Chapter 8

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

8.1 Findings of the study
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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
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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.
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 feedback 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/DMAs; 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 merchandising. 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
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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/DMAs 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.