Chapter- VII

CONCLUSION AND SUGGESTIONS

7.1 Conclusions

7.2 Suggestions
In this chapter the researcher has presented the fulfilment of objectives, conclusions, suggestions for bankers and for cardholders.

7.1 CONCLUSIONS:

- An attempt was made to know elicit the opinions of the respondents on account of problems on the usage of Credit cards and Debit Cards.

- Card users’ attitudes to spending and re-payment were influenced not only by rational cost-benefit considerations but also by a range of other environmental, social and personal factors. In developing approaches to tackling unsustainable debt, it is clear that government will need to consider a wide range of measures that tackle some of the deeply held beliefs that consumers have about credit.

- It is always prudent to question whether the self-reported information collected as part of the survey is accurate. In surveys of this kind it is possible that respondents may not have fully or accurately disclosed their financial situation to the interviewer, and indeed it is likely that the results may under-report the extent of individuals’ financial difficulties.

The conclusions of the present study are as under:

7.1.1 Conclusions Regarding Socio-Economic Profile of Respondents

In this section the researcher has presented the conclusions regarding socio-economic status of the respondents in Nanded city.

1. Majority i.e. 48.59% of respondents are in the age group of 20 to 29 years.

2. Majority i.e. 54.21% of the cardholders are post-graduates. Whereas very few i.e. 2.8% of the respondents are Ph.D. holders.

3. Majority i.e. 54.38% of debit cardholders are married.

4. Majority i.e. 54.63% of credit cardholders are married.

5. Majority i.e. 33.13% of debit cardholders are businessmen.

6. Majority i.e. 29.63% of credit cardholders are professionals.
7. majority i.e. 30.63% of debit cardholders fall in the monthly income level of <=Rs.15,000/-. Whereas very few debit cardholders i.e.19.69% are having monthly income above Rs.25,000/-. 

8. majority i.e.81.48% of credit cardholders fall in the monthly income level of >Rs. 25,000/-. Whereas very few credit cardholders i.e.3.7% having monthly income less than Rs.15,000/-. 

7.1.2 Conclusions regarding problems and prospective of cardholders about debit card and credit card service.

In this section the researcher has presented the conclusions regarding problems and prospective of cardholders about debit card and credit card service in Nanded city.

1. Majority i.e. 72.19% of debit cardholders possesses more than one debit card. Whereas 27.81% of debit cardholders possesses only one debit card.

2. Majority i.e. 70.99% of debit cardholders are having two debit cards. Whereas 6.1% of debit cardholders possesses more than three debit cards.

3. Highest number i.e. 45% of debit cardholders use their card not weekly but several times a month. Whereas only 3.13% of debit cardholders use their card daily.

4. Highest number i.e.45% of debit cardholders make an average expenditure of Rs.5,000 to Rs. 10,000/- per month. Whereas only 10% of debit cardholders make expenditure of less than Rs.1,000/- per month through their debit card.

5. Highest number i.e.66.87% of debit cardholders were not having any problem with the hidden charges for the services relating to usage of card.

6. Highest number i.e.46.87% of debit cardholders were satisfied with the tariffs charged by their card issuer. Whereas 8.13% of debit cardholders were highly dissatisfied with the tariffs charged by their card issuer.

7. Majority i.e.88.12% of debit cardholders are of opinion that their number of transactions through bank account has been increased in pre and post card situation.

8. Majority i.e.78.13% of debit cardholders are of opinion that using debit card online is safe. Whereas 21.87% of debit cardholders of opinion that using debit card online is not safe.
9. Majority i.e. 90.74% of credit cardholders possesses only one credit card. Whereas only 1.85% of debit cardholders are possessing three debit cards.

10. Majority i.e. 31.48% of credit cardholders make minimum payment on their card once every couple of months. Whereas 8.33% of credit cardholders make minimum payment on their credit card once a year.

11. Majority i.e. 40% of businessmen make minimum payment on their card every month, majority i.e. 46.15% of govt. employees make minimum payment on their credit card once every couple of months, majority i.e. 29.41% of private employees make monthly payment on their credit card once couple of months, majority i.e. 30.78% of professionals make minimum payment on their card once every couple of months.

12. Majority i.e. 37% of credit cardholders make payment on their card by cheque. Whereas 10.93% of credit cardholders make payment on their credit card by issuing post-dated cheques.

13. Highest number i.e. 26.85% of credit cardholders withdraw cash using their credit card once a month. Whereas 9.26% of credit cardholders withdraw cash once a year using their credit card.

14. Majority i.e. 28.70% of credit cardholders on an average withdraw cash each time in the range of Rs.10,001 to Rs. 20,000/- . Whereas only 12.04% of credit cardholders withdraw cash less than Rs.5,000/- each time.

15. Majority i.e. 25.93% of credit cardholders decided which card to apply for by consulting with money saving expert.

16. Majority i.e. 76.85% of credit cardholders have not changed their card provider in last 12 months. Whereas 23.15% of credit cardholders have changed their card provider in last 12 months.

17. Majority i.e. 36% of credit cardholders have changed due to better customer service offered by the other card issuer. Whereas 4% of credit cardholders have changed their card issuer because of better interest rates on balance transfer offered by the other card issuers.
18. Majority i.e. 66.67% of credit cardholders are of opinion that interest rate has been changed on their card in last 12 months.

19. Majority i.e. 75% of credit cardholders are of opinion that their card issuer has not adequately informed them regarding change in interest rate on their credit card.

20. Highest number i.e. 45.66% of debit card holders are rarely utilizing the various services provided with the card. Whereas only 9.15% of debit cardholders are always utilizing the various services provided with their debit card.

21. Highest number i.e. 45.94% of debit cardholders are overall satisfied with their card. Whereas 8.13% of debit cardholders are overall partially dissatisfied with their card.

22. Highest number i.e. 29.37% of debit cardholders are strongly agree with the statement that convenience of safety (cashless dealing) is the greatest factor behind using the card. Whereas only 3.13% of cardholders were strongly disagree with this statement. 40.31% of cardholders were neither agree nor disagree with this statement.

23. Highest number i.e. 39.94% of cardholders (debit and credit card cardholders) were never informed by their bank about utility of cards and 34.35% of cardholders never alerted them about updated facility on their card by their card issuer.

24. Highest number i.e. 38.07% of credit cardholders are rarely using the various services provided with their card. Whereas only 12.35% of cardholders are always using the various services provided with their card.

25. Highest number i.e. 43.52% of credit cardholders are overall satisfied with their credit card. Whereas only 1.85% of credit cardholders are fully dissatisfied with their card.

26. Highest number i.e. 29.63% of credit cardholders are strongly agree with the statement that convenience of safety (cashless dealing) is the greatest factor behind using the card. Whereas only 1.85% of cardholders were strongly disagree with this statement. 37.04% of cardholders were neither agree nor disagree with this statement.
27. Highest number i.e. 72.22% of bankers are of opinion that credit card transactions have created positive impact on their banks business.

28. Highest number i.e.33.02% of credit cardholders are neither satisfied nor dissatisfied with the various services provided with their card.

7.1.3 Conclusions based on secondary data:

Debit Card Vs Credit Card

• Cash as a mode of payment is an expensive proposition for the Government. The country needs to move away from cash-based towards a cashless (electronic) payment system. This will help reduce currency management cost, track transactions, check tax avoidance / fraud etc., enhance financial inclusion and integrate the parallel economy with main stream. Additionally as the card usage crosses the boundaries of big cities and gains popularity into the hinterland, the electronic payment system will generate huge volumes of data on the spending behavior of persons in these areas. This information will help the Government in its objective of getting more and more person under the financial inclusion net by designing products that meet the spending behavior of individuals. Over time when card payments grow and represent a significant part of retail sales, the card payments data could also be used as a quick estimate of private consumption.

• Banks in order to promote debit card usage, and thus gain on the existing high interchange, have also started providing free of charge frills to debit cardholders. These frills are in the form of facilities like cash backs, free airport lounges, reward / loyalty points, discounts at specified restaurants, and other goodies like movie tickets and petrol vouchers. The cost for such frills is borne by merchants. The banks and card companies argue that such free frills are an incentive for debit card users and thus increase its usage in the system. What is not clearly understood is that this brings in a cost to a merchant which gets built into the selling price of the merchandise. As a consequence cash payers get unduly penalized and debit card users actually have no net gain.

• Giving discounts on cash as against cards (or surcharging on cards as against cash) tempts and results card holders to transact in cash. This leads to a less efficient payment system when both merchants and cardholders were within reach to carry...
out a card transaction. Bringing debit cards at par with cash in terms of transaction costs for merchants would result in preference of debit card over cash. Given that equal discounts are offered on debit cards and cash, it would automatically lead cardholders to transact in debit cards. Furthermore, to be fair to debit card / cash payers, credit card users may be surcharged to keep the merchandise cost exclusive of interchange.

**Free credit for credit cardholders**

- Considering that use of credit cards leads to an average deferred payment of, say, 30 days (minimum being around 20 days and maximum 52 days), the loan cost (in the form of MDR with interchange of, say, 1%) in the credit card system is of the order of 12% p.a. while the credit card user earns 3.5% p.a. on the money kept with him in the savings bank account. This raises a vital question as to what could be the good reason to introduce a forced market lending, leading to a net cost of 8.5% p.a. being passed as expenditure to the card user (in form of increased prices). Lending needs to be segregated from the payment system and should not be hidden in the system in disguise.

- People use a credit card not because they do not have money in their bank accounts but because of convenience (just like a debit card). The system, however, discourages one to use a debit card over a credit card just because a scenario has been created showing that credit card payment involves no cost for the loan taken. Actually, there is an unseen cost (or sometimes even a cost that can be seen) that one may be bearing. Cardholders are unable to internalize these non-transparent mechanisms of the payment system. Bringing awareness among merchants and cardholders in form of differential credit and debit cards costs will not kill credit cards but rationalise its usage to people who are really in need of credit.

**Banknotes Vs Cards**

- As against cards, banknotes are the most common mode of payment in the retail market. The distribution of fresh notes as well as withdrawal and destruction of soiled notes constitute the core of the currency management operations of the RBI. In India, as of March 2010, 56,549 million pieces of banknotes worth ₹7.88 lakh
crore were under circulation. Both in value as well as volume terms, the banknotes in circulation increased at an annual rate of 16% during 2009-10.

Coming to printing costs of banknotes, RBI, for the past four years has been spending over `2,000 crore each year with spends touching as high as `2,754 crore during 2009-10. During 2008-09, RBI spent `2,063 crore for printing 13,661 million pieces of banknotes and as many as 11,962 million pieces of soiled banknotes (24.4% of banknotes in circulation) were processed and removed from circulation. As against this, 13,809 million pieces of fresh banknotes were supplied to members of public and currency chests during the year 2008-09. The number of banknotes withdrawn from circulation and eventually disposed of at RBI offices increased during the year. Another important issue is counterfeit banknotes. Detection of counterfeit banknotes showed a rising trend. Containment of fake notes is an expensive affair and existence of fake notes in circulation may hit the economy hard. Apart from increase in demand, the major factor for the requirement of huge supplies of fresh banknotes is the short life of banknotes.

With `90,000 crore worth of transactions being through cards (credit and debit) at POS during 2009-2010, this accounts for about 5% of retail sales in India. In other words, card transactions reduced cash transactions in the retail sector by about 5%. With costs for printing banknotes being of the order of `2,800 crore annually, card usage at POS leads to about `140 crore of savings in currency management. Thus, as a crude estimate, savings on banknotes printing alone (excluding the huge costs incurred for secured transportation, counterfeit detection / prevention, etc.) are of the order of `28 crore for every 1% increase in the use of cards in retail sales.

Though cash happens to be vastly used for monetary transactions, cash as a mode of payment is expensive for the Government (printing cost / security / transportation / forgery control, etc.). By making debit cards more attractive in the retail market, the burden of currency management on RBI could be brought down. With decrease in volumes of cash transactions, RBI would be able to bring down its expenditure on management of banknotes. To achieve this, RBI could consider channelizing the savings (arrived at through more and more use of card based transactions) towards part of expenditure incurred in card transactions. For this, it
is felt that RBI could consider, as a first step, subsidizing all switch charges so as to reduce costs and make card usage at POS more attractive.

**Security**

- In India, banks are still issuing both pin-based and signature-based debit cards to their savings/current account holders. The pin-based cards have an additional PIN security feature while using it at POS. Usually, consumers would prefer pin-based debit cards since it is perceived that PINs offer greater security. Understandably, a lost or stolen debit card is useless without its PIN. Another point of significance for making debit card transactions more secure is the greater risk attached to debit cardholders in case of fraud. When there is a case of credit card misuse (despite cardholder not losing the card), the bank carries out investigations while cardholder withholds payment. However in case of debit card fraud of the same nature, again investigations are carried out while the cardholder is deprived of the money. This makes the signature-based debit cardholders prone to larger risk and inconvenience.

- The study helped the researcher to understand the importance of credit card & debit card and also the preferences and benefits of the respondents towards credit card & debit card.

- From the study it is concluded that India has been one of the fastest growing country for payment cards in the Asia-Pacific region. India has about 35-40% of working population with increasing disposable income year on-year.

- The number of transaction conducted through debit cards also witnessed considerable growth of approx 31.72% every year from 2003-04 to 2012-13. The growth of merchant establishments has also contributed a lot in the growth of debit cards usage in India. Apart from the private and foreign banks, many public sector banks have also entered the Debit card segment leading to the increase in acceptance and the total base.

- At present the amount of cash circulating in the system is approximately 14% of GDP. This makes our economy one of the top rankers in the list of high cash circulation. This is a big concern for RBI which targets to bring this ratio down.
ICT can help bring down the Reliance on cash. Therefore to bring down the usage of cash, use of plastic money has to be increasing deliberately by all the bankers.

- Use of cashless transactions through plastic cards leads to improvement in financial inclusion by more digital record keeping of transaction & reduction in cash of transaction.

- Payment systems of 21st century requires the use of plastic cards for optimum use of technologies provided by banking sector.

- Plastic money has to be used by bankers as one of the banking product offering high level of service & satisfaction to the customer thereby motivating them to multiply the money & create more of paperless transactions.

- The current expenditure on information technology for banks in India as a whole is approximately Rs.6,500 Corers per year with almost 98% of branches of public sector banks being fully computerised. This brings a huge opportunities for banks to increase their business through Debit & Credit Cards.

- Payment cards business worldwide has seen consistent and healthy rate of return on the investment, making card industry very competitive. It also has resulted in restructuring and consolidation in markets like U.S. In 1986 the top 10 credit card issuers controlled 38% of the market which grew up to 60% due to consolidation and growth strategies by June 2000. Research shows that developed economies like North America and Western European Nations will maintain steady profitability. In Asian countries like Korea; Taiwan profitability will increase due to growth in economic activities and reduction in credit losses. Each household in US, on an average holds 7.4 Payment Cards.

7.2 SUGGESTIONS:

On the basis of discussions and analysis of questionnaire data of the cardholders and bank employees. The following suggestions are offered for the better performance of debit card and credit card facility to the customers and to improve the bank performance.

- Cash as a mode of payment is an expensive proposition for the Government. The country needs to move away from cash-based towards a cashless (electronic) payment system. This will help reduce currency management cost, track
transactions, check tax avoidance / fraud etc. enhance financial inclusion and integrate the parallel economy with main stream. Additionally as the card usage crosses the boundaries of big cities and gains popularity into the hinterland, the electronic payment system will generate huge volumes of data on the spending behavior of persons in these areas. This information will help the Government in its objective of getting more and more person under the financial inclusion net by designing products that meet the spending behavior of individuals. Over time when card payments grow and represent a significant part of retail sales, the card payments data could also be used as a quick estimate of private consumption.

- The consumer credit card market is reaching the saturation point in developed markets. So the multinational credit card companies need to develop effective strategies that appeal to changing customer needs of the growing emerging markets in order to exploit commercial opportunities of these markets.

- The majority of the cardholders are in the age group of 20-29 few number of cardholders are from the age groups 30-39 and 40-49 the main reason behind this was the late adoption of new technology by these age group people, so it is suggested that card issuers should conduct the promotion activities regarding the various services of card and should correct the doubts of these people personal counselling.

- Credit card issuers should start concessional schemes to the students as these will become their key customers in future to earn long-term benefit from them.

- It is seen that majority of the cardholders are married, bankers should also focus on singles also, by starting new schemes for them

- Few number of government employees are using credit cards, bankers should target these group by launching schemes specially meant for them such as low interest rate on purchase made with the card, cash back on purchase made, low/no fee on balance transfer etc.

- It is seen that majority of credit cardholders are in the monthly income group of above Rs.25,000/-, bankers should launch such types of credit cards which will suit to the people who are coming in the income level Rs.15,000- Rs. 20,000 and Rs.20,000-Rs.25,000/-, as large number of people in society fall in this category.
• It is seen that large number of cardholders are possessing more than one card, the reasons were various facilities on the different cards, so it is suggested that bankers should launch the credit cards which is having majority of facility/service used by the cardholders.

• Majority of debit cardholders are making transactions several times a month, not several times a week, the reason was there are very few ATMs in Nanded city and majority, it suggested that bankers should increase the number of ATMs as well keep proper maintenance of existing ATMs as majority of them running with hardware problems.

• Though the income of cardholders is high, they are making very few expenditure through their card, the reasons were unawareness regarding various services on their card and process of utilisation of these services, so it is suggested that bankers should promote the various services and they should train the cardholders by presenting demos through advertisements, product broachers, arranging special training program for them etc.

• Still majority of credit cardholders are making payment on their card by issuing cheques, bankers should maintain the records of such cardholders and they should prompted to use the easier methodology of making payment on their card such as direct debit from their account, RTGS, NEFT etc, as these are the time saving and cost saving methodology for both banker as well cardholder.

• Majority of customers are taking the help of money saving expert to decide which credit card to apply for, it is suggested that bankers should appoint counselling experts to council potential customers.

• It is seen that majority of credit cardholders are switching due to customer service it is suggested that bankers should enhance customer services by solving customer queries quickly, by training bank staff, by using ICT etc.

• Bankers should timely inform the change in their policy or service on the card, so that there will not be any misunderstanding.

• In Nanded city very few customers are using credit card, the reason was there are very few POS terminals, it is suggested that bankers should increase POS terminals in Nanded city.
• Banks should install hardened operating systems. System software and firewalls should be configured to the highest security settings consistent with the level of protection according to the customer’s requirements, conduct regular system and data integrity checks, so that there will not be any fraud or feeling of insecurity regarding fund transactions.

• Banks should increase its ability, capacity to control and manage the various risk inherent from E-transaction activity.

• Bank should implement much security to minimise risk and increase customer authentication such as personal identification number, audit trial for transaction.

• A customer complaint cell should be created to in every branch of the bank. So that customers can express their grievances and can solve their problems easily.

• An online customer care centre should be established to solve the problems and give the direction for Internet, other on-line banking services around the clock.

• The staff should be trained in such a way that they can solve the problems which are faced by the debit and credit card holders.

• In order to create the better awareness and usage of services to the customers about the debit and credit cards:
  — The bank management should educate customers and employees through proper instruction manuals and the posters.
  — The bank management should seriously consider to prevent the software and hardware related problems with the debit and credit card facility.

• Participants expected card providers to do more to ensure that their customers understand the messages that are communicated to them and the potential impact on their accounts – and to some extent to be able to demonstrate that customers have understood.

• Efficient and well trained software, hardware, networking engineers should be appointed in every branch to co-operate the customers and as well as employees.
At present there are facilities in ATM to withdraw cash only. If cash deposit facility is also created in ATM, then it will help many customers like in western countries.

The banker should maintain e-cheque facility efficient in at every branch level.

Empowering employees, who involve parity in responsibility and authority, to take decisions at the branch level for debit card, credit card related issues.

Customer focusing is not to be viewed as just a business strategy but should become a corporate mission. Unless this mission percolates throughout the organisation at all levels, the chances are that the attempts to address customer issues will receive importance through special communication at every branch level.

Creation of database, making logical conclusions of the information and integrating all the touch points with the customers, is the key to better understanding of the customer needs.

Reduce the membership and annual subscription fees. Make the features of cards convenient to the middle class people.

A successful banker will be judged by his ability to reach the expectations of his customers. Bankers should make efforts in generating customer delight by:

i. Constantly surpassing the expectations of the customers.

ii. Constantly striving to provide additional customer value in every business transaction.

iii. Holding the customer in high esteem as though he/she is the only person who matter’s for the successful-performance of the bank.

iv. Continuously being alert of the changes in customer expectations and delivery gaps in order to identify opportunities and areas of customer delight.

v. Banker efforts at service excellence should be designed in such a manner, to ensure that customers are not just satisfied but delighted.
• Cardholders are suggested that they should use their debit or credit card every-time when possible, as transaction made with the card are safe and gives benefits such as discount on e-transactions, cash-back-offer and main benefit i.e. convenience of safety (cashless dealing).