SUMMARY AND CONCLUSION

This chapter summarizes the major findings of the thesis and discusses policy recommendations for the adoption of plastic money in India. It also highlights some limitations of the research methodology and the possibility of generalizing the findings. It concludes with some suggestions for further avenues of research.

8.1 Summary

One of the key pillars of modern society has been the civilized and organised exchange of goods and services. In India, as in other countries around the world, an organised method of payment has evolved over time from a barter system to the more complex forms of monetary transactions. The predominant form of payment across India in the 20th century has been coins, cash and cheques.

As we move into the 21st century, payment through cash and cheques itself has undergone a transformation. It has moved from being a physical paper-based exchange of value to a virtual electronic one. This is in line with the development of electronic payments the world over. Plastic money has an added function of identification along with that it keeps track of transactions as they are incurred with all details of purchases such as shop name, date of purchase, amount of purchase, city of purchase etc. Thus holder has the facility of “refreshing” his memory about his purchases which is denied to the paper money holder. On a macro level, since the data is available electronically, spending patterns, emerging trends, demographic details and such other information can be compiled easily which in turn can be used for boosting economic development and for reducing unnecessary and superfluous survey costs.

A major drawback of plastic money as payment mode is heavy dependence on technology (satellite phone lines, computer links, LANs, WANs etc). A snag in any one of these can cause a major disruption in acceptance procedures. Another risk attached to the usage of plastic money is that the conservative consumers are not responding to the expensive campaigns launched to introduce cards; the other hazards that remains are those inherent to this type of business, viz. legislative controls, frauds and bad debts.
The study has been made to know the spending habit patterns of consumers and why they are not adopting the plastic money in their daily lives. The study also tries to find out the role of member establishments in the progress of plastic money in India.

The review of literature indicated that most of research work in the field undertaken till now has been done in developed countries like United States and other fast developing countries. But research is still lacking in case of developing countries like India. It was also revealed that, hardly any comprehensive study has been conducted in India to examine the perception of cardholders as well as member establishments towards plastic money. Further, the existing studies have concentrated their attention mainly on the usage of either debit cards or credit cards but mostly neglected the joint effect and new innovative cards. The present study focuses on factor like age, occupation, gender educational qualification, monthly income and occupation. It also analysed the current status and trends of plastic money in India.

8.2 Objectives of the Study

The present study has been carried out with the following objectives:
1. To trace out the origin and development of plastic money.
2. To study the procedural aspect in the operation of plastic money.
3. To analyse the risk factor involved in the usage of plastic money and legal protection available to card holders.
4. To judge the comparative spending pattern of active and inactive card holders.
5. To study the role of member establishments in the progress of plastic money in India.
6. To examine the present position and future prospects of plastic money in India.

8.3 Data Base and Research Methodology

In the present study, database is both primary and secondary sources have been used. The period of study was 2000 to 2009. The data was collected from secondary sources which included periodicals, published annual reports of central bank and other reports. The data for users and member establishment perception towards plastic money
was collected using well structured and pre tested questionnaires. The sample size for users questionnaire was 292 and 269 respondents for member establishments.

The universe of the study in India, comprises of users (cardholders) and member establishments (shopkeepers) on zonal basis. The questionnaire targeted the users who actually use the plastic money in their daily lives. While distributing survey instrument randomised convenience sampling method was used.

After collection of data, it was processed and analysed in accordance with the outline laid down for the purpose at the time of developing the research plan.

For analysing the data, there may be a large number of variables which may indicate respondents perceptions toward plastic money both in case of users and member establishments. In case of users variables such as age, gender, education, monthly income and occupation were considered. Whereas nature of business and income level seemed to affect the perception of member establishments.

The analysis was done using statistical techniques like frequency distribution tables, percentage, averages and chi-square. Other statistical tools which were used include average annual growth rate (AAGR) and compound growth rate (CGR). Ranking using the calculated means and percentages. Statistical package for social science (SPSS) version 15.0 for window has been used.

8.4 Findings of Study

Chapter IV Legal and Regulatory framework of Plastic Money

Chapter IV explains the different types of frauds prevailing in recent time and techniques to detect these frauds. Finally, this chapter discusses the various laws prevailing in India and United States. It also makes the cross comparison of laws of these two countries. It has been observed that:

- The regulation of credit card business in India is diffused and needs to be streamlined, whereas in developed countries like United States, the law on credit card business is comprehensive and straight forward.
- Credit card industry’s legislative premises in India are primarily confined to the “common consumer law i.e. The Consumer Protection Act, 1986 and the General Criminal Law i.e. the Indian Penal Code, 1860”. In addition, the related
The compulsory filing of income-tax returns by the credit card holders under the provisions of Section 139 (1) of the Income Tax Act, 1961 and treatment of perquisites under Section 17 (2) of the Act posing a threat to the card business.

The alternative hypothesis (Ha1), the legal and regulatory frame work of card industry in India is not comprehensive and straight forward is accepted because there is no one law in India to regulate the plastic money business. For regulating the card
business in India, guidelines from different law has been taken, which partially regulate the plastic money business. Hence, there should be one law that will govern the card business in India like in other developed countries.

Chapter V Perception of Cardusers

Empirical Analysis

This chapter explains the result of perceptions of cardholders. To drive these results statistical techniques were used. It has been analysed that

- The age-wise analysis indicate that out of total respondents with credit cards, the majority were young middle aged (31-45) followed by younger people (<30). Result shows that the users who use debit cards, majority were less than 30 year of age followed by young middle age, only 5.4% of older people use debit cards.
- Result shows young middle aged people possess 4-5 cards and are of the opinion of vitality of plastic money, whereas the respondents who belongs to less than 30 years of age, said plastic money is essential.
- Plastic money usage is normally affected by unethical practices of fraudsters. From the study it depicts that from the responses of majority of card holders that unethical practices are at lower ebb at present in India.
- The card users were not sure about the legal protection provided to them. And young middle aged people were not satisfied with the legal protection available in India.
- Gender wise analysis reveals that plastic money is more popular in males. It is indicated from the users having 4-5 cards who are males.
- Both males and females are opined that plastic money is essential for daily life but frequency of card usage and monthly spending on cards is again dominated by males as compared to females.
- Survey finding shows that all the respondents pay their dues within time.
- From the income perspective all users surveyed, majority belong to the class of people who earn a monthly income of Rs.20,000-Rs.60,000, followed by a income class of upto Rs.20,000. Majority who belong to class of earner Rs.20,000-Rs.60,000 having 2-3 cards ,admitted the essentiality of plastic money in their daily lives.
Education of card users is a vital parameter. It was evident from the result that majority were well educated peoples.

Result also shows that people with good education are preferring credit cards than debit cards. Perhaps this may be easy for the highly qualified people to manage their funds more wisely as compared to other groups.

The frequency of use of the plastic money is more among the educated class and their attitude is for timely payments.

Study also reveals that plastic money is being preferred by service class.

The study also reveals that the service class spend Rs.5001- Rs. 15000 monthly through cards.

The study further shows that convenience followed by acceptability and interest rate was the important factors influencing the choice to adopt a particular type of a card.

The transaction fees, bank staff recommendation and annual fees are the least important factors while deciding the type of card to be chosen.

The study reveals that while making a brand choice of a card acceptability was the most important factor influencing them. It was followed by free credit period and interest fees factors influencing card users in choosing their brands.

The factors which were regarded as least important in brand selection include advertisement on T.V., convinced by direct selling associates and benefits offered by card agency. The overall result shows that there is no much difference between factors influencing the type of card and brand choice.

The popularity of plastic money can be gauged from the percentage of population using the plastic money, the number of cards per person issued in India and the frequency of using the cards.

The average number of cards per person issued in India in 2009 were 2.78. Only 5.16% population in India using the plastic money. The multiplicity of cards used by the cardholders indicates even the lesser percentage of population using the plastic money. The frequency of card used and the spending pattern of card holders further emphasis that almost 50% of the use of plastic money is withdrawal of cash from the banks, so the null hypothesis is accepted that plastic money is not much popular in India, at present.
Chapter VI Perception of Member Establishments

Empirical Analysis

This chapter has sought to know from member establishments the perception held by them in regard to plastic money. The result is presented here below:

- The study reveals that majority of the respondent were traders engaged in consumer durables followed by department stores, clothing and jewellery and lastly others. Respondents from all the categories of business realized the importance of plastic money for the growth of their business.
- The study further reveals that the use of plastic money by Indians has increased their sale marginally to moderate level.
- The study also reveals that majority of the respondents from all categories generate less than 30% of their revenue through acceptance of plastic money. This shows that still plastic money is at its nascent stage as many traders are not maximising the use of plastic money acceptance strategy to capture many customers who will in turn increase their revenue by their purchases.
- In order to judge the impact of trend of sales on their business, the respondents were optimistic about increase in sales, keeping in view the upward trend in last 5 years.
- The study further reveals that benefit of increase in sales is accompanied with some botherations and extra cost of handling the use of plastic money.

Chapter VII Performance Appraisal and Prospects of Card Industry in India

The chapter based upon the secondary data from 2000-2009 for measuring the performance of card industry in India, explores the growth of credit and debit cards sectors in India. It has been observed as:

- Plastic card industry in India has been experiencing upward trends in number of cards in circulation which increased from 56.29 lakh in 2001 to 1621.30 lakh cards as at March 2009. The compound growth rate for the entire period was 55.9%.
Debit cards are becoming important and are being adopted by customers as the value attribution has been realized by the Indian customers. In March 2009, the number of debit cards in circulation was more than the number of credit cards in circulation. Debit cards have been increasing and have been compounded to be 86.2% growth for the entire period which indicate that debits cards in circulation in India have received a good response from customers.

Sector wise analysis which includes private, public and foreign banks issuing plastic money, foreign bankers have been on the lead as providers of many credit cards since 2000. The trend of foreign banks leading the plastic industry was out paced by private banks which from the last five years have changed strategies of marketing their cards. The compound growth rate for foreign banks was 15.77%, 77.79% growth for private sector banks and public sector indicated only 23.92% growth over the entire period. ICICI, HDFC and HSBC banks have been leading credit card market in India.

The public sector banks are leading in debit cards in circulation as at March 2009. It was observed that in the last five years State Bank of India, ICICI, Axis Banks and HDFC have been leading the debit cards market. These four banks own more than 50% of debit cards in circulation (753 lakh). However, SBI has almost 50% of the total cards of the major players. Also it was indicated that it has almost ¼ of total market share (406 lakh) as on March 2009.

Merchants point of sale terminals have been increasing since 2000 when the industry recorded 53,915 to 4,26,717 as at March 2009. The CGR was found to be 28.7 for the entire period. POS terminals of public sector have decreased substantially in 2007 only and the compound growth rate was found to be −1.7% while that of private banks was 72% and 5.5% for foreign banks for the entire period.

The second alternative hypothesis that promotional activities of the issuing agencies are not sufficient to accelerate present spending of users is neither totally accepted nor totally rejected. The number of users in the debit cards sector has maintained their growth rate but the popularity of credit cards has reduced in the recent past. So, it can be concluded here that user of plastic money are switching from credit cards to debit cards. Thus plastic money issuing agencies are able to accelerate the
present spending of debit card users but their performance has decelerated in case of credit cards.

8.5 Policy Implications

- Card issuing institutions, should provide cardholders a secret personal identification number (PIN) that they have to punch in before every transaction. This will help in minimizing the credit card fraud.
- India does not have the specific legislation to address card business. There should be one law that will govern the card business like in other developed countries like USA.
- Traders should be trained by the banks/Financial institutions providing plastic money by arranging seminars.
- Apex institution like Reserve Bank of India should provide guidelines from time to time by considering the economic business environment.
- More financial institutions should be encouraged to provide plastic money to users under the novel legal frame work.
- The cardholders should be educated on the usage of plastic money, so that they may be aware of the latest-technologies and how to use them in their daily business transactions.
- The eligibility condition on issuance of plastic money should be liberalized so that the growth of plastic money can be enhanced.

8.6 Limitations of the Study

Some limitations of the study are as follow:

- The main disadvantage of conducting a primary survey is that respondents may be unable or unwilling to provide the desired information. So despite a careful construction of the questionnaire, there is always a possibility of difference between what is specified by the respondents and what the truth is. For the present study also, some of the respondents might not have stated honest responses for the purpose of maintaining the confidentiality of their records.
- In this study a sample of 292 respondents of cardholders and 269 member establishment respondents are drawn. As such sample is drawn by using
randomized convenience sampling technique, it may represent but not provide a clear information of all population. However keeping in mind, the limited availability of time, scope of study has been restricted.

- The secondary data use in the study is limited to few specific reports from some research institutes which do not hold a universal truth about the exact figures.
- The large number of populations was not technology savvy and they could not understand the use, meaning and working of plastic money. Which created a problem in understanding the different types of cards in circulation and their response are dubious.

8.7 Scope For Further Study

A doctoral thesis can seldom cover all relevant aspects of a topic. Moreover, new issues may emerge during the course of the research. This thesis is no exception and so several areas remain, that warrant further investigation. Researches and developments at academic and industry level in the area of plastic money are not plenty in many parts of the world, especially in a developing country like India. The area of plastic money and business as a whole, cross-border and risk management issues offer a wide scope of research.

- Comparative study of two countries on plastic money adoption need to be conducted. This study will provide a wide range of awareness to the parties involved from the customer, banker to regulatory and supervisory authorities to be aware of imperative areas of concern.
- The impact of plastic money adoption on profitability on a sector wise basis like public sector, private sector and foreign sector can also be done.
- Further, this study can also be extended to know the profitability aspect of the intra bank product like debit card or credit cards. This thesis did not touch profitability aspects of banks.
- A comprehensive study comparing the performance of different cards issued by different banks will be important for card industry as a whole.
- A comprehensive study on legal and regulatory framework on cross country analysis to find out the unification and consolidation of different pieces of law to cover cross country transactions.