thus all the cardholders aware about customer grievance redressal cell in banks for handling card related problems.

7.2.2 Banking ombudsman services

If the cardholder does not get redressal through customer grievance redressal cell in banks, they can approach banking ombudsman services provided by RBI. Banking Ombudsman an independent dispute resolution authority set up by the Reserve Bank in 1995 to deal with disputes that individuals and small business have with their banks. The banking ombudsman is a quasi-judicial authority. The RBI's revised Banking Ombudsman Scheme now includes customer complaints on credit card, deficiencies in providing the promised services by banks, levying service charges without prior notice to the customer and non-adherence to the fair practices code as adopted by individual banks. Data published by RBI in 2006-07 states that most complaints with banking ombudsman are related to credit cards. It formed the major share of complaints, accounting for 20 per cent of the complaints (7,688 out of

31,732) These included complaints regarding non-issue of cards, receiving unsolicited cards, delayed account statements, excessive charges, unauthorised debits, loans having been sanctioned against credit cards based on telephonic conversation without any written consent of the cardholders, problems such as canceling the cards, settlement of claims, misreporting of credit history, cards being frozen without intimation and harassment from recovery officers.

The cardholders' awareness about the services of banking ombudsman to settle the grievances of cardholders is collected and presented in Table 7.10.

Table 7.10 Cardholders' views on awareness on Banking Ombudsman services

Type of cards used	Customer awareness on Banking Ombudsman services			Total
	Partially Aware	Slightly Aware	Not Aware	
Debit Cards	172 (57.3)	96 (32)	32 (10.7)	300 (100)
Credit Cards	186 (62)	85 (28.3)	29 (9.6)	300 (100)
Debit and Credit Cards	180 (60)	84 (28)	36 (12)	300 (100)
Total	538 (59.8)	265 (29.4)	97 (10.8)	900 (100)

(Figures in brackets denote percentage to total)

Source: *Field Survey*

Table 7.10 reveals that knowledge level of debit cardholders about Banking Ombudsman service shows that 57.3 per cent partially aware it, 32 per cent slightly aware it and 10.7 per cent not at all aware it. In the case of credit cardholders, 62 per cent aware it partially, 28.3 per cent slightly aware it and the rest 9.6 per cent are not aware it. As far as the users of both debit and credit cards are concerned 60 per cent are partially aware it, 28 per cent slightly aware it and 12 per cent not at all aware it. Overall, majority (89.2 per cent) of the cardholders are partially and slightly aware about banking ombudsman services and only 10.8 per cent of cardholders not at all aware about this service.

7.2.3 Consumer Court

Grievances related to card cases can be filed at the Consumer Redressal Forums against the banks on the grounds of 'deficiency in service'. For redressal of grievances under the Consumer Protection Act, a credit cardholder may approach a District Forum if the value of goods and services provided is less than Rs. 20 lakh; the State Commission if the value is more than Rs. 20 lakh but less than Rs. 1 crore. The major advantage of the Consumer Court is that it allows a card user to file a complaint with the Consumer Forum of the district in which he is a resident provided the cause of action is within the jurisdiction of that District Forum. The law also requires that a complaint be filed within two years from the date on which the cause of action incurred in a District Forum of appropriate jurisdiction after payment of a nominal fee. Consumer Court is the final authority for redressing grievances connected with deficiency of card services if a cardholder does not get his problem solved from banking ombudsman. Awareness of the cardholders about approaching consumer court is collected and presented in Table 7.11.

Table 7.11 Cardholders' views on awareness on Consumer Courts

Type of cards used	Awareness on Consumer courts			Total
	Partially Aware	Slightly Aware	Not Aware	
Debit Cards	167 (55.7)	92 (30.7)	41 (13.6)	300 (100)
Credit Cards	183 (61)	83 (27.7)	34 (11.3)	300 (100)
Debit and Credit Cards	175 (58.3)	79 (26.3)	46 (15.4)	300 (100)
Total	525 (58.3)	254 (28.2)	121 (13.5)	900 (100)

(Figures in brackets denote percentage to total)

Source: *Field Survey*

Like banking ombudsman service, knowledge about approaching to Consumer Court is also low among cardholders. As far as the debit cardholders are concerned, majority i.e., 55.7 per cent are partially aware it, but in the case of credit cardholders

61 per cent are partially aware of it. Among the users of both debit and credit cards 58.3 per cent are partially aware of it. Thus, it can be concluded that 58.3 per cent out of 900 cardholders are partially aware about it.

Thus, it can be concluded that majority of them are aware about redressal cells of banks but their level of awareness about ombudsman services and consumer courts are very low.

7.3 Precautions to be taken by cardholders

During the study period from the review of available literature, guidelines issued by various banks, RBI, and Card issuing agencies, and experts in the field, data on precautionary measures to be taken by the cardholders while using plastic money are collected. From this most important are summarised below under the title precautions to be taken while using ATMs for withdrawal as well as to be taken to reduce card fraud.

7.3.1 Precautions to be taken at the time of using ATM

The following precautionary measures are to be taken by the cardholders when they are using ATMs for withdrawing cash.

- It is better to always observe the surroundings before beginning transactions, safer to conduct transactions during the day time as far as possible, block the view of others when using the ATM and spend minimum time at the ATM when conducting a transaction. If anything seems suspicious, cancel the transaction and leave the place immediately.
- Store the cards carefully so that the magnetic strip is not damaged. Do not expose the card to direct sunlight, magnetic fields, X-rays etc. and also conceal the PIN from others.
- Do not type the number if the card is stuck in the ATM. Stop/cancel the transaction and ask for help. Also remember to take back the card and also the receipt from the machine. Check the available balance in the account and take a print of the charge slip for comparison before

a fresh transaction. Check the ATM transaction charges for withdrawal from other tie-up banks.

- When the ATM monitor says transaction not done or cancel the order of the cardholder, do not make any more transactions. Retrieve the card and charge slip first. Compare the amount in the account. If not debited, make a fresh entry. If the cardholder did not receive cash, but charge slip shows deduction, inform the bank authority immediately.
- ATM booths have customer care numbers and in case any emergency arise, lodge a complaint on the help line numbers and then contact the local bank authorities for assistance.
- If the ATM cardholder finds out that an amount has been debited twice, the card holder can ask the bank to tally that day's ATM transactions. If discrepancy is found, the bank will reverse and credit the amount to your account.
- Do not seek stranger's help while using ATM and also it is better not to withdraw large amounts of cash at a time.
- Suppose the money ordered by the cardholder is not delivered to him for some technical reasons and is collected by someone else who came to the ATM after him, ask the bank to show the video clip for that day.

7.3.2 Measures to be taken to reduce card frauds and other problems while using plastic money

The precautions to be taken by cardholders to reduce card frauds and to avoid other problems relating to the use of plastic money are listed below.

- The cardholders should sign on the signature panel as soon as a card is received from the bank because an unsigned card is an invitation for misuse.
- Do not write the PIN on the cards and conceal the PIN from others. The card numbers also should not tell to others. Keep the password also secret. It is always safe to treat the cards as carefully like cash.

- It is always better to check the billing statements, receipts and other documents carefully to make sure that they are accurate and never sign an incomplete receipt.
- Do not expose the cards to magnetic strip to magnetic objects.
- Never leave the card unattended and keep it in a safe place. Do not disclose the card number and account number over the phone unless to know that it is a reputable business or the cardholder initiated the call.
- Do not always carry more debit or credit cards in hand than planned to use.
- For security reasons, it is better to keep a photocopy of the front and back side of the card with you.
- Report lost/stolen card immediately to the issuer bank and also to the police.
- Do not hand over the credit card to anyone other than the merchant when making a payment. Collect back the card immediately after the transaction is completed and make sure that it is your card and not others.
- Do not use it in establishments where the cardholders do not feel safe due to any reason.
- Verify the details of transactions on credit card statement with receipts of purchases made and make sure that they are correct.
- Ensure that the merchant process the card for transactions in the presence of cardholders. If the merchant made a mistake while inputting the amount, ask him to reverse the transaction immediately and swipe the card again as a fresh transaction.
- Keep a record of the card numbers, their expiration dates, the phone number and address of each card in a secure place and emergency number to contact the issuing bank, so that when any loss/theft is happened, it is possible to report missing or stolen cards immediately.
- When using card through internet, make sure that the selected site has a SSL secure protection, computer has up-to-date anti-virus software and a

firewall installed, take a printout of purchase order to avoid future problems.

- While making purchase over the phone, make sure that the company from whom the cardholders make purchase is widely known.
- If the card has expired/need to return it to the issuer because the customer want to close the account cut it in to four pieces, making sure that cut through the middle of the magnetic stripe and the card numbers and then dispose it.
- Watch the card while shopping. If any suspicious action is seen like swiping the card a second time on another machine report the establishment to the card hotline immediately and block your card.
- Check the credit card/bank statements regularly. If any mistake, you should lodge a complaint.
- Ensure the security of websites when card is used for on-line transactions. For online dealing it is better to use credit cards than debit cards. Use only secure internet browsers that allow secure transmission of data.
- Give card details only when initiating a purchase. Keep a record of transactions and review monthly statements thoroughly.
- Before making purchase, check the site's delivery and return policies to ensure that items can be returned if they are not in satisfactory condition.

II – Analysis from the Merchants' point of view

7.4 Problems connected with plastic money among merchants

Merchant establishments are facing some problems with the acceptance of plastic money as a medium of payment for sales. These problems include (i) charging high commission, interchange fees, rent for POS/EDC terminals etc, (ii) delay in payment from bank due to lack of trained personnel, (iii) lack of efficient training and promotional measures from bank for handling cardholders' problems, (iv) charge back problems and subsequent procedures imposes high fines and affect floor limit, (v)

compelled to install expensive screening systems to prevent fraud, and (vi) canceling the purchases after processing. Merchants' opinions about the problems connected with plastic money dealings was collected in five point scale, stating as almost always, often, sometimes, rarely and most never. But the entire merchant establishment covered in this study marked that they either faced rarely or almost never. In Table 7.12 responses of merchants regarding the above problems are presented.

Table 7.12 Problems of merchants in dealing with plastic money

Problems	Problems in dealing with plastic money		Total
	Rarely	Almost Never	
Charging high commission, interchange fees, rent for POS/EDC terminals etc.	51 (34)	99 (66)	150 (100)
Delay in payment from bank due to lack of trained personnel	53 (35.3)	97 (64.7)	150 (100)
Lack of efficient training and promotional measures from bank for handling cardholders' problems	95 (63.3)	55 (36.7)	150 (100)
Charge back problems and subsequent procedures imposes high fines and affect floor limit	-	150 (100)	150 (100)
Compelled to install expensive screening systems to prevent fraud	-	150 (100)	150 (100)
Canceling the purchases after processing	46 (30.7)	104 (69.3)	150 (100)

(Figures in brackets denote percentage to total)

Source: *Field Survey*

As far as the charging high commission, interchange fees, rent for POS/EDC terminals etc are concerned, 66 per cent have never incurred it and 34 per cent have faced it rarely. About delay in payment from bank due to lack of trained personnel, 64.7 per cent of them never faced it and 35.3 per cent of them incurred it rarely. Lack of efficient training and promotional measures from bank for handling cardholders' problems is another one. This problem is concerned, 63.3 per cent expressed that they never faced it and 36.7 per cent of them rarely incurred it. High fines imposed due to charge back problems and compelled to install expensive screening systems to prevent fraud are never

suffered them. Some cardholders cancelled the purchases immediately after they purchased often creates problems to the merchants. For canceling it reversal of entries are done is really difficult for the merchants. About it, 69.3 per cent never faced it and 30.7 per cent rarely incurred it. Thus, merchants are not suffered any serious problem except in the case of lack of efficient training where majority of them have complained about inadequate training to handle the problems connected with card acceptance.

7.4.1 Charge back problem

Charge back is one of the major problems faced by the merchant establishments. It reduces the sales, reduces the profit, and incurs financial losses which directly affect the growth of business. The responses collected for knowing the opinion about charge back problems create financial losses and even loose merchandiseship were also analysed with respect to type of business and region wise location of merchant establishments.

Opinion about charge back problems creates financial losses and loose merchandiseship according to the type of business of merchants are tabulated and presented in Table 7.13.

Table 7.13 Charge back problems create financial losses and loose merchandiseship - Nature of business wise analysis

Nature of business	Charge back problems create financial losses and loose merchandiseship			Total
	Strongly Agree	Agree	Neutral	
Trading	70 (65.4)	36 (33.6)	1 (0.9)	107 (100)
Services	27 (62.8)	16 (37.2)	-	43 (100)
Total	97 (64.7)	52 (34.7)	1 (0.6)	150 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

In the case of trading establishments, 65.4 per cent opined as strongly agreed to it, 33.6 per cent of them agree to it and only below one per cent marked

as neutral to this problem. Among the service establishments, 62.8 per cent of them strongly supported it and 37.2 per cent of them agreed to it. To conclude, all most all of them agreed to this problem in dealing with plastic money.

Table 7.14 shows the region wise analysis of opinion of merchants about charge back problems create financial losses and loose merchandiseship. .

Table 7.14 Charge back problems create financial losses and loose merchandiseship - Region wise analysis

Region	Charge back problems create financial losses and loose merchandiseship			Total
	Strongly Agree	Agree	Neutral	
Kozhikode	33 (66)	17 (34)	-	50 (100)
Ernakulum	32 (64)	17 (34)	1 (2)	50 (100)
Thiruvananthapuram	32 (64)	18 (36)	-	50 (100)
Total	97 (64.7)	52 (34.7)	1 (.6)	150 (100)

Figures in brackets denote percentage to total)

Source: *Field Survey*

The analysis reveals that 66 per cent of the merchants strongly agreed to it and 34 per cent agreed to this problem in the Kozhikode region. While in Ernakulam region, 64 per cent strongly agreed to it; followed by 34 per cent agreed to it and the rest 2 per cent remain neutral. But in Thiruvananthapuram region, 64 per cent of the merchants strongly agreed to it and 36 per cent agreed to it. Overall, all most all of them agreed to it.

Here, an attempt is also made to analyse the reasons for charge back among merchants. Any transaction entered by merchant establishments in any of the following circumstances shall be the final responsibility of merchant establishments notwithstanding that the transaction was accepted or paid by the bank and merchant establishments agrees to the bank's charging back of the transaction without any demur or protest. A transaction that is returned as a financial liability to a merchant

bank by a card issuer is usually because of disputed transactions. The merchant bank may then return or 'charge back' the transaction to the merchant. It reverses the sale transactions. It costs losses to the merchants.

Important reasons for charge back are specified by merchants are (i) card frauds, (ii) processing errors, (iii) sales draft is not delivered to the bank within the required time and (iv) failure to verify the card security features and authorisation issues. Awareness about these reasons for charge back among merchants collected is shown in Table 7.15.

Table 7.15 Merchants' awareness on reasons for charge back

Reasons	Awareness on reasons for charge back					Total
	Fully Aware	Aware	Partially Aware	Slightly Aware	Not Aware	
Card frauds	53 (35.3)	97 (64.7)	-	-	-	150 (100)
Processing errors	51 (34)	99 (66)	-	-	-	150 (100)
Sales draft is not delivered to the bank within the required time	44 (29.4)	99 (66)	5 (3.3)	2 (1.3)	-	150 (100)
Failure to verify the card security features and authorisation issues	96 (64)	50 (33.3)	4 (2.6)	-	-	150 (100)

(Figures in brackets denote percentage to total)

Source: *Field Survey*

About card frauds, all of them are aware, 35.3 per cent are fully aware and 64.7 per cent of them are aware. Processing errors is another reason, 34 per cent of them aware it fully and 66 per cent of them are aware it. Charge back also arises when the sales draft is not delivered to the bank within the required time, 29.4 per cent of the merchants aware it fully; followed by 66 per cent aware it, 3.3 per cent of them have partial knowledge and 1.3 per cent have only slight knowledge. Another important reason that also caused charge back problems is failure to verify the card security features and authorisation issues. As far as it is

concerned, 64 per cent of them fully aware it; followed by 33.3 per cent of them aware it and 2.6 per cent responded as partially aware. Thus, almost all of the merchants aware about the reasons for charge back.

7.4.2 Card frauds and related problems inversely affect the dealings through plastic money

Lack of awareness of merchants about the benefits of accepting plastic money, lack of expertise in operating POS terminals, lack of knowledge on clearing the doubts of cardholders, lack of expertise on maintaining security standards to protect cardholders' data, lack of effective training, improper transaction processing are other major hurdles faced by merchants. All these problems may sometimes prevent them from accepting payments through plastic money and hence, majority of them lack the fruitful benefits of accepting plastic money.

The responses collected for knowing the opinion about card frauds and other related problems inversely affects the business dealings through cards were also analysed with respect to type of business and regions wise of merchant establishments. The analysis revealed that all the merchants covered in the study (trading 107 and services 43) are strongly agreed to this.

Card frauds and other related problems often hindered the acceptance of plastic money by merchants because it creates charge back problems which in turn resulted into big losses. It is also attempted, here, to know whether the respondents were a victim of card frauds while dealing in plastic money. The responses collected from them are tabulated and presented in Table 7.16.

Table 7.16 Victim of card frauds when dealing in plastic money – Merchants' experience

Occurrences	Number of merchant establishments	Percentage to total
Sometimes	2	1.3
Rarely	9	6.0
Almost never	139	92.7
Total	150	100

Source: *Field Survey*

Out of 150 merchants, 92.7 per cent of them opined as they never faced it, 1.3 per cent have incurred it sometimes and 6 per cent stated that they rarely faced it.

From this it can be inferred that card frauds are rarely faced by the merchants because of the precautions they have already taken for card processing.

7.4.3 Consequences of non-data protection measures

Major consequences of non-data protection measures to be faced by the merchants are (i) loss of reputation of the business and revenues, (ii) subject to legal action if a security breach occurred, (iii) increased charge back results into more regulations and consequential losses, (iv) imposing high fines and (v) fails to secure merchant account from banks/financial institutions. The awareness of merchants about the consequences of non-data protection measures is collected in five point scale and tabulated in Table 7.17.

Table 7.17 Consequences of non-data protection measures to merchants

Consequences	Consequences of non-data protection measures					Total
	Fully Aware	Aware	Partially Aware	Slightly Aware	Not Aware	
Loss of reputation of the business and revenues	52 (34.7)	48 (32)	50 (33.3)	-	-	150 (100)
Subject to legal action if security breach occurred	100 (66.7)	50 (33.3)	-	-	-	150 (100)
Increased charge back results into more regulations and consequential losses	106 (70.7)	44 (29.3)	-	-	-	150 (100)
Imposing high fines	-	-	148 (98.8)	2 (1.2)	-	150 (100)
Fails to secure merchant account from banks/financial institutions	5 (3.3)	145 (96.7)	-	-	-	150 (100)

(Figures in brackets denote percentage to total)

Source: *Field Survey*

The analysis of Table 7.17 revealed that as far as the loss of reputation of the business and revenues are concerned, 34.7 per cent of merchants are fully aware, 32 per cent aware and 33.3 per cent know it partially. Another risk is subject to legal action if security breach occurred. About it 66.7 per cent are aware it and 33.3 per cent are partially aware it. Increased charge back results into more regulations and consequential loss. As far it is concerned, 70.7 per cent of them aware it fully and 29.3 per cent of them aware it. Another consequence is charging high fines. In this case 98.8 per cent of them have partial knowledge and 1.2 per cent of them slightly known it. Frequent non- data protection measure and its consequences results into failure to secure merchant account from banks. About it all of them aware it, 3.3 per cent are fully aware and 96.7 per cent aware it.

Thus, majority of the merchants are aware about all the consequences of not maintaining adequate data protection measures.

7.5 Precautions to be taken by merchants

Precautions taken by merchants for protecting cardholders interest is analysed to know the extent of precautionary measures they have taken. It is analysed under the headings viz. precautions for ensuring verification of card, steps taken when card is suspicious, refund and return policy, factors motivated to adopt security and data protection standards, strategies for prevention of card frauds and protection of customer privacy.

7.5.1 Precautions for ensuring verification of card

For reducing card frauds and to avoid future charge back problems merchants always have to take certain precautions for ensuring the validity of cards presented by customers. They include checking of card number and expiry dates, verification of hologram and logo verification, verification of card validation codes, address verification, signature verification and to verify whether the card is hot listed or not. Responses of merchants towards the precautions for ensuring verification of cards are collected in five point scale tabulated and presented in Table 7.18.

Table 7.18 Precautions for ensuring verification of cards by merchants

Statements	Almost Always	Often	Sometimes	Rarely	Almost Never	Total
Checking of card number and expiry dates	52 (34.7)	48 (32)	50 (33.3)	-	-	150 (100)
Verification of hologram and logo verification	149 (99.4)	1 (0.6)	-	-	-	150 (100)
Verification of card validation codes	101 (67.3)	49 (32.7)	-	-	-	150 (100)
Address verification	-	51 (34)	51 (34)	48 (32)	-	150 (100)
Signature verification	54 (36)	95 (63.4)	1 (0.6)	-	-	150 (100)
Hot listed or not	-	1 (0.6)	51 (34)	49 (32.7)	49 (32.7)	150 (100)

(Figures in brackets denote percentage to total)

Source: Field Survey

As far as checking of card number and expiry dates are concerned, 34.7 per cent of the merchants are doing it always, 32 per cent of them are doing often and 33.3 per cent of them doing sometimes. Verification of hologram and logo is concerned 99.4 per cent are doing it always and only below one per cent is doing often. As far as the verification of card validation codes are concerned 67.3 per cent of them verifying it always and the rest 32.7 per cent doing it often. In the case of address verification, 34 per cent of them verified it often; followed by 34 per cent are doing it sometimes and the rest 32 per cent is verifying rarely. Towards signature verification, 36 per cent of them verifying it always 63.4 per cent doing it often and below one per cent are verifying it sometimes. Verification regarding whether the card is hot listed or not below one per cent merchants checking it often 34 per cent are doing it sometimes, 32.7 per cent rarely checking and 32.7 per cent responded that they are not doing it.

Thus, it can be concluded that all of the merchants more or less taken the steps for ensuring the verification of cards. But is seen that they are not given much importance with regard to the verification whether the card is hot listed or not.

7.5.2 Steps taken when the card is suspicious

When merchants felt that the card is of suspicious nature the common steps all of them have to strictly follow according to Card Agencies directions such as contact customer care center of bank, makes code - 10 calls and report it to police respectively. The merchants' responses towards this are collected and presented in Table 7.19.

Table 7.19 Steps taken by merchants when the card is suspicious

Steps	Merchant establishments	Percentage to total
Contact customer care center of bank	142	94.7
Makes code -10 call	4	2.7
Report it to police	2	1.3
All the above	2	1.3
Total	150	100

(Figures in brackets denote percentage to total)

Source: *Field Survey*

Out of 150, 94.7 per cent of the merchants opined that they immediately contact the bank when they feel suspicious about a particular card followed by 2.7 per cent makes Code-10 call, 1.3 per cent of them report it to the police and 1.3 per cent of them responded that they follow all these steps.

Thus, majority of the merchants contact customer care center of the banks immediately when they feel suspicious about card transactions.

7.5.3 Refund and return policy

Before the sales made by accepting plastic money every merchant must explain and show the refund and return policy contains the terms and conditions of business dealings using plastic money according to the instructions of International Card

Agencies to the cardholders. The data collected to know the practice of respondents regarding to inform the cardholders about refund and return policy is tabulated and presented in Table 7.20.

Table 7.20 Disclosure of refund and return policy of merchants

Occurrences	Merchant establishments	Per cent
Sometimes	7	4.7
Rarely	47	31.3
Almost Never	96	64
Total	150	100

Source: *Field Survey*

When merchants are asked to respond about it, 64 per cent responded that they are not following it before the sales; 31.3 per cent stated that they are rarely doing it and 4.7 per cent opined that they are sometimes doing it. From this, it can be concluded that merchants do not adhere to follow the instruction of showing of refund and return policy before the beginning of transactions through plastic money.

7.5.4 Factors motivated to adopt security and data protection standards

There are some factors, which are motivated by merchants to adopt security and data protection standards. Important ones among them are identified during the study are (i) it provides greater awareness of security measures and preventive options, (ii) easy to implement, use and maintain with ongoing support, (ii) protection against loss of revenue, frauds, disputes, regulations, legal costs and police investigations and (iv) promote sales, business integrity and boost customer confidence. The merchants were asked to rank in the order of importance as 1, 2, 3 and 4 respectively. The ranks assigned by 150 merchants were tabulated and calculated the mean scores. Based on the mean scores ranks are assigned and shown in Table 7.21.

Table 7.21 Factors motivated the merchants to adopt security and data protection standards

Factors motivated	Mean	Rank
Protection against loss of revenue, frauds, disputes, regulations, legal costs and Police investigations	3.673	1
Promote sales, business integrity and boost customer confidence	3.007	2
Provide greater awareness of security measures and preventive options	1.980	3
Easy to implement, use and maintain with ongoing support	1.327	4

Source: *Field Survey*

The analysis based on the ranks revealed that the most important factor motivated to adopt security and data protection standards is protection against loss of revenue, frauds, disputes, regulations, legal costs and police investigations. The second and third reasons respectively are to promote sales, business integrity and boost customer confidence and provide greater awareness of security measures and preventive options. Easy to implement, use and maintain with ongoing support is the fourth factor motivated the merchants to adopt security and data protection standards.

7.5.5 Strategies for prevention of card frauds and protection of customers' privacy

There are certain strategies, which are suggested by card agencies and banks to help the merchants to reduce and prevent card frauds and also for protecting customers' privacy. From the literature important ones suggested by them are identified, they include (i) verify the card security features such as hologram, card number etc. to know whether the card is valid, (ii) strictly follow security standards and protocols related to card acceptance, (iii) establishing networks with e-merchants for sharing of fraudulent order information, (iv) internal arrangements in the form of self regulatory protection measures and (v) utilise the services of qualified security assessors from bank/international card agencies. The responses of merchants towards adopting strategies for prevention of card frauds and protection of customers' privacy are collected in five point scale, tabulated and presented in Table 7.22.

Table 7.22 Strategies adopted by merchants for prevention of card frauds and protection of customers' privacy

Statements	Almost Always	Often	Sometimes	Rarely	Almost Never	Total
Verify the card security features such as hologram, card number etc. to know the card is valid	149 (99.4)	1 (0.6)	-	-	-	150 (100)
Strictly follow security standards and protocols related to card acceptance	48 (32)	102 (68)	-	-	-	150 (100)
Establishing networks with e-merchants for sharing of fraudulent order information	-	-	-	105 (70)	45 (30)	150 (100)
Internal arrangements in the form of self regulatory protection measures	52 (34.7)	96 (64)	2 (1.3)	-	-	150 (100)
Utilise the services of qualified security assessors from bank/ international card agencies	-	-	50 (33.3)	100 (66.7)	-	150 (100)

(Figures in brackets denote percentage to total)

Source: *Field Survey*

As far as the verification of the card security features such as hologram, card number etc. to know whether the card is valid are concerned all of them are doing it. Regarding strictly following security standards and protocols related to card acceptance, 32 per cent of them are following it always and 68 per cent of them are doing it often. In the case of establishing networks with e-merchants for sharing of fraudulent order information, 70 per cent of them rarely sharing it and 30 per cent of them are not sharing it. Internal arrangements in the form of self-regulatory protection measures are also a useful strategy to reduce fraudulent practices. With regard to it, 34.7 per cent of them opined that they are regularly doing it 64 per cent of them are practicing it often and below one per cent of them following it sometimes. Another strategy is to utilise the services of qualified security assessors from

bank/international card agencies, which helps them to easily identify fraudulent practices and prevent it immediately. As far as it is concerned, 33.3 per cent of them rarely utilised the services and 66.7 per cent of them are not utilising the services yet.

Thus, establishing networks with merchants and utilisation of the services of banking officials are poor when compared to other strategies followed by the merchants for protecting cardholders privacy and also for preventing card frauds.

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Chapter **8**

**SUMMARY OF FINDINGS,
SUGGESTIONS AND CONCLUSION**

Contents	8.1 Findings of the study
	8.2 Suggestions
	8.3 Conclusion

8.1 Findings of the study

The present study is based on data and other information collected from 900 individuals using plastic money, drawing 300 each from Thiruvananthapuram, Ernakulam and Kozhikode districts in Kerala. Out of these, 300 respondents are using debit cards only, 300 are using credit cards only and the other 300 are using both debit and credit cards. This chapter provides a summary of major findings of the study, suggestions and conclusion.

8.1.1 Socio-economic profile of cardholders

8.1.1.1 Gender wise classification of respondents revealed that 684 (76 per cent) are male and 216 (24 per cent) are female. Among the male cardholders, 30.9 per cent use debit cards alone, 33.4 per cent use credit cards alone and 35.7 per cent use both these cards. But in the case of female cardholders, 40.8 per cent use debit cards, 33.3 per cent use credit cards and the rest 25.9 per cent use both these cards. Thus, majority of the cardholders are male.

8.1.1.2 Age wise classification of respondents showed that majority of the respondents, 36.7 per cent and 26 per cent are in the age group of 40 - 50 and 30 - 40 respectively. Hence, majority of the respondents are young and middle aged people.

8.1.1.3 Area wise classification of respondents showed that 49.4 per cent are residing in urban areas, 26.8 per cent are residing in semi-urban area and 23.8 per cent are residing in rural area. Thus, majority of the respondents covered in the study are residing in urban areas. It showed that people living in urban areas are more accessible to modern banking facilities than people living in semi-urban and rural areas.

8.1.1.4 Marital status of respondents showed that 68 per cent are married and 32 per cent are single. Usually family expenses are high among married people than unmarried people, hence use of plastic money helps them to meet their emergency requirements of cash.

8.1.1.5 Educational qualification wise classification of respondents revealed that 36.3 per cent are graduates, 31 per cent are diploma holders/technically qualified people,

15 per cent are post graduates, 15 per cent are having high school level education and 0.7 per cent have other qualifications.

8.1.1.6 Occupation of customers is a very important factor in analysing the use of plastic money. The respondents have various occupations such as business (33.3 per cent), profession (23 per cent), employees of government and private sector (24 per cent) and others (19.7 per cent) such as mechanics, contract works etc. The study revealed that, majority of the cardholders are business people and professionals.

8.1.1.7 Income is an important factor for choosing a particular type of card by customers and also for issuing cards to the customers by banks. The income wise classification of respondents revealed that 34.3 per cent having monthly income of Rs. 30,000 - 40,000, 20 per cent having Rs. 40,000 - 50,000, 17.3 per cent having Rs. 20,000 – 30,000 and 13 per cent having Rs. 10,000 – 20,000. Only 7.7 per cent have monthly income below Rs. 10,000 and the same percentage of respondents belong to monthly income group of above Rs. 50,000. It shows that only people having regular income are using plastic money.

8.1.2 Motivational factors to choose plastic money by cardholders

8.1.2.1 Majority of the respondents (67 per cent) have taken cards under the inspiration of the bank staff/agents. It is due to the fact that the bank staff/agents could easily impress and explain the features of cards, privileges/ benefits offered and also clarify the doubts than other sources such as advertisement, family members and friends/colleagues.

8.1.2.2 From the overall analysis of reasons for choosing plastic money, it is evident that the first important reason was its convenience, safety and security than carrying cash. The second important reason was its ease of use at anywhere at any time. Third to sixth reasons respectively were it helps in saving of cost and time, it is an effective device for payment and borrowing, its influence of social change in borrowing and spending and it is a symbol of social status and pride. Findings according to type of cards money used also revealed that there was not much difference in the order of reasons for choosing a particular card by the cardholders. Friedman ANOVA Test at 5

per cent level also showed that there exists significant association between using of plastic money and the reasons for choosing it.

8.1.2.3 The analysis of specific reasons for preference of selecting debit cards, it is revealed that the first preference was that debit card serves immediate cash requirements. The second, third, fourth and fifth reasons were it is useful for small purchase, it avoids credit and pay immediately, its lots of privileges and exclusive offers to customers and it helps to control high spending respectively. But, users of both debit and credit cards are concerned the order of preference was same like the users of debit cards alone except change in the order of second and third preferences. According to them, the second important reason to prefer debit card was it helps to avoid credit and pay immediately and the third reason was that it is useful for small purchase. The reasons for preference of debit cards were also analysed based on the age, area of residence and income of respondents and it is revealed that the three important reasons were card serves the advantage of immediate cash, card helps to avoid credit and pay immediately, and card is useful for small purchase. Friedman ANOVA test was also used to know the association of age, income and area of residence of cardholders and the reasons for preference of debit cards, the results were significant at 5 per cent level.

8.1.2.4 From the analysis of reasons for preference of credit cards, it is seen that the most important reason for choosing credit card is its revolving credit facility. The second, third, fourth, fifth and sixth reasons for preferring credit cards are flexible repayment options, long interest free credit period, lot of exclusive privileges/offers, less complexities and procedure compared to other consumer credit, and useful for large purchases respectively. Friedman ANOVA Test at 5 per cent level also showed that significant association between age, income and area of residence of cardholders and the reasons for preference of credit cards.

8.1.2.5 The data (Tables 4.10 to 4.18) analysed with the help of Friedman ANOVA at 5 per cent level of significance to test the association of socio economic factors of cardholders and their preference for choosing plastic money, support the first hypothesis formulated for the study and it is proved.

H1 There exists significant association between socio-economic factors of cardholders and their preferences for choosing plastic money.

8.1.2.6 The length of time of use of plastic money revealed that 92 per cent of the debit cardholders are using the card for more than two years. Among the credit cardholders, 82 per cent are using it for more than 2 years. As far as the users of both debit and credit cards, 93 per cent using it for more than 2 years. Thus, majority of the cardholders covered under the study are using cards for more than two years.

8.1.3 Purchase behaviour of cardholders

8.1.3.1 Type of payment instruments used for purchases revealed that debit cardholders give first priority to use debit cards for their purchase, second and third preferences are cash and cheque respectively. Credit card is the most commonly used payment instrument for purchase by credit cardholders and the other modes of instruments in the order of importance are cash and cheque respectively. But, as the users of both these cards are concerned, credit card is the most preferred mode of payments, followed by second, third and fourth preferences to debit card, cheque and cash respectively.

8.1.3.2 Cardholders' preference of type of shopping using plastic money revealed that their first preference is card present transactions and the second preference is transactions through on-line. Type of card wise analysis also revealed that all type of cardholders preferred off-line shopping first and second preference only is given to on-line shopping.

8.1.3.3 The type of products/services preferred to purchase by cardholders using plastic money revealed that they gave first preference to meet automobile expenses. The second preference was for purchasing textile products. Food and accommodation expenses, travel and entertainment expenses and health and medical expenses rank third, fourth and fifth respectively. Apart from these, the plastic money finds use in meeting health and medical expenses, purchase of groceries, cosmetics, leather and beauty products. Meeting educational expenses, purchase of household items, jewellery and luxury items are the other preferences of the cardholders.

8.1.3.4 The analysis of value of items preferred to purchase by cardholders using plastic money revealed that debit cardholders' first preference is to purchase low value items by using cards. Their second and third preferences are to purchase medium value items and high value items respectively. Credit cardholders' first preference is to purchase medium value items. The second and third preferences are to purchase high and low value items respectively by using cards. The users of both these cards preferred the purchase of items based on the order of their importance as high, medium and low value items respectively. From this, it can be inferred that the value of items preferred to purchase by using plastic money vary among different types of cardholders.

8.1.3.5 The analysis of frequency of purchases made using plastic money indicates that 68 per cent of users of debit cards only and also 68 per cent of the users of both debit and credit cards do not follow any particular pattern. Among the credit cardholders also 72 per cent are not followed any particular pattern for their purchase. Thus, more than 69 per cent of the respondents do not follow any particular pattern of purchase but are subject to more impulse purchases leading to business growth.

8.1.3.6 The analysis on increase of purchase by using plastic money revealed that 73.6 per cent of the respondents have experienced on increase in their level of purchase.

8.1.4 Benefits of using plastic money to the cardholders

8.1.4.1 The benefit of using debit cards were analysed with respect to three important benefits such as debit card combines the benefit of cash and cheque, it can be used for withdrawing cash at ATM, and it can be used for traditional and on-line business deals. The analysis revealed that 37.5 per cent and 52.5 per cent of the respondents strongly agreed and agreed respectively towards the debit card's combined benefit of cash and cheque. But towards the benefit of withdrawing cash at ATM 21 per cent of them strongly agreed and 79 per cent agreed to this. Debit card's benefit of shopping by traditional and on-line modes 12.5 percent

strongly agreed and 56.5 per cent agreed to this benefit. It shows that all most all debit cardholders agreed with the benefits in using debit cards. Thus, it can be concluded that benefits of debit cards motivated the cardholders to use it as a payment instrument in place of cash for purchase of goods/services which in turn creates positive impact on business dealings. The chi-square test at 5 per cent level also showed significant association between use of debit cards and its benefits such as card combines the benefit of cash and cheque and card can be used for withdrawing cash at ATM.

8.1.4.2 The benefit of credit cards to cardholders were analysed based on card's help to meet emergency and other extra ordinary expenses, card motivates to purchase more, card helps to defer the payments and card helps to shop by traditional and on-line modes. The analysis revealed that 92 per cent of credit cardholders agreed that credit card helps to meet emergency fund requirements. Meeting of emergency funds requirements along with an interest free period motivate to use it more in their dealings. It is also revealed that 96 per cent of credit cardholders agreed that credit cards motivated to purchase more and are subject to impulse purchase. The analysis on the benefit of deferred payments revealed that 12.5 per cent strongly agreed to this and 84 per cent agreed to it. Deferring of payments for a particular interest free credit period mentioned by banks really motivates the credit cardholders to use the credit without any interest burden which also increases its usage among the credit cardholders, create a positive impact on business deals. The respondents' opinion on the card's benefit of using for traditional and on-line shopping revealed that 36.33 per cent strongly agreed to it and 44 per cent agreed to it. Thus, majority of the users of credit card either strongly agreed or agreed to all of these benefits. Thus, from this it can be concluded that both as a payment and borrowing instrument, credit cards have a positive impact on business deals. The chi-square test rests at 5 per cent level also showed a significant association with regard to the use of credit card and its benefits such as meeting emergency and other extra ordinary cash requirements, deferring payments and shopping by traditional and on-line modes.

8.1.5 Use of privileges of plastic money

8.1.5.1 The analysis of using add - on facility of cards, it is revealed that majority of the debit cardholders (82 per cent), credit cardholders (87 per cent) and users of both these cards (73 per cent) never used this facility. Overall, 80.7 per cent of respondents never used this facility; only 19.3 per cent were used this facility. The major reasons cited by the cardholders for not using the add-on card facility are their lack of awareness, bank does not tell about it, some cards does not provide it, never need it and hence never used it, and they did not find it useful.

8.1.5.2 In the case of lost card protection benefit, majority of the debit cardholders (94.7 per cent), credit cardholders (89.7 per cent) and users of both these cards (92.3 per cent) never used this facility. Overall, 91.9 per cent out of total 900 respondents have never used this facility. It is due to the fact that they never lost their cards, hence there is no need for using this facility.

8.1.5.3. In the case of benefit of cash back deals majority of the debit cardholders (97.3 per cent), credit cardholders (91 per cent) and users of both these cards (94.7 per cent) never used it. Overall, 94.4 per cent out of 900 respondents never used this facility due to various reasons such as some card does not provide it, lack of awareness of cardholders and bank does not tell about it.

8.1.5.4 The analysis on using benefit of zero fuel surcharge/discount on fuel charges revealed that among the cardholders 82 per cent of debit cardholders, 94 per cent of credit cardholders and 99 per cent of both debit and credit cardholders used this facility. It reveals that increased use of this facility increases the use of plastic money.

8.1.5.5 The balance transfer facility is available only to credit card users. The analysis revealed that 71 per cent of the credit cardholders do not used it due to various reasons such as such as lack of awareness, card does not provide it and the rest were used this facility. The important reasons for non use of this facility are card does not provide it, lack of their awareness and bank does not tell about it.

8.1.5.6 Flexible repayment option facility is also available to credit cards only. The analysis revealed that 68.5 per cent out of credit cardholders never used this facility and the rest were used this facility. The various reasons for not using this facility are cardholders not need it and not used it, lack of their awareness and bank does not tell about it.

8.1.5.7 In the case of using of internet banking services 78 per cent, 57.4 per cent and 49.3 per cent of debit cardholders, credit cardholders and both debit and credit cardholders respectively never used this facility. Overall 61.5 per cent of the respondents never used this facility and the rest are using this facility. The major reason for non-use of this facility is lack of awareness among cardholders.

8.1.5.8 In the case of use of mobile/tele-banking facility 45.3 per cent, 41.7 per cent and 50.4 per cent of debit cardholders, credit cardholders and the users of both these cards respectively never used it. Overall, 45.8 per cent of respondents never used this facility and the rest are using this facility. The important reasons for not using this facility are some cards do not provide it, lack of cardholder's awareness and bank does not tell about it.

8.1.5.9 The use of mega value/exclusive offers of cards are concerned 46.67 per cent, 47 per cent and 41.3 per cent of debit cardholders, credit cardholders and both debit and credit cardholders are respectively using this facility. Overall, 55 per cent of the cardholders covered under the study are using this facility and the rest 45 per cent are not using this facility. The major reasons for not using this privilege are lack of awareness, some card does not provide it, and bank does not tell about it.

8.1.5.10 From the above analysis on use of various privileges of plastic money it can be concluded that, use of majority of the facilities, except the facilities such as lost card protection and zero fuel surcharge and discount on fuel charges, are low among the cardholders. Lack of cardholders' awareness on these facilities is one of the major reasons for non-use. Increase in using of cards happen only when there is increase in the use of these privileges.

8.1.5.11 Chi-square Test at 5 per cent level revealed that there exist significant association between use of cards by the cardholders and its privileges such as facility of add-on cards, lost card protection, cash back deals, zero fuel charge/discount on fuel surcharge, balance transfer facility, internet banking services, mobile/tele-banking facility, and mega value offers.

8.1.5.12 The results of Chi-square test at 5 per cent level of significance on the use of benefits and privileges of plastic money by cardholders support the second hypothesis formulated for the study and it is proved.

H2 There exists significant association between usage of plastic money and the perceived benefits and privileges derived thereon.

8.1.6 Perception of cardholders on using plastic money

8.1.6.1 The cardholders (88.6 per cent) agreed that the benefits and privileges of plastic money motivate the use of cards and it ultimately increase their impulse purchase. Chi-square Test at 5 per cent level revealed that there exists significant association between the perception of cardholders on using plastic money and the benefits and privileges of plastic money motivates them to purchase more and increase the impulse purchase.

8.1.6.2 Majority of the plastic money holders (60.4 per cent agreed and 16.3 percent strongly agreed) agreed that using of plastic money changes their attitude towards borrowing and spending. Chi-square Test at 5 per cent level revealed that there exists of significant association between the perception of cardholders on using of plastic money highly changes the cardholder's attitude towards borrowing and spending.

8.1.6.3 Majority of the plastic money holders (75 per cent agreed and 16.4 per cent strongly agreed) agreed that active usage of plastic money increases consumer spending. Chi-square Test at 5 per cent level revealed that there exists significant association between the perception of cardholders on using of plastic money and its usage increases consumer spending.

8.1.6.4 The analysis based on the perception of cardholders on using of plastic money, majority of them have strong agreement with the statements given, thus, it can be concluded that using of plastic money increases their impulse purchases and creates a strong positive influence on business dealings.

8.1.6.5 The data analysed with the help of Chi-square test at 5 per cent level of significance, to test the association of perception of cardholders using plastic money and its impact on their impulse purchases, support the third hypothesis formulated for the study and it is proved.

H3 There exists significant association between the positive impact on the impulse for more purchases by the cardholders and the use of plastic money by them.

8.1.7 Payment behaviour of credit cardholders

8.1.7.1 The analysis of mode of payment used by credit cardholders to make the payment of credit card bills received from banks revealed that they are given first preference to make payment through cheque and the second is cash over the counter.

8.1.7.2 The analysis on method of making payment of credit card bills revealed that that 56.5 per cent of the credit cardholders are making full payment of the credit bills and the rest adopted flexible repayment options. The flexible repayment option is really helpful to the credit cardholders but they may easily find place in the list of defaulters. Sine the cardholders are fully aware about the consequences of default, they may be cautious in making payment of credit card bills.

8.1.8 Satisfaction of cardholders in using plastic money

8.1.8.1 Analysis of cardholders' satisfaction in using plastic money revealed that 58 per cent of the debit cardholders and 56.3 per cent of the users of both debit and credit cards are satisfied but only 41 per cent of the credit cardholders are satisfied. The study also revealed that the first important reason for dissatisfaction of credit cardholders was that of high interest rates and service charges and non-

disclosure of hidden charges. The second important reason was inadequate withdrawal limit. Third and fourth reasons were inadequate credit limit and limited interest free credit period respectively. High eligibility criterion to get credit cards is the fifth reason for dissatisfaction.

8.1.8.2 The analysis of cardholders' dissatisfaction with card issuing bank's dealings showed that 52 per cent of cardholders expressed that they never dissatisfied. But the rest expressed the feeling of dissatisfaction mainly because of inadequate feed back services from banks.

8.1.8.3 Cardholders' satisfaction of dealings with merchants revealed that out of 900 cardholders 70.7 per cent are satisfied and the rest are dissatisfied. The most important reason for dissatisfaction is the fixing of minimum and maximum amount of purchases. The second important reason is levy commission/surcharges/tips on transactions; the third reason is not disclosing refund and return policies to cardholders before purchasing. The fourth reason is refuses to accept and reject cards during discount periods and the fifth reasons is risks due to security problems.

8.1.9 Profile of the merchant establishments

8.1.9.1 Data were collected from 150 merchant establishments selecting 50 each from Kozhikode, Ernakulam and Thiruvananthapuram districts representing northern, central and southern regions of Kerala.

8.1.9.2 Nature of business wise classification of merchants shows that 107 (71.3 per cent) engaged in trading activities and rest the 43 (28.7 per cent) rendering services. Among the trading units 31.7 per cent, 32.7 per cent and 35.6 per cent are belong to Kozhikode, Ernakulam and Thiruvananthapuram districts respectively. In the case of service units, 37.2 per cent, 34.8 per cent and 28 per cent belongs to Kozhikode, Ernakulam and Thiruvananthapuram districts respectively. Thus, trading units are the major groups in the study that use plastic money. Location wise classification of merchant establishment shows that out of 150, 39 (26 per cent) are in the semi-urban area and the rest 111 (74 per cent) are in urban area.

8.1.9.3 Average monthly turnover of merchant establishments shows that out of 150, majority of them 73 (48.7 per cent) are in the turnover group of Rs. 5,00,000 and above and 38 (25.4 per cent) belong to the group of Rs. 4,00,000 - Rs. 5,00,000. Thus, it is found that majority of merchant establishments covered under the study have an average monthly turnover of Rs. 4,00,000 and above.

8.1.9.4 The product wise classification of the establishments revealed that textile products constitute major group (25.8 per cent); followed by groups of leather products and foot wears (16 per cent), automobile service (10 per cent), travel and entertainment services (9.3 per cent), groceries (7.3 per cent), jewellery and luxury items and health and medical services (6 per cent respectively), dealing in household items (4.7 per cent), educational services (4 per cent) and cosmetic and beauty products (4 per cent).

8.1.9.5 The analysis of period of acceptance of plastic money as a payment instrument by merchant establishments revealed that 58.6 per cent have been accepting continuously for more than 5 years.

8.1.10 Factors motivating to accept plastic money by merchants

8.1.10.1 The analysis of factors that motivated the merchants to accept plastic money revealed that the first important factor was customer convenience. The second, third, fourth and fifth reasons were their business promotion, increase in sales and profitability, avoid bad debts and less risk of handling cash respectively. The reasons for preference of accepting a particular card revealed that the first, second and third reasons for preferring to accept debit cards were able to attract all levels of customers, increases the sales of small value items and less charge back problems compared to credit cards respectively. But, the most important reason for the preference of accepting credit card by the merchants was that increases the impulse purchase of cardholders. The second, third and fourth reasons were able to attract both middle and high level income customers, reduces bad debts and increases the sales of big ticket items both traditional and online modes respectively.

8.1.11 Benefits of accepting plastic money in business dealings

8.1.11.1 All merchant establishments agreed that acceptance of plastic money offers increased flexibility in dealings and convenience irrespective of nature of business and regions of their business operations.

8.1.11.2 All the merchants strongly agreed that acceptance of plastic money resulted increased sales and revenue enhancement both in trading and services sectors.

8.1.11.3 All the merchants agreed that acceptance of plastic money saves time and cost which in turn leads to increased productivity and operating efficiencies.

8.1.11.4 All most all the merchant establishments (99.3 per cent) irrespective of nature of business and region of business location supported that accepting plastic money ensures guaranteed and regular payments for their sales.

8.1.11.5 Majority (68 per cent) of the merchants supported that acceptance of plastic money enhanced image and reputation of their business and the rest remains neutral to this benefit.

8.1.11.6 The analysis of benefits on accepting plastic money to the merchant establishments it can be concluded that the acceptance of plastic money increases their sales volume and related benefits create a strong positive impact on the business dealings.

8.1.12 Plastic money and its impact on business dealings

8.1.12.1 The opinion of merchants regarding accepting plastic money as a payment instrument revealed that all most all of them (98.7 per cent) have favourable opinion and are ready to accept it because of the benefits plastic money offers to the business..

8.1.12.2 Majority (84 per cent) of the merchants admitted that there is an increase in the number of customers who are using the plastic money for shopping, which in turn increases its role in the business deals. It is also found that their expectation to growth in volume of business by accepting plastic money ranges

from 20 to 40 percent and 40 to 60 per cent in the case of 46 per cent and 16 per cent of merchants respectively. The rest 38 per cent of merchants are concerned. their expectation to growth in volume of business is less than 20 per cent.

8.1.12.3 Majority (67.3 per cent) of merchant establishments opined that boom in consumer spending is happening through plastic money. This boom in consumer spending influences the growth of business.

8.1.13 Problems of cardholders in using plastic money

8.1.13.1 Experience of cardholders towards card frauds revealed that debit cardholders never faced the problem of card frauds, only 5 per cent of credit cardholders faced the problem of card frauds rarely and the users of both debit and credit cards are concerned only 2.3 per cent faced it. Overall 2.5 per cent out of the 900 cardholders covered in the study are faced this problem rarely. It is also revealed that card fraud is not a serious concern among the users because of the precautions they have taken.

8.1.13.2 Incorrect and incomplete receipts and bills from merchants/banks is a problem to the cardholders. The analysis of data revealed that 59.8 per cent of the cardholders never faced this problem. The rest of the cardholders are concerned 9.8 per cent faced it often, 11.3 per cent faced it sometimes and 19.1 per cent faced it rarely. The Chi-square test at 5 per cent level also showed a significant association.

8.1.13.3 In the case of debit cardholders 94 per cent did not suffer the problem of unsolicited cards, loans and insurance policy and activated it without the consent of the cardholders and billed the same. At the same time 69.3 per cent and 67.7 per cent of the credit cardholders and the users of both debit and credit cards respectively suffered it. In total, 52.4 per cent of cardholders not suffered this problem and 47.6 per cent of the cardholders suffered it which in turn affect the use of plastic money and ultimately affect the business deals. Chi-square Test at 5 per cent level also showed significant association.

8.1.13.4 It is seen that 56.7 per cent, 56.3 per cent and 54.3 per cent of debit cardholders, credit cardholders and the users of both debit and credit cards

respectively never faced the problem of language used. Over all, 55.8 per cent of cardholders never faced and 44.2 per cent faced the problem of language used in legal terminology, which is not comprehensible to ordinary customers, which will seriously affect the use of cards. Chi-square Test at 5 per cent level also revealed that there exists significant association.

8.1.13.5 Delay in dispatching statements, realisation of cheques and failure to obey the standing instructions given by the cardholders is a peculiar problem only to the users of credit cards. The analysis revealed that 76 per cent out of the credit card users faced this problem. Chi-square Test at 5 per cent level of significance revealed that there does not exist association.

8.1.13.6 Majority (96 per cent) of the debit cardholders did not face any problem in the dealing of DSAs/DMAs. Among the users of credit cards only 50.3 per cent did not face and 50.3 per cent faced the problem in the dealing of DSAs/DMAs. In the case of users of both debit and credit cards, 50.3 per cent of them are not suffered it and the rest 49.7 per cent are faced it. Overall, out of 900 cardholders, 65.4 of them not faced it and 34.6 per cent faced problem from the dealings of DSAs/DMAs which in turn results into even surrender of cards by most of the customers. Chi-square Test at 5 per cent level reveals that there exists significant association.

8.1.13.7 It is seen that debit cardholders (50.7 per cent), credit cardholders (49 per cent) and the users of both these cards (51.3 per cent) responded that they never faced the problem of lack of transparency in fee, charges, penalties, billing, security, privacy etc. and frequently charging high fee the rest of the cardholders faced this problem. Overall, 50.4 per cent of cardholders not suffered it and 49.6 per cent have faced this problem. This problem leads to lower use of plastic money by cardholders and which ultimately affect the business dealings. Chi-square Test at 5 per cent level of significance revealed that there does not exist association.

8.1.13.8 Almost all of the cardholders more or less suffered the problem of malfunction/defects in the POS/ATM terminal, which in turn badly affect the

transactions through plastic money. Chi-square Test at 5 per cent level reveals that there exists significant association.

8.1.13.9 Thus, the problems faced by the cardholders block the use of plastic money in their business dealings.

8.1.13.10 The results of Chi-square test analysis at 5 per cent level of significance, on the problems of using plastic money by cardholders such as incorrect and incomplete receipts and bills from merchants/banks; unsolicited cards, loans and policy and its activation without the consent of cardholders; language used in legal terminology which is not comprehensible to ordinary customers; dealings of DSAs/DMA's; and malfunction/defect in the POS/ATM terminal, support the fourth hypothesis formulated for the study and it is proved.

H4 There exists significant association between the problems confronted and the use of plastic money by the cardholders.

8.1.14 Facilities for settling disputes/grievances

8.1.14.1 The facilities available for settling disputes/grievances of cardholders are Customer Grievances Redressal Cell in banks, Banking Ombudsman and the Consumer Courts. Out of the cardholders covered in the study 64 per cent are fully aware, 30 per cent are aware and 6 per cent are partially aware about the customer grievance redressal cell in banks for handling card related problems. Cardholders' awareness on Banking Ombudsman service is concerned 59.8 per cent are partially aware, 29.4 per cent are slightly aware and 10.8 per cent are not aware. Regarding awareness on Consumer Court, 58.3 per cent are partially aware, 28.2 per cent are slightly aware and 13.5 per cent are not aware. Thus, it can be concluded that awareness level of cardholders is low in the case of Banking Ombudsman services and Consumer Courts as a grievance redressal mechanism to solve their problems.

8.1.15 Problems connected with plastic money among merchants

8.1.15.1 The analysis of problems confronted by merchants in dealing with plastic money revealed that none of the merchants faced any charge back problems and

subsequent procedures imposes high fines and affect their floor limit. They also did not face the problem of compulsion to install expensive screening systems to prevent fraud. The other problems such as charging high commission, interchange fees, rent for POS/EDC techniques etc.; delay in payment from bank due to lack of trained personnel; lack of efficient training and promotional measures from bank for handling cardholders; and problems and canceling the purchases after processing are concerned 30 to 37 percent of the cardholders faced it rarely and the rest never faced it. Majority of the merchants have little expertise in handling the problems of cardholders due to lack of efficient training from banks.

8.1.15.2 Among the merchant establishments, 64.7 per cent strongly agreed and 34.7 agreed, irrespective of nature of business and location of business that charge back problems create financial losses and loose their merchandiseship. The merchant establishments are also aware about the reasons for charge back such as card frauds, processing errors, sales draft is not delivered to the bank within the required time and failure to verify the card security features and authorisation issues.

8.1.15.3 All the merchants strongly agreed that card frauds and related problems inversely affect the dealings through plastic money. This also hindered the acceptance of plastic money by merchants because it creates charge back problems which in turn result into big losses to them. The analysis also revealed that merchants were rarely became victim of card frauds because of the precautions they have already taken while the card is processing. Out of 150 merchant establishments 92.7 per cent never faced any card fraud problem.

8.1.15.4 Majority of the merchants are aware about all the consequences of not maintaining adequate data protection measures such as loss of reputation of the business and revenues (52 per cent fully aware, 32 per cent aware and 33.3 per cent partially aware), subject to legal action if security breach occurred (66.7 per cent fully aware and 33.3 per cent aware), increased charge back results into more regulations and consequential losses (70.7 per cent fully aware and 29.3 per cent

aware), fails to secure merchant account from banks/ financial institutions (3.3 per cent fully aware and 96.7 per cent aware) except in the case of imposing high fines where their awareness level is very poor (98.8 per cent partially aware and 1.2 per cent slightly aware).

8.1.16 Precautions to be taken by merchants

8.1.16.1 The precautionary measures taken by merchants for ensuring the verification of cards include checking of card number and expiry dates, verification of hologram and logo verification, verification of card validation codes and signature verification. But in the case of address verification and whether a card is hot listed or not, merchants are not given much importance.

8.1.16.2 When the merchants are suspicious about the genuineness of cards, majority (94.7 per cent) of them contact customer care center of the banks immediately.

8.1.16.3 It is seen that majority (64 per cent) of the merchants are not adhered to follow the instructions of showing/disclosing of refund and return policy to the cardholders before the beginning of the transactions through plastic money.

8.1.16.4 The most important factor motivated to adopt security and data protection standards by merchants are protection against loss of revenue, frauds, disputes, regulations, legal costs and police investigations. The second, third and the fourth reasons are promote sales, business integrity and boost customer confidence; provide greater awareness of security measures and preventive options; and easy to implement, use and maintain with ongoing support respectively.

8.1.16.5 The strategies, adopted by merchants for prevention of card frauds and protection of customers' privacy, such as establishing networks with e-merchants for sharing of fraudulent information; and utilise the services of qualified security assessors from bank/international card agencies are poor compared to other strategies adopted such as verification of card security features like hologram, card number etc. to know whether the card is valid; strict adherence to security standards

and protocols and internal arrangements in the form of self regulatory protection measures.

8.2 Suggestions

Based on the findings of the study, the following suggestions are made.

8.2.1 Individuals who are interested to hold plastic money should strictly follow the guidelines and precautions suggested by the R.B.I., banks and card issuing agencies with respect to card features, billing cycle, fee structure, interest calculations and other terms and conditions before accepting the cards. If needed, they should also approach the bank staff for further clarifications.

8.2.2 Cardholders should select the right kind of card that best meet their needs and due consideration should be given to its interest rate, fee and rewards/offers. As far as possible avoid special offers of banks in using plastic money without proper analysis of how far it is useful to them, because these offers may normally be overpriced.

8.2.3 Credit cardholders should make payments within the interest free period of credit and ensure its regularity. By establishing a realistic monthly budget the cardholders can determine how much credit card debt they can bear, which in turn help them to avoid future default in payments and bankruptcy. The cardholders should strictly follow the suggestions put forward by card agencies that, as a rule of thumb, borrowings through credit cards and other means should not exceed 20 per cent of the cardholders' net income.

8.2.4 Cardholders should use the cards wisely. They should avoid unnecessary purchases and be disciplined in spending also. It is better to use the debit cards always because debit cards facilitate planned buying from the cardholders' point of view thereby reducing the risks of overspending. As credit card provokes people to spend more beyond their means, cards should be used only in times of necessity. Credit cardholders should strictly follow the policy of "spend within the means" to avoid future financial problems.

8.2.5 Credit cardholders should pay the credit card bills promptly and in full to avoid financial charges. Otherwise, pay at least the minimum amount due on time every month. But, it should not be a regular practice because it will result into accumulation of debt and interest and finally the cardholders may incur huge financial loss. They should also avoid last day payments to reduce billing disputes with respect to date of payments.

8.2.6 Cash advance facility through ATMs by using credit cards should be avoided because the interest for this is more than the interest rate on personal loans. Use this facility of cash advances only for emergency purpose.

8.2.7 In order to reduce high interest rates on credit card bill outstanding, the better way is to convert it into personal loans. Personal loans carry low rate of interest.

8.2.8 Cardholders should always retain the transaction slips until the receipt of monthly statement from the bank for comparison. If there is any mistake contact the bank immediately and correct the mistakes to avoid future disputes.

8.2.9 In order to satisfy the cardholders, merchants may avoid the arbitrary fixing of minimum and maximum amount of purchases and levy of commission/surcharges. The merchants should strictly follow the card acceptance rules prescribed by the international card agencies and banks. They should disclose the refund and return policy to the cardholders before purchasing. They should not refuse to accept plastic money during discount periods.

8.2.10 Merchants are to be properly trained by the banks for proper transaction processing through electronic devices for card acceptance and also in handling the problems of cardholders at the sales outlet.

8.2.11 The merchants should do appropriate due diligence while accepting plastic money. They should take all necessary steps to data protection and cardholders' privacy which in turn helps them to reduce card frauds and charge back problems. They must also ensure that the stored information is not misused.

8.2.12 In order to promote the plastic money, it is suggested that banks should give more importance to promote it through their staff/agents than advertisements because they are able to easily explain the features, privileges and benefits of plastic money and also clarify the doubts of the customers.

8.2.13 Banks should take necessary measures to conduct cardholders' meet to create awareness on the benefits of using plastic money and also on various privileges of plastic money, such as add on facility of cards, balance transfer facility available to credit cards, flexible repayment option facility of credit cards, and use of mega value/exclusive offers, to cardholders and its proper use. Because awareness on the use of all these ultimately leads increase in the use of plastic money by the cardholders.

8.2.14 Banks should take necessary measures to minimize the higher rate of interest and other service charges to the extent possible and also disclose to the cardholders at the time of issuance of card regarding all the charges to be borne by them. Banks should also provide feed back services to the cardholders on time. All these would help to reduce unnecessary dissatisfaction of cardholders later on.

8.2.15 In order to avoid the problems of cardholders, banks as well as merchants should take utmost care in preparing bills and other statements to avoid issuing of incorrect and incomplete receipts and bills to them. Banks should send the monthly statement regularly to the cardholders. Delay in billing should be handled carefully and settle the bills correctly. Sending SMS for the due date reminders/notification of payment received/confirmation of large transactions done by banks is much useful. Banks should also take measures to timely realisation of cheques deposited by the cardholders and also to obey the standing instructions given by the cardholders.

8.2.16 The dealings of DSAs/DMA's with the cardholders should be more cordial then only cardholders can be retained. It is also suggested to entrust the responsibility of collection of debt from cardholders to the employees of banks and also collection centers at each point. This would help to avoid the harassment of recovery agents.

8.2.17 The banks as well as merchants should ensure transparency in fee, charges, penalties, and billing and also avoid frequently charging higher fee.

8.2.18 Banks should take necessary steps to maintain/service periodically the ATMS/POS terminals to avoid its malfunction/defects to eliminate the inconvenience to the cardholders as well as merchants. Banks must also ensure that ATMs do not run out of cash and the down time, i.e. the time that an ATM does not function, is minimal.

8.2.19 Banks should avoid the issue of unsolicited cards, loans and policy to the cardholders and its activation without their consent.

8.2.20 Banks should take necessary steps to conduct awareness programmes for the cardholders regarding the facilities of Banking Ombudsman and the Consumer Courts in addition to the Customer Grievances Redressal Cell in banks for settling their disputes/grievances in using of plastic money.

8.2.21 Banks should strictly adhere with the guidelines prescribed by international card agencies and RBI for protecting cardholder's interest.

8.2.22 Banks should conduct intensive awareness and education programmes for promoting plastic money and its use. Training classes are to be conducted to educate the cardholders with demo programmes. Banks can also take measures to educate the cardholders on proper and responsible use of cards and also train them in personal finance management and save them from debt trap. It is also the duty of the banks to promote the customer awareness programmes on the benefits/privileges of using cards, so as to encourage the cardholders and merchants to use and accept cards. More incentives should be offered to increase the activeness of cards and number of card transactions. Marketing programs and customer education campaigns encourage card usage and card acceptance.

8.2.23 Banks should standardise the terms of card agreement by taking into consideration the opinion of cardholders and merchants. The should also disclose the risks connected with card usage, avoid false and misleading advertisements, provide honest service to customers, expand the disclosure requirements with

regard to terms and conditions such as fee, minimum payment, grace period, interest rates, penalty fee etc. are some of the steps to be followed strictly by banks. Banks should properly disclose the terms and conditions of issue of cards.

8.2.24 Banks should make arrangements for credit counseling and financial planning. Banks may set up of a Credit Bureau within the banks which will help to analyse the credit worthiness and repayment capacity of the cardholders. Credit bureau that can store data on customers' spending patterns, total liability and so on, will enable banks to detect the prospective defaulters in advance.

8.2.25 In order to avoid high default rates and related bad debts problems from the credit cardholders banks must take precautions in the form of securities such as deposits, personal guarantees, title on goods purchased on credit, accepting bill of exchanges etc.

8.2.26 Banks should take necessary steps to increase the card spending through co-branding, providing reward programmes etc. along with increasing number of cards. Expand the geographical coverage of cards to small cities and rural areas to increase the customer base in using plastic money. For this banks should conduct more awareness programmes in small cities as well as rural areas focusing specified group of people having regular income.

8.2.27 In order to avoid the occurrence of card problems banks should be very careful and take all necessary steps suggested by RBI especially with regard to unethical behaviour of DSAs, unsolicited cards, delay in dispatching bills, lack of transparency etc.

8.2.28 Banks should give proper and timely attention to customers' complaints. Customer grievances cell at the banks should be made more active and services be available in time. The personnel handling the grievances of cardholders' are to be properly trained to solve the complaints. Establishment of Customer Relationship Management system will help the banks to explore cardholders' needs and to tailor new products and services accordingly to meet their requirements.

8.2.29 Banks should conduct awareness camps for merchants to establish POS machines in more and more business establishments working in urban, semi-urban and rural areas in Kerala.

8.2.30 Banks should also reduce the floor limits fixed for each category of merchants to increase the volume of business through card acceptance and also to offer reward packages to the merchants to promote the acceptance of plastic money.

8.2.31 Merchants should be trained by banks for proper transaction processing through electronic devices for card acceptance and also to identify the security features of cards, recognise card frauds, and use of code-10 procedures. They are also to be trained for handling the problems of cardholders at the sales outlet. Merchant's awareness about security levels should be enhanced and motivated them to adopt international best practices and security standards for data protection, which in turn reduces the chargeback and related problems in future.

8.2.32 To avoid misuse of cards and reducing card frauds banks should set up a powerful identification system and encouraging sound risk management practices. Establishment of fraud preventive systems and upgrading existing technological safe guards must also be ensured. Introduction of chip based cards and cards with photos should be given preference and encouraged against card fraud and its misuse.

8.2.33 Interest rates on credit cards may be reduced because currently it is higher than other consumer loans. Interest rates should be charged according to credit ratings of the cardholders. Since, credit cards are high risk products by their unsecured nature; data mining can help the banks in selecting the ideal mix of candidates for all promotions, limit increase, pricing and risk management. The banks should charge different rates of interest to different categories of cardholders such as credit revolvers, non-revolvers and inactive cardholders. Regular revolvers are generally charged at lower rate of interest; also other fines or penalties may be waived in case of revolvers. And the inactive customers and non-revolvers will be charged a higher rate of interest.

8.2.34 Make the transactions more transparent and simplify the proceedings. This will lead to attracting more customers and maintaining the existing ones. Cards of all banks may be centralised and pooled together so that it would be more useful to the customers.

8.2.35 Card Associations such as Visa, Master Card etc. should act with greater responsibility while formulating rules, setting fee etc. Due considerations should be given to each countries financial framework and set separate guidelines for charging interest rates, fee etc.

8.2.36 Government should play an important role in encouraging the promotion of card payments through various concrete practicable measures like creating a favorable policy environment for it. Measures to address bank card issues should be included in the country`s legal frame work.

8.2.37 Government should take steps to enact a National Usury Law, which are followed in developed countries for providing better consumer protection from excessive interest rates.

8.2.38 Government should also take initiative to move from cash to cashless society. Widen the card usage by using it for utility payments such as payment of bills, taxes, insurance premium, fee etc. and also for payments where traditionally one has been paying by cheque or cash.

The above suggestions if implemented would help the banks to increase the customer base and increase the use of plastic money as a payment instrument. The increase in use of plastic money by cardholders and its acceptance by merchant establishments would help to increase the volume of business.

8.3 Conclusion

Card payments are the fastest, simplest and safest way of purchases and sales. Active usage of benefits and privileges attached to plastic money increases the card usage which in turn leads to high spending through impulse purchases and create a strong positive impact on the business deals in the form of high sales

turnover and related benefits to merchants who accept these cards. Cardholders' impulse purchase leads to increased volume of sales which is an indicator of business growth and ultimately leads to economic growth.

This study, "An Evaluation of Business Deals Using Plastic Money in Kerala" presents a detailed account on various aspects of debit cards and credit cards from the point of view of both the cardholders and merchant establishments. Volume of business transactions using plastic money in Kerala has shown an increasing trend in recent years. It is expected that in the near future the plastic money will acclaim as one of the most widely used financial instrument that accelerate business deals and economic prosperity.

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APPENDICES

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INTERVIEW SCHEDULE FOR CARDHOLDERS

Dear Respondent,

The data collected will be strictly used for research purpose. Please put a ✓ in the appropriate bubbles/boxes except rank and descriptive questions

I. PERSONAL DETAILS

1. Name :
2. Gender : Male Female
3. Marital Status : Single Married
4. Age : Below 20 20-30 30-40 40-50
50-60 60 & Above
5. Locality : Rural Semi-urban Urban
6. Educational Qualification : High school level Plus-Two/PDC
Diploma /Technical Graduation
Post Graduation Others (specify).....
7. Occupation : Government Employee Private Employee
Business Professionals
Student Others (specify).....
8. Monthly Income (Rs.): Below 10000 10000-20000
20000-30000 30000-40000
40000-50000 50000& Above

II. USAGE OF PLASTIC MONEY

1. Periodicity of use:

	Bank Cards	Less than 1 year	1-2 years ago	2-3 years ago	3-4 years ago	4-5 years ago	More than 5 years
a.	Debit Cards						
b.	Credit Cards						
c.	Debit and Credit Cards						

2. Source of inspiration for obtaining cards:

- Bank staff/agents Advertisement
Family members Friends/Colleagues

For the question numbers 3 to 7, rank the responses in the order of importance/preference.[1 for most important, 2 for next most important and so on....in the appropriate boxes]

3. Reasons for choosing bankcards:

- a. More convenient, safe and secure than carrying cash
- b. Ease of use at anywhere, anytime
- c. Saving of cost and time
- d. Effective device for payment and borrowing
- e. Influence of societal change in the attitude of borrowing and spending
- f. Symbol of social status and pride

4. Mode of payment instrument used for purchase:

- a. Cash
- b. Debit Card
- c. Credit Card
- d. Cheque.

5. Type of shopping / purchase preferred by you:

- a. Direct/ Traditional /Face-to-Face/Card Present Transaction
- b. On-line /Faceless/ Card-Not-Present Transaction
- c. Both

6. Value of items preferred to purchase:

- a. High value
- b. Medium value
- c. Low value

7. Type of products/services preferred to purchase:

- a. Food and accommodation
- b. Textile products
- c. Groceries
- d. House hold items (electronic items, furniture's etc.)
- e. Jewelry and luxury items
- f. Travel and entertainment Expense
- g. Educational expenses (fees, books etc.)
- h. Automobile expenses
- i. Health and medical expenses
- j. Cosmetics, leather products and beauty products

8. Frequency of purchases done by you in a month:

- Daily Weekly Fortnightly Monthly
Not any particular pattern, it is varied in nature

9. Is there any increase in your purchases by using plastic money?

Increased Some what Increased Same

10. Indicate the frequency of using privileges of plastic money:

Statements	Almost Always	Often	Sometimes	Rarely	Almost Never
a. ATM facility and its related services					
b. Facility of add-on cards					
c. Zero-liability /limited lost card liability					
d. Cash back deals					
e. Zero fuel surcharge and discount on fuel charges					
e. Balance Transfer					
f. Flexible repayment facilities					
g. Internet banking					
h. Mobile banking/tele-banking					
i. Mega value/exclusive offers connected with dining, life style, travel, health and fitness, bonus reward points etc					

11. State the reasons for non-usage of privileges:

Statements	Lack of Awareness	Card does Not provide it	Never need it and not used it	Did not find it useful	Bank does not Tell about it
a. ATM facility and its related services					
b. Facility of add-on cards					
c. Zero-liability /limited lost card liability					
d. Cash back deals					
e. Zero fuel surcharge and discount on fuel charges					
e. Balance Transfer					
f. Flexible repayment facilities					
g. Internet banking					
h. Mobile banking/tele-banking					
i. Mega value/exclusive offers connected with dining, life style, travel, health and fitness, bonus reward points etc					

12. Are you satisfied with merchant's dealings?

- Highly Satisfied Satisfied Neither Satisfied nor Dissatisfied
 Dissatisfied Highly Dissatisfied

i). **If you are dissatisfied, state the reasons for dissatisfaction. [Rank them in the order of importance. 1 for most important, 2 for next most important and so on....in the appropriate boxes.]**

- a. Levies commission/ surcharges/tips on transactions
- b. Refuses to accept and reject cards during discount periods
- c. Unable to transact on the card due to suspicious behaviour of merchants
- d. Not showing 'disclosure/refund & return' policies before purchasing
- e. Fixing minimum and maximum amount of purchases
- f. Security risks

13. Did you suffer any one of the following risks/ problems connected with bankcards?

Statements	Almost Always	Often	Sometimes	Rarely	Almost Never
a. Card frauds					
b. Incorrect and incomplete receipts, bills, vouchers, statements etc. from merchants/banks					
c. Unsolicited cards, loans, insurance policy etc and activated it without the consent of the cardholders and billed the same					
d. Language used in legal terminology which is not comprehensible to ordinary customers					
e. Delay in dispatching statements and realisation of cheques/D/D, failure to obey the standing instructions given by the cardholder regarding payment and levying heavy penalties by banks					
f. Unethical and unfair dealings of DSAs/DMA's during collection of dues and canvassing new customers					
g. Inadequate customer services and unsatisfactory dispositions of customer complaints and correspondences.					
h. Lack of transparency in fees/charges/ penalties/ billing /security/privacy etc and waiver of fee and terms and conditions frequently and charging high fee					
i. Malfunction/defect/error in the POS/ATM terminal					

14. Are you aware about the following facilities for settling disputes/ grievances?

Statements	Fully Aware	Aware	Partially Aware	Slightly Aware	Not Aware
a. Customer grievance redressal cell in banks					
b. Banking ombudsman services					
c. Consumer courts					

15. Indicate your rating towards the following statements with regard to plastic money usage:

Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a. Features and benefits/privileges of plastic money motivate the cardholders to purchase more and increase the impulse purchase					
b. Usage of plastic money highly changes the cardholder's attitude towards borrowing, spending etc					
c. Activeness of plastic money increases consumer spending.					
d. Difficult to get refunding when using plastic money compared to cash					
e. Default rate of credit card is more compared to other consumer credit which in turn leads to personal bankruptcy and indebtedness					
f. Usage of plastic money creates the fear of traceability and payment of income tax					
g. Problems connected with plastic money hindered the use of cards					

III. DEBIT CARD

1. State the reasons for your preference of debit card. [Rank them in the order of Preference. 1 for most important, 2 for next most important and so on....in the appropriate boxes.]

- a. Serves the advantages of immediate cash
- b. Useful for small purchases
- c. Avoids credit and pay immediately
- d. Helps to control high spending
- e. Lot of privileges and exclusive offers

2. State your opinion about the following benefits of debit cards:

Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a. Combines the benefits of cash and cheque					
b. Withdraw cash at ATM.					
c. Avoid frequent visit to bank					
d. Give a clear idea about money spent					
e. Able to shop by traditional and online					

3. Are you satisfied with the present system of debit cum ATM cards issued by your bank ?

- Highly Satisfied Satisfied
 Neither Satisfied nor Dissatisfied Dissatisfied
 Highly Dissatisfied

IV. CREDIT CARD

1. State the reasons for your preference of credit card. [Rank them in the order of Preference. 1 for most important, 2 for next most important and so on....in the appropriate boxes.]

- a. Long Interest free credit period
- b. Lot of exclusive privileges/offers
- c. Flexible Repayment Options
- d. Revolving credit in nature
- e. Less complexities and procedure compared to other consumer credit
- f. Useful for large purchases

2. Indicate your rating towards the following credit card benefits:

Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a. Meeting emerging and other extra ordinary expenses.					
b. Motivating more purchases.					
c. Deferring payments by the purchaser.					
d. Easy availability of emergency funds.					
e. Able to shop by traditional and online					

3 For settling credit card billing which mode of payment did you use? [Rank them in the order of preference. 1 for most important, 2 for next most important and so on.... in the appropriate boxes.]

- a. Cash/over the counter
- b. Cheque
- c. Bank draft
- d. Auto debit facility (Standing instructions to bank)

4. Method of payment behaviour:

- a. Pay in full
- b. Usually pays in full, sometimes let balance roll to next month
- c. Equal installments
- d. Vary the amount paid between minimum and full
- e. Minimum payment due each month

5. Do you know the following consequences of default in payment?

Statements	Fully Aware	Aware	Partially Aware	Slightly Aware	Not Aware
a. Depression and health problems due to financial stress and strain					
b. Inability to obtain loans from financial institution					
c. Harassment by banks through recovery agents					

8. Are you satisfied with the present system of credit cards issued by your bank?
 Highly Satisfied Satisfied Neither Satisfied nor Dissatisfied
 Dissatisfied Highly Dissatisfied

i) If you are dissatisfied, rank the reasons for dissatisfaction.[1 for most important, 2 for next most important and so on...in the appropriate boxes.]

- a. High rate of interests /fees and services taxes and non-disclosure of hidden charges
- b. Inadequate withdrawal limit
- c. Inadequate credit limit
- d. Limited interest free period
- e. High eligibility criteria

V. SUGGESTIONS

Your suggestions to popularise the usage of plastic money

Thank You Very much

.....EOR.....

INTERVIEW SCHEDULE FOR MERCHANT ESTABLISHMENTS

Dear Respondent,

The data collected will be strictly used for research purpose. Please put a ✓ in the appropriate bubbles/boxes except rank and descriptive questions

I. DETAILS OF BUSINESS

1. **Name and address of the business :**
2. **Year of starting :**
3. **Nature of business :** Manufacturing Trading Services
4. **Type of goods/services :**

Food and accommodation	<input type="radio"/>	Textile products	<input type="radio"/>
Groceries	<input type="radio"/>	Jewelry and luxury items	<input type="radio"/>
Educational services	<input type="radio"/>	Travel and entertainment Services	<input type="radio"/>
Automobile services	<input type="radio"/>	Health and medical Services	<input type="radio"/>
Cosmetics and beauty products	<input type="radio"/>	House hold items (Electronic items, furniture's etc.)	<input type="radio"/>
Leather products and footwears	<input type="radio"/>	Others	<input type="radio"/>
5. **Locality :** Semi-urban Urban
6. **Average Monthly Turnover (Rs.):**

Below 1,00,000	<input type="radio"/>	1,00,000-200000	<input type="radio"/>
2,00,000 – 3,00,000	<input type="radio"/>	3,00,000-4,00,000	<input type="radio"/>
4,00,000-5,00,000	<input type="radio"/>	500000 & above	<input type="radio"/>

II. ACCEPTANCE OF PLASTIC MONEY

- 1.. **When did the business accept plastic money as payment instrument?**

Less than 1year <input type="radio"/>	2-3 years ago <input type="radio"/>	3-4 years ago <input type="radio"/>
4-5 years ago <input type="radio"/>	More than 5years <input type="radio"/>	

For the question numbers 2 to 6, rank the responses in the order of importance/preference.[1 for most important, 2 for next most important and so on....in the appropriate boxes]

2. **Factors encouraging you to accept plastic money:**

a. Business promotion		<input type="checkbox"/>
b. Customer convenience		<input type="checkbox"/>
c. Increases sales and profitability		<input type="checkbox"/>
d. Less risk of handling cash		<input type="checkbox"/>
e. Avoid bad debts		<input type="checkbox"/>
4. **Type of transactions you are dealing with :**

a. Direct/ Traditional /Face-to-Face/Card Present Transaction		<input type="checkbox"/>
b. On-line /Faceless/ Card-Not-Present Transaction		<input type="checkbox"/>

5. **State the reasons for your preference of debit cum ATM card.**
- a. Increases the sales of small amount items
- b. Less charge back problems compared to credit card
- c. Able to attract all levels of customers
6. **State the reasons for your preference of credit card.**
- a. Able to attract both middle and high income level customers
- b. Increases the sales of big ticket items both traditional and online
- c. Reduces bad debts
- d. Increases the impulse sales
7. **From your point of view which type of card is used more by your customers for purchases?**
- a. Debit cards
- b. Credit cards
8. **The customers after the introduction of plastic money have:**
 Increased Some what Increased Same
9. **In the next year, what percentage of growth in business do you expect through plastic money?**

Below 20	20-40	40-60	60-80	80-100

10. **Have you noticed any boom in consumer spending by using plastic money?**
 Very High High Equal Low Very Low
11. **What is your opinion regarding plastic money as a payment instrument?**
 Excellent Very good Good Not Good No opinion
12. **Indicate your rating towards the following statements with regard to acceptance of plastic money:**

	Statements	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
a.	Increased flexibility in dealings and convenience					
b.	Increased sales and revenue enhancement					
c.	Economy in time and cost leads to increased productivity and operating efficiencies					
d.	Enhanced image and reputation					
e.	Ensures guaranteed and regular payments					
f.	Customer satisfaction and loyalty					
g.	Move big ticket items faster					
h.	Economy in time and cost					
i.	Charge back problem creates financial losses and loose merchandiseship					
j.	Card frauds and related problems inversely affects the dealings through cards					

13. Have you shown Refund and Return Policy to cardholders before billing?

Almost Always Often Sometimes Rarely Almost Never

14. Have you practiced any one of the following transactions?

Statements	Almost Always	Often	Sometimes	Rarely	Almost Never
a. Fixing minimum and maximum amount of purchase					
b. Engaged in activities such as draft laundering, split sales, giving cash to cardholders etc.					
c. Accepting cards without proper verification/ authorisation					
d. Adding tips/surcharge transaction amount					
e. Processing sales on a previously charge back transactions					
f. Depositing a sales draft twice					
g. Storing and sharing cardholder information to third parties other than legal authorities and bank					

15. Have you taken the following precautions for ensuring validity of card?

Statements	Almost Always	Often	Sometimes	Rarely	Almost Never
a. Checking of account number and expiry dates					
b. Verification of hologram and logo verification					
c. Verification of card validation codes (ie.CVV2/CVC2)					
d. Address verification					
e. Signature verification					
f. Hot listed or not					

16. If the card is suspicious, what you will do?

- a. Contact customer care center of bank
- b. Makes code 10 call
- c. Report it to police
- d. All the above

17. Has the business been the victim of card fraud since trading through using plastic money?

Almost Always Often Sometimes Rarely Almost Never

18. Factors which motivated you to adopt card holder security and data protection standards [Rank them in the order of preference. 1 for most important, 2 for next most important and so on....in the appropriate boxes.]

- a. Provide greater awareness of security measures and preventive options
- b. Easy to implement, use and maintain with ongoing support
- c. Protection against loss of revenue ,frauds, disputes, regulations, legal costs and police investigation
- d. Promote sales, business integrity and boost customer confidence

19. What are the strategies adopted by you to prevent card frauds and protecting cardholder’s privacy and data collected?

	Statements	Almost Always	Often	Sometimes	Rarely	Almost Never
a.	Verify the card security features such as hologram, card number etc.to know the card is valid					
b.	Strictly following security standards and protocols related to card acceptance					
c.	Establishing networks with e-merchants for sharing of fraudulent order information					
d.	Internal arrangements in the form of self regulatory protection measures					
f.	Utilise the services of qualified security assessors from bank/international card agencies					

20. Do you know the consequences of not maintaining data protection measure?

	Statements	Fully Aware	Aware	Partially Aware	Slightly Aware	Not Aware
a.	Loss of reputation of the business and revenues					
b.	Subject to legal action if a security breach occurred					
c.	Increased charge back results in to more regulations and consequential losses					
d.	Higher costs to improve security					
e.	Imposing high fines					
f.	Fails to secure merchant account from banks/ financial institutions					

21. Do you know the following reasons for charge back?

Statements	Fully Aware	Aware	Partially Aware	Slightly Aware	Not Aware
a. Card frauds					
b. Processing errors					
c. Merchandise ordered was never received					
d. Service was not performed as expected/ordered					
e. Sales draft is not delivered to the bank within the required time					
f. Failure to verify the card security features & authorisation issues					

22. Have you suffered the following problems ?

Statements	Almost Always	Often	Sometimes	Rarely	Almost Never
a. Charging high commission, interchange fees, rent for POS/EDC terminals etc.					
b. Delay in payment from bank due to lack of trained personnel's					
c. Lack of efficient training and promotional measures from bank for handling cardholder problems, skills and knowledge required for card acceptance etc.					
d. Charge back problems and subsequent procedures imposes high fines and affect floor limit					
e. Compelled to install expensive screening systems to prevent fraud					
f. Repudiation of transactions done by them					
g. Canceling the purchases after processing					

23. List your suggestions to make plastic money popular among business field

Thank You Very much

.....❧.....

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.....SCS.....

Appendix - IV

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