Chapter 2

REVIEW OF LITERATURE
Review of Literature

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

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

Mandel, L. (1972), in his research “Credit card use in the US”, found that primary determinants of credit card usage were family income and education of the cardholders. Higher income and better educated families were more likely to use credit cards than lower income families. This is because credit card was initially marketed to higher income people. Another finding of his research was that families living around the largest cities are more likely to use credit cards. This finding matches with the Greek cardholders demographic profile, where a very high concentration of cardholders is observed in urban areas. He also found that families with different incomes perceived differently the advantages and disadvantages of credit cards. Lower and middle income families considered the credit facility as a definite advantage, while high income families found safety and convenience to be definite advantages.
Awh, R.Y and O. Waters (1974), in their study “A discriminant analysis of economic, demographic and attitudinal characteristics of bank charge cardholders: A case study”, tries to find out the relationship between card use and economic, demographic and attitudinal variables to know the differences between active and inactive card holders. They found that attitude towards bank credit cards are the most differentiating factor distinguishing active and inactive cardholders. Other factors were age, socio-economic standing, types and number of other cards held by an individual, general attitude towards credit, education and income.

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

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

Kinsey, J. (1981), in his paper “Determinants of credit card accounts: An application of Tobit analysis”, investigated the determinants of credit card accounts. In this study it was found that although income is a very important determinant in the number of credit card accounts held, low income does not decrease the number of card accounts held as much as living in a small town or rural area. High income on the other hand, is the most important determinant for increasing the number of credit card accounts.
Kaynak, E. and K. Ugur (1984), in their study “A cross-cultural study of credit card usage behaviours: Canadian and American credit card users contrasted”, evaluated cardholders' attitudes towards credit cards. Both Canadian and American cardholders agreed that credit cards are useful in a sense that cards are safer than cash and help making impulse buying payments. The conclusion of the study was that both Americans and Canadians have similar patterns in attitudes toward ownership of credit cards, but their behavioural characteristics are different.

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

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

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

Chebat, J. C., M. Laroche and H. Malette (1988), in their study “A cross-cultural comparison of attitudes towards and usage of credit cards”
reported some cross-cultural differences in attitude towards credit cards for English-speaking and French-speaking Canadians. For both groups, the largest factors in usage are the user’s financial situation and the preference towards credit cards. Concern about the ability to pay in unique to the English-speaking group, which is concerned about costs, accuracy, safety, practicality and facilities. Those in the French-speaking group are concerned about costs, accuracy, over consuming and over spending indicating that they are afraid credit card use would affect their spending behaviour. Income and education are positively related to frequency of credit card usage. Their findings are consistent with the belief that credit card penetration is lower among French Canadian than English Canadian.

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

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

Delner, Nejdet and Herbert Katzenstein (1994)\textsuperscript{14} in their paper “Card possession and other payment systems: Use patterns among Asian and Hispanic consumers”, explored the socio-economic and demographic characteristics of Asian and Hispanic credit card holders. It also outlined a conceptualisation of the
relationship between alternative payment systems and various demographic and behavioural variables, which may serve as a preliminary theoretical framework for analysis of payment systems. It also discussed the implications and their importance to marketers.

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

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

Worthington, Steve (1995), in the paper “The cashless society”, outlined the rationale of those who are keen to promise the cashless society and the implications for marketers charged with winning consumer acceptance for payment by plastic card. Commencing with a European wide view of the European plastic card market, focuses on recent developments within the U.K in the use of plastic cards as a means of payment. The plastic card payment product is analysed under the three headings of pay later, pay now and pay before and a view is offered as to the future prospects for each type of plastic card in contributing to the development of the cashless society.
Santomero, Anthony M. and John J. Seater (1996)\(^\text{18}\), in their paper “Alternative monies and the demand for media of exchange”, analysed the various alternative monies such as prepaid cards, cash cards electronic purse, smart cards etc and their demand for media of exchange with the help of Baumol - Tobin Model. Important findings were - range of asset use decreases as household income falls, usage patterns of media of exchange differ and households with the same income but different allocation of income among consumption goods and households tend to use the higher interest medium of exchange to buy the good that constitutes the largest share of its income etc.

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

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

Chan, Ricky Yee-Kwong (1997)\(^\text{21}\) in the study “Demographic and attitudinal differences between active and inactive credit card holder: The case of
Hong-Kong”, said that as far as demography is concerned, income is found to be the most important variable that influences the card usage rate. By employing MAA model, the survey re-confirms the positive relationship between attitude and usage rate. It also indicate that the importance of monetary incentives in influencing the attitudes of cardholders. The survey results provide the card makers with further insight in to the importance of transaction and financing convenience and possibly card design in activating apathetic cardholders.

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

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

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

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

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

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

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

**Kaynak E. and T. Harcar (2001)**\(^{29}\) in their study “Consumers attitudes and intentions towards credit card usage in an advanced developing country”, have
attempted to investigate consumer attitudes and intentions towards credit card
ownerships and usage in an advanced developing country. In particular,
knowledge structure, beliefs, likes and dislikes as well as attitudes of credit card
owners in the possession and the use credit cards are investigated. Data for the
study were collected from 673 credit card holders and non-card holders in the
largest Turkish city of Istanbul with a total population of over ten million
managerial and public policy implications for banks and credit card issuing firms
are offered for orderly decision making purpose.

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

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

Caron, Kenneth A. and Michael E. Staten (2002)\textsuperscript{32} in their “Plastic
choices: Consumer usage of bank cards vs proprietary credit cards”, examined the
substitution of general purpose (bank) cards for proprietary cards and how issuers can predict which consumers are most likely to substitute convenience and rebates are the primary reasons for using a bank card. However, consumers use their proprietary retail cards to obtain better service. These results help to explain the growth in popularity of 'co-branded cards'.

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

Chakravarti, Sujit (2003) in his paper “Theory of credit card networks-A survey of the literature”, examined the credit cards usage and their benefit to consumers and merchants by comparing other payment instruments. Recently,
credit card networks have come under scrutiny from regulators around the world. The costs and benefits of credit cards to network participants are also discussed. Focusing on interrelated bilateral transactions several theoretical models have been constructed to study the implications of several business practices of credit card networks. The results and implications of these economic models along with future research topics are also discussed.

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

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

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

Hunt, Robert M. (2003) in his article “An introduction to the economics of payment card networks”, provided an overview of the economics of the card industry and explained some of the differences from the text book model of
competitive markets. Such differences are important factors for the antitrust analysis of payment card networks.

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

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

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

Baddeley, Michelle (2004) in his paper “Using e-cash in the new economy: an economic analysis of micro-payment systems”, analysed the micropayment systems and especially the use of e-cash in the new economy. The key characteristics of successful e-payment innovations are analysed by using binary
dependent variable estimation techniques on data derived from the E-Payment System Observatory (EPSO) data base.

Goyal, Anitha (2004)\(^4\) in her study “Role of supplementary services in the purchase of credit card services”, focused on understanding the significance of supplementary services as non-personal source of information to consumers for pre-purchase evaluation, the impact of supplementary services

Gupta, Promod (2004)\(^4\) in his article “The future of plastic money”, discussed the use of plastic money and its growth in India in recent years.

Metwally, M. M. and J.N. Prasad (2004)\(^4\) in their paper “Factors restricting the use of credit cards in GCC countries”, used Logit and Probit Regression Analysis to examine factors determining the probability of using credit cards more frequently in domestic transactions in the members of the GCC (Gulf Corporation Council) which include: Baharain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE. The state of Qatar is used as a case study where a sample of 385 consumers were surveyed. Respondents who hold credit cards, were asked to indicate their degree of agreement using a five-point scale, with 23 statements relating to their reluctance to use credit cards frequently in domestic transactions. The paper also tested the effect of demographic variables on use of credit cards in GCC countries. The Logit–Probit Regression results suggest that there is a high degree of similarity between the GCC countries and the Developed countries regarding the impact of these variables on the intensity of use of credit cards.

Prasad, P. Siva Rama (2004)\(^4\) in his article “ATM VS KCC (Product development and innovation)”, provides an outlook for ATMs and credit cards, benefits of technology to agriculturists, extension of ATM facilities to agriculturists etc.

Rao, Durga S. (2004)\(^4\) in his study “Marketing strategies: Study of bank credit cards”, aimed at comparing the marketing strategies of two of the commercial banks – Citi Bank and Andhra Bank. He also evaluated the customer satisfaction
with respect to their credit cards and suggested necessary steps for promoting credit card business by considering its benefit and scope in the business.

Rysman, Mare (2004)\(^4\) in his paper "An empirical analysis of payment card usage" exploited a unique data set on the payment card industry to study the issues associated with network effects and two-sided markets. The study showed that consumers concentrate their spending on a single payment network (single-homing), although many maintain unused cards that allow the ability to use multiple networks (multi-homing). A regional correlation between consumer usage and merchant acceptance within the four major networks (Visa, Master Card, American Express and Discover) were established. This correlation is suggestive of the existence of a positive feedback loop between consumer usage and merchant acceptance.

Srinivas, Y. (2004)\(^4\) in the article "Biometric ATMs" mentioned the use of biometric technology in ATMs for preventing the frauds connected with it and also points out some of its limitations.

Stix, Helmut. (2004)\(^5\) in his paper "How do debit cards affect cash demand? Survey data evidence", analysed how EFTPOS payments and ATM withdrawals affect cash demand. The result revealed that cash demand is significantly and sizeably affected by debit card usage and that there are significant differences in cash demand for individuals with different debit card usage frequencies. In addition, the effect of EFTPOS payments on cash use at the point-of-sale is also discussed.

Wright, Julian (2004)\(^6\), in the paper "The determinants of optimal interchange fees in payment systems", presented a model of a card payment system as a two-sided market that allows for partial participation by heterogeneous consumers and merchants. Taking into account the strategic effects arising from competition between merchants, the model is used to characterise the optimal structure of fees between those charged to cardholders and those charged to merchants and more specifically, the level of the interchange
fee that banks charge each other. It examining the existing characterisations of the interchange fee and explain the source of potential deviations between the privately and socially optimal levels of the fee.

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

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

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

Jin, Rui and Sharon A. Devaney (2005) in their study entitled “Determinants of debit card use: A study from the consumers perspectives”, investigated the debit card use from the perspective of the demand side ie. the consumer. The impact of consumer’s demographic, socio - economic and credit-related characteristics on debit card use was examined by using data from the 2001 Survey of Consumer Finances (SCF). Logistics regression analysis showed that
household heads who were younger, more educated and with more income were more likely to use debit cards. In addition, household heads who were hispanic, renters and credit card revolvers were more likely to use debit cards than household heads who were white, home owners and convenience users of credit cards.

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

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

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

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

Masters, Adrain and Rodriguez (2005)\(^6\) in their article “Endogeneous credit card acceptance of precautionary demand for money”, pointed out with a model, how the use of credit cards can differ so widely across countries. Retailer’s propensity to accept cards reduces the need for buyers to hold cash as the chance of a stock-out- (of cash) is reduced. When retailers make their decision with respect to credit card acceptance they do not take in to account the effect that decision has on other seller.

Saha, Tapas Ranjan (2005)\(^6\) in the article “Credit card and frauds”, provided awareness about various credit card frauds, suggestion about precautionary measures and tips for safety use of it.

Vincent, L. (2005)\(^6\) in the article “Credit cards - Modern payment system”, provided information about credit card functioning in India and settlement and concluded that it is a blessing to both the traders and customers.

Vivek, T. R. (2005)\(^6\) in his article “A gentle swipe”, showed the growth of credit cards, the spending patterns at restaurant, jewelry etc. and demand the need for issuing fresh guidelines by RBI connected with payment cards to prevent frauds.

Bansal, N. K. (2006)\(^6\) in his article “Plastic card currency – A convenient mode of payment”, explained the role of plastic money, its various forms and the positive impact of plastic money on the lives of people of all walks of life and being accepted as a convenient mode of payment in the modern era of electronic technology driven commerce.

Goyal, Anitha (2006)\(^6\) in her study “Consumer perception towards the purchase of credit cards”, focused on understanding how consumers perceive and consider service product features (core benefit, facilitating services and supplementing services) in pre-purchase evaluation and to understand the position of supplementary services at product levels. The data analysis indicated that consumers consider service product features during pre-purchase evaluation of credit cards and
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respondents find it easy to make purchase decision on the basis of supplementary services. Responses revealed that existing supplementary service elements are perceived more of expected features than augmented features of credit cards.

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

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

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

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

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

Slagel, Shayna Lee, et al. (2006) in their study “Credit card debt reduction and developmental stages of the lifespan” examined the link between theory based developmental stages of the lifespan and factor associates with troubling debt and change. Results are based on survey responses of 263 participants. Stages of the lifespan were linked to anxiety over credit card debt
and the confidence participants felt in their ability to get out of debt. Results were tied to events at each lifespan that encourage credit card usage.

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

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

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

Annamalai, S. and Muthu R. Iiakkuvan (2008)⁷⁵ in their article “Retail transaction: Future bright for plastic money” projected the growth of debit and credit cards in the retail transactions. They also mentioned the growth factors, which leads to its popularity, important constraints faced by banks and summarized with bright future and scope of plastic money.
Nayak, Tapan Kumar and Manish Agarwal (2008)\textsuperscript{76} in their paper “Consumer’s behaviour in selecting credit cards” discussed about the factors influencing the selection of credit cards among consumers. The major factors points out by them are service offers, promotional offers, interest benefits, cash benefits, ease of payments, payment charges, card benefits and time benefit.

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

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

References


