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1.1 Introduction

The Plastic Money is one of those rare moments in history when that agreement shifts and one payment form overtakes another as the preferred way to pay. Plastic money has become the order of the day. Plastic Money or Polymer Money, made out of plastic, is a new and easier way of paying for goods and services. Plastic Money is undergoing tremendous changes across the globe. The first such change came sometime between the 10th and 6th centuries B.C. when Greece and India introduced metal coins, which surpassed barter or the shell currencies of earlier times. Coins dominated trade up to 2000 years, until the introduction of cheque, by Italian merchants in the middle Ages. In 1690, Massachusetts became the first of the colonies to introduce paper money. Cash took decades to gain broad acceptance, but eventually became the standard of payment for the next three centuries. Australia was the first country to develop the plastic notes which have longer life but after wore they are recycled for further utilizing.

Plastic Money is a term that is used predominantly in reference to the hard Plastic Cards which is used every day in place of actual bank notes. They can come in many different forms such as cash cards, credit cards, debit cards, pre – paid cash cards and store cards. Cash Cards – A card that will allow you to withdraw money directly from your bank via an authorized Automatic Teller Machine (ATM) but it will not allow the holder to purchase anything directly with it. Credit Cards – Again in this card will permit the card holder to withdraw cash from an ATM, and a credit card will allow the user to purchase goods and services directly, but unlike a Cash Card the money is basically a high interest loan to the card holder, although the card holder can avoid any interest charges by paying the balance off in full each month. Debit Cards – This type of card will directly debit money from your bank account, and can directly be used to purchase goods and services. While there is no official credit facility with debit cards per se, as it is linked to the bank account the limit is the limit of what is in the account, for instance if an overdraft facility is available then the limit will be the extent of the overdraft.
The **Plastic** portion of this term refers to the plastic construction of credit cards, as opposed to paper and metal of currency. The **Money** portion is an erroneous reference to Credit Cards as a form of money, which they are not. Although credit cards do facilitate transactions, because they are a liability rather than an asset, they are not money and not part of the economy's money supply. Plastic Money is an essential form of money which reduces the risk of handling huge amount of cash. It includes Debit Cards, ATMs, Smart Cards etc., Plastic Money offers free use of fund and provides a convenient payment method for purchases made on the internet and over phone. Banks issue Plastic Cards with a magnetic stripe that holds machine readable identification code. Bank cards are used for Electronic – Commerce (with magnetic stripe readers or via Internet) and for banking transactions through Automatic Teller Machines (ATMs). Two main types of bank cards are **Credit Cards** (which allow drawing of funds up to an approved credit limit) and **Debit Cards** (which allow withdrawing of funds up to the available balance in cardholder's account) The unprecedented growth in the number of **Credit Card** users has stimulated the Indian economy to a significant extent.

1.2 Plastic Money in India: An Overview

The Plastic Money in the form of cards has been actively introduced by banks in India in 1990's. But, it was not very popular among Indian consumers at the time of its introduction. The change in demographic features of consumers in terms of their income, marital status, education level etc., and up – gradation of technology and its awareness has brought the relevant changes in consumers' preferences. These changing preferences have also modified their outlook and decision regarding the acceptance and non – acceptance of particular product and services in the market. Thus, the Plastic Cards are gaining popularity among bankers as well as customers and getting accepted in the market place. It can be well imagined that the Plastic Cards market is growing at a large pace in India yet, it has long way to go if compared to the usage trends of other countries. Hence, it has become important that the payment system in India has to be modernized enough to be at par with the systems prevalent in other countries, since our domestic financial markets are increasingly getting integrated with markets abroad. (Survey of India, 2005)
Reserve Bank of India (RBI) is taking important steps to enhance Plastic Card’s usage and popularity through initiatives like regulating card market to maintain the security levels and to build up confidence of bankers and customers. Despite the strong advances in E – Payments, an estimated 90 percent of personal consumption expenditure in India is still made with cash (Country Survey – India, 2005) which indicates the tremendous growth potential of this business. So, this can be considered as mere beginning which indicates the bright future prospects of Plastic Card market in India. It clearly indicates that the Indian banking sector is accepting the challenge of information technology as all the groups of bankers have now recognized it as essential requirement for their survival and growth in future.

1.3 Statement of the Problem and Need for the Study

There has been a drastic change in the banking products and the services by use of new technology. Usage of Plastic Money such as Debit Cards and Credit Cards started increasing in India over a period of time. Most banks now issue Debit Cards, where they have already converted all their ATM Cards into Debit cards or ATM – cum – Debit Cards. The reason banks are so eager to push debit cards that it helps them to cut costs significantly. But, this has created lot of confusions among the customers regarding their usage and benefits. Such cards have overcome the delayed payment process of cheques, due to which sometimes merchants have to suffer.

Still, there are lot of technical problems involved in transactions, PIN and other operational aspects. It is used as a convenient mode of carrying money and also to supplement the Paper Money. Apart from the benefits to individuals, the business as a whole gains advantages from accepting of Plastic Money as a medium of payment. It has enormous impact on bank customers, changing the buying habits of customers by making it much easier for them to finance purchases of goods and services.

Research studies among a broad range of countries show the wide spread adoption of Plastic Money and its greater impact on consumer spending, savings habits, psychological aspects, economic changes, socio – cultural changes and financial perspectives.
From psychological standpoint, human need for money is proportional to what each specific person is interested in buying and what they think is within range. Therefore in some people, Credit Card dependency can breed an overestimation of what they can afford. The result of this state is an increase in the demand for money to either repay the borrowed credit or supplement credit purchases with additional funds.

During the past five years (2005 – 2010) of Credit Card debt signals a deep economic trouble that goes far beyond consumer irresponsibility. Since Credit Card transactions carry a higher risk, it is necessary to encourage the use of Debit Cards, RBI said. Credit Card fraud is a wide-ranging term for theft and fraud committed using a Credit Card or any similar payment mechanism as a fraudulent source of funds in a transaction. ATM frauds and bank card fraudulent activities are increasing resulting in crime rates and affecting the society very badly in the state.

Increased consumer spending ultimately leads to business growth. It serves as an important driving force and facilitator for economic and business growth through capital accumulation, increased consumer spending, enhanced tax revenues, preventing money laundering and black money. Traditionally, Indian business transactions are mostly carried out by using liquid cash. But, with the emergence of information technology, growth of internet, improved payment structure, E-Commerce (Electronic Commerce) and E-Banking development, entry of foreign banks and new generation banks, high level of competition, easy availability of credit, increase in affluence levels and income of middle group, greater amount of consumerism, fast changes with regard to life style etc., the Indian economy witnessed the growth of Plastic Money – credit cards and debit cards – in terms of usage by customers and acceptance by merchant establishments.

In this background, present research aims to understand the Impact of Plastic Money focusing on different dimensions among the selected bank customers. The Impact of Plastic Money on the Bank Customers in Karnataka State tries to make analysis of the Impact from three dimensions viz, economic dimension (financial aspects), socio-cultural dimension and psychological dimensions.

It is observed that very little work is carried out in the area of Credit and Debit cards covering Public and Private sector banks in Karnataka state focusing on the Southern Zone (selected sample area). The present study focuses on to understand
how the Plastic Money affect the life style, standard of living, saving habits, spending trends among the selected bank customers, tries to analyse the impact on the socio – cultural changes, passion towards usage of credit cards, economic influences such as disposal of income by use of Plastic Money, increase in the purchasing power, use of updated technology by bank customers and their influential factors, such as psychological factors which is affecting the healthy relationship between the family members and spouses. It also makes an attempt to make a comparative study between the public and private sector banking services specifically towards credit and Debit Cards.

1.4 Objectives of the Study

The primary objective of the present study is to understand the impact of Plastic Money on the selected bank customers in Karnataka and its effectiveness towards the use and the effective utilization of the services by the selected sample. In this background, objectives of the study are presented as under:

01. To study the impact of Plastic Money, and economic (financial aspects) dimensions with the time duration of holdings; [short, medium and long term];
02. To analyze the level of satisfaction attained by the respondents in their from socio – cultural, psychological transactions with different influential factors affecting them;
03. To identify the critical risks associated with the use of Plastic Money and its implications on the long term usages based on selected sample for the study; and
04. To analyze the service delivery (in terms of value addition) provided by the selected sample banks (Public and Private sector) to its customers.

1.5 Scope of the Study

The present study intends to understand and analyses the current structure of the Plastic Money as well as its impact on three important dimensions covering economic (financial aspects), social – cultural and psychological. The scope of the study covers the factors affecting the passion towards the use of bank cards (Plastic Money) among the selected customers using both debit and credit cards, ATM services provided in selected public and private bank branches in Southern Zone of Karnataka, focusing on Bangalore division with 53 taluks [Bangalore Urban (05), Bangalore Rural (04), Chikkaballapur (06), Chitradurga (06), Davanagere (06), Kolar (05), Ramanagara (04), Shimoga (07), Tumkur (10)]. (Numbers mentioned in the paranthesis indicates the taluks).
For the present study, two Public sector and two Private sector banks are selected based on the number of cards outstanding in issue as well as in their usage in India as per the statistics – December, 2010. (a) State Bank of India (SBI) and (b) Bank of India (BOI) are covered in Public Sector and (a)Industrial Credit and Investment Corporation of India (ICICI Bank) and (b)Housing Development Finance Corporation Limited, (HDFC) Bank are selected in private Sector.

1.6 Hypotheses for the Study

To achieve objectives of the study, the researcher was able to formulate certain hypotheses for the empirical verification of the present study. They are as follows:

H₁: The changes in the duration of holdings of plastic money are significantly influenced by economic (financial aspects), socio – cultural and psychological;

H₂: The intensity of Plastic Money holders’ satisfaction with their transactions is different in terms of aforesaid three dimensions in the study;

H₃: The use of Plastic Money is not risky with the influential factors of socio-cultural, economic, psychological and financial in the selected sample study; and

H₄: The priority and preferences of the plastic money strongly influence the bank customers and the value addition – measured in terms of security features provided on plastic money differs with type of bank.

The above hypotheses are tested with the help of the data obtained from the primary sources applicable for the analysis of the present study.

1.7 Methodology and Sources of Data

The present study is based on systematic investigation and exploration. Accordingly, the use of data has been taken from both primary as well as the secondary data. The relevant reports viz., RBI monthly bulletins, magazines, newspapers, business dailies, books and journals, e – media and other literature available in this field constitute secondary sources for the present study. The survey work was carried out with the help of structured, pre – tested questionnaire for selected Card Holders was used to collect the data from debit and credit card holders located in Bangalore division of Karnataka, selected from public and private sector banks giving equal representation to both the categories
1.8 Sample Design and Framework

As on 11/08/2012, one central bank, 26 nationalized banks, 15 old public sector banks/societies, 08 new private sector banks and 43 foreign banks in India are operating. 30 districts in Karnataka are broadly categorized into four divisions viz., Bangalore Division, Belgaum Division, Gulbarga Division and Mysore Division for Banking purposes. For the purpose of study, Out of 175 taluks of the state, only 53 taluks of Southern Zone are included in the sample covering public and private sector banks.

Figure 1.1
Selected Bank Statistics (March 31, 2013)

Sources: www.rbi.org.in
www.indianbankbranches.com
Note: Numbers mentioned in parenthesis represent No. of selected bank branches

In India, the selected bank branches – public sector (SBI and BOI) and private sector (ICICI and HDFC) are 25,060 whereas the selected bank branches in Karnataka is 809, of which 603 (SBI and BOI) – public sector and 206 (ICICI and HDFC) private sector bank branches. Out of 809 branches, 412 are considered for the study and are shown in figure 1.2.
<table>
<thead>
<tr>
<th>Districts</th>
<th>SBI</th>
<th>BOI</th>
<th>ICICI</th>
<th>HDFC</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangalore Urban (05)</td>
<td>165</td>
<td>35</td>
<td>50</td>
<td>53</td>
<td>303</td>
</tr>
<tr>
<td>Bangalore Rural (04)</td>
<td>21</td>
<td>03</td>
<td>02</td>
<td>08</td>
<td>34</td>
</tr>
<tr>
<td>Chikkaballapur (06)</td>
<td>01</td>
<td>01</td>
<td>18</td>
<td>01</td>
<td>21</td>
</tr>
<tr>
<td>Chitradurga (06)</td>
<td>03</td>
<td>01</td>
<td>02</td>
<td>01</td>
<td>07</td>
</tr>
<tr>
<td>Davanagere (06)</td>
<td>05</td>
<td>01</td>
<td>01</td>
<td>01</td>
<td>08</td>
</tr>
<tr>
<td>Kolar (05)</td>
<td>09</td>
<td>02</td>
<td>01</td>
<td>01</td>
<td>13</td>
</tr>
<tr>
<td>Ramanagar (04)</td>
<td>02</td>
<td>01</td>
<td>01</td>
<td>01</td>
<td>05</td>
</tr>
<tr>
<td>Shimoga (07)</td>
<td>01</td>
<td>06</td>
<td>02</td>
<td>01</td>
<td>10</td>
</tr>
<tr>
<td>Tumkur (10)</td>
<td>10</td>
<td>01</td>
<td>01</td>
<td>01</td>
<td>13</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>222</td>
<td>64</td>
<td>60</td>
<td>66</td>
<td>412</td>
</tr>
</tbody>
</table>

Note: Numbers mentioned in Parenthesis represents the taluks/tashils.
From these selected banks, the sample size of the study covers 600 individual cardholders or Plastic Money holders in selected districts of Karnataka State concentrating on two public sector banks and two private sector banks and these banks are selected based on the top card issues and users in the India as per the statistics provided by the Banks Credit Card Base, April 2011 – 12.

Multi – Stage Sampling was adopted for selection of respondents for the study. In the first stage, the Bank Customers of Karnataka were divided into two groups Public Sector Banks and Private Sector Banks. In the Second stage area wise division is made, where only the Southern zone of Karnataka consisting nine districts including Bangalore Urban and Rural, Chikkaballapur, Chitradurga, Davanagere, Kolar, Ramanagara, Shimoga, and Tumkur were considered for the study and of which 600 customers who possess Plastic Money are selected randomly in each selected districts consisting of only 53 taluks.

1.9 Data Base of the Study

Data pertaining to the study were collected by using the research instrument (Structured Questionnaire) consisted of questions relating to the socio–economic profile of the debit and credit card holders in the selected banks, the factors that motivated the customers to use Plastic Money, the benefits of Plastic Money, problems faced by using the bank cards, level of satisfaction, attitudes, perceptions and misuses attained through operation the banking technology products by taking into consideration three dimensions such as socio – culture, economic (financial aspects) and psychological. The framed research instrument was pre – tested with the help of pilot study and based on their responses the questions were reformulated.

1.10 Statistical Tools and Techniques

To analyze the collected data, various statistical techniques and tools have been used as per the requirement. The information collected was analyzed and presented in a logical way to arrive at meaningful interpretation. This study used suitable statistical tools such as Descriptive statistics, Chi – Square ($X^2$), Correlation and Logistic Regression, Confirmative Factor Analysis, Wilcoxon – Mann Walley Test, T – Test and different tools such as tables, diagrams/graphs are also used to analyze the collected data and to make the presentation more effective.
1.11 Period of the Study

The present study has considered a period of ten years and the relevant data pertaining to the study covers from 2004 to 2013.

1.12 Limitations of the Study

This study provides better insight about the impact of Plastic Money on the Customers of Selected Banks including Public Sector Banks and Private Sector Banks in the Karnataka State covering only the Southern Region. It also provides indications about service threats which are identified in the survey. However, the present work is not free from few limitations. An attempt has been made in the following paragraphs to present the same.

Firstly, the study asked the selected bank customers on some personal financial matters. Bank Customers may not have been honest about their credit card payment practices and usage of Debit Cards. Bank Card holders who feel uncomfortable about financial issues may not have participated, or they may have participated less than candidly, thereby distorting the results. Some customers do not understand the basic rules of their credit cards and Usage of Debit cards. If a customer’s did not understand the meaning of Plastic Money for the purpose of the study, it might have responded appropriately to the items on the survey.

Secondly, the sampling design may have excluded participation by only with the Bank customers with very good, or very bad Plastic Money Users histories. Customers who had experienced severe Debit and credit card trouble may have purposely avoided a setting where prizes for participation were offered. The sample consisted entirely of volunteers, always a limitation in a research design.

Thirdly, this is a self – designed instrument. Although the researcher conducted a pilot study using the instrument, and the researcher found at least one item when administering the survey that was clearly misunderstood by respondents. Despite these limitations, the study provided useful information to academic administrators. Little is known about Bank Customers attitudes, satisfaction, usage pattern, passion towards handling the Banks cards and credit card payment practices. Bankers as an administrators allow Debit and credit card solicitors on their Banks without much thought to the implications of such activities for customers. Perhaps by better
understanding the card holders’ practices of customers, Bankers can make more informed choices when handling the cards.

One more limitation is with related to the primary sources of data collection on which the present study is based on. It is a known fact that primary data has its own limitations. To have accuracy in the data collected, cross checking was carried out. In this way, though inaccuracy in the given data was minimized, the data could not be considered as 100 percent correct. The present study relies only on the information gathered through survey, observation and personal interviews, which may subject to bias.

Again, as with the most empirical studies, the sample size and spectrum of respondents is a limitation. Even though a concerted effort was made to include a range of different individual representing different social groups of Plastic Money users, the sample was limited to certain geographical area in the southern region of Karnataka state. Moreover, the survey is not representative of the whole Karnataka State. The sample was collected only from the selected banks and areas in the southern region, Karnataka. Therefore, caution need to be taken generalizing these research results to users groups in other geographical areas and environment.

Further, the findings and conclusion could only be applicable to similar set of socio – economic situation. These limitations in no way negate the findings of the study and scope for further research.
1.13 Chapter Scheme

The entire research work is presented in the following chapters.

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<th>Chapter</th>
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<td>V</td>
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<td>VI</td>
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<td>VII</td>
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The First Chapter, **Research Design** deals with introduction followed by statement of problem and need for the study, objectives, scope, sample frame work, period of the study, hypotheses, statistical tools and techniques and methodology adopted in the study were included in this chapter.

The second chapter, **Literature Review** provides related studies and researches undertaken in different states and countries across the globe on the Plastic Money. In this section, it helped the researcher to find the research gap, thereby identified the research problem of the present study.

The third chapter, **Plastic Money in India – A Conceptual Framework** makes an attempt to study and understand the concepts of the Plastic Money, its benefits, pros and cons, difference of usages among the customers in the Indian Banking Sector.

The fourth chapter, **A Brief Profile of Selected Sample Banks** provides the details of selected banks (Both Public and Private Sector Banks) in Karnataka. It also provides the Cardholders statistics of State Bank of India, Bank of India, ICICI and HDFC banks in the Karnataka. It attempts to present the review of statistical data pertaining to Plastic Money, (Credit and Debit Cards), analyzing the Banking Development trends in India.

The fifth chapter, **Debit, Credit Cards and ATM Services in Selected Banks** examines the best services provided by both public and private sector to the customer.
and their relationship in handling the banking technology products like Plastic Money in the selected area.

The sixth chapter *The Empirical Evidences and Analysis of the Impact of Plastic Money on Bank Customers in Karnataka* makes an attempt to evaluate the usage, perception and satisfaction of bank transactions through Plastic Money, socio-cultural impact, psychological factors and other economic factors which influence the use of Plastic Money among the selected bank customers in Karnataka State.

The seventh chapter *Summary of Major Findings, Suggestions and Conclusion* presents the major findings of the present study, suggestions offered to Customers and Banks followed by Conclusion.

1.14 Conclusion

To sum up, the beginning chapter entitled *Research Design* provides an insight to the reader about the outline of the research work carried out by the researcher on the selected topic in the selected region of Karnataka state. In this section, it covers an introductory part of the research study covering Indian and Global perspectives. The researcher has identified the research gap after many reviews in the related areas presented the statement of the problem of the study and the need for the study followed by objectives of the study. It also provided the methodology of the study, sample design and the statistical tools and techniques which are applied to prove the formulated hypotheses and data base of the study and tries to identify a few limitations of the study along with chapter scheme of the report at the end of this chapter.